

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 Esken 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*. The *FCA* only approves this document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (the **UK Prospectus Regulation**), 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.esken.com/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 28 July 2021 (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 (together, 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 47 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/or any accompanying documents (in whole or in part) in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or 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 any such jurisdiction. In particular, subject to certain limited exceptions, this document and any accompanying documents should not be distributed, forwarded to or transmitted in or into any of the Excluded Territories or any other jurisdictions where the extension and availability of the Capital Raise would breach any applicable law.



Esken Limited

(a limited liability company incorporated and registered under the laws of Guernsey with registered number 39117)

Placing and Open Offer of 78,865,765 New Shares and Firm Placing of 313,991,377 New Shares, both at 14 pence per New Share

**Recommended Investment by
Carlyle Global Infrastructure Opportunity Fund, L.P. into
London Southend Airport Company Limited**

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 11.00 a.m. on 17 August 2021 (the **General Meeting**), is set out at the end of this document. Considering the continued unpredictability of UK Government guidance due to COVID-19, the General Meeting will be held in the first instance as a hybrid meeting which will enable Shareholders to participate and attend electronically in the safest manner possible, without leaving their homes. Shareholders may attend the meeting electronically by accessing the Lumi AGM website at <https://web.lumiagm.com> and will be permitted to ask questions and vote by these means. 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 11.00 a.m. on 13 August 2021 (or, in the case of an adjournment, not later than 48 hours (excluding non-business days) before the time fixed for the holding of the adjourned meeting). To vote by submitting a proxy 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 by proxy immediately.

Instead of voting online, you may request a hard copy form of proxy directly from the Company's Registrar, Link Group, by email at enquiries@linkgroup.co.uk, or you may call Link 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. 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 Link Group, PXS 1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by not later than 11.00 a.m. on 13 August 2021 (or, in the case of an adjournment, not later than 48 hours (excluding non-business days) 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 11.00 a.m. on 13 August 2021 (or, in the case of an adjournment, not later than 48 hours (excluding non-business days) 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 in advance of the meeting or by the electronic meeting facilities. As Shareholders may not attend the General Meeting in person, the Board strongly encourages Shareholders to appoint the Chair 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.

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 26 August 2021.

Your attention is drawn to the letter from the Executive Chairman of Esken which is set out in Part I—Letter from the Executive Chairman of Esken Limited of this document, which contains the unanimous recommendation of the Board that you vote in favour of the Resolutions to be proposed at the General Meeting. Your attention is also drawn to Part III—Terms and conditions of the Capital Raise and Part IV—Summary of the Key Terms relating to the Investment, which set out, respectively, the terms and conditions of the Capital Raise and Investment (together, the “Transaction”) and 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 Transaction, and by others when deciding whether or not to purchase New Shares in the

Capital Raise. 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 and regulated by the Financial Market Supervisory Authority in Switzerland. It is authorised by the Prudential Regulation Authority (**PRA**) and subject to regulation by the FCA and limited regulation by the PRA in the United Kingdom. The Underwriters are acting exclusively for the Company and are acting for no one else in connection with the Transaction and will not regard any other person as a client in relation to the Transaction 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 Transaction 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 Transaction. 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 16 August 2021. 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 29 July 2021.

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 New Shares, Open Offer Entitlements and Excess Open Offer Entitlements are being offered outside the United States in reliance on Regulation S under the United States Securities Act of 1933, as amended (the **Securities Act**) (**Regulation S**). 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

Subject to certain limited exceptions, this document does not constitute an offer of New Shares to any person with a registered address, or who is located, in 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 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 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 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.

The New Shares may not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) of Hong Kong (the **SFO**) and any rules made under the SFO; or (ii) in other circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong) of Hong Kong (the **C(WUMPO)**) or an invitation to induce an offer by the public to subscribe for or purchase any shares and which do not result in this document being a “prospectus” as defined in the C(WUMPO).

No advertisement, invitation or document relating to the New Shares or this document may be issued or may be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the C(WUMP)O and the SFO) other than with respect to the New Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO or in other circumstances which do not constitute an offer or invitation to the public within the meaning of the C(WUMP)O. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document you should obtain independent professional advice.

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 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, Open Offer Entitlements or Excess Open Offer Entitlements 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 XIII—Definitions and Glossary.

Information to distributors

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK Product Governance Requirements**), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the UK 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 the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the **Target Market Assessment**). Notwithstanding the Target Market Assessment, distributors (for the purposes of the UK Product Governance Requirements) 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 Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; 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.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the New Shares and determining appropriate distribution channels.

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 about the Capital Raise, this document or the General Meeting or on the completion and return of the Form of Proxy, please call the Shareholder Helpline between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays) on 0371 664 0321 (from within the UK) or +44 (0) 371 664 0321 (from outside the UK, international rates apply). Please note that calls may be monitored or recorded and the Shareholder Helpline cannot provide financial, legal or tax advice or advice on the merits of the Transaction.

This document is dated 28 July 2021.

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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 GG00BP0TT372

Excess Open Offer Entitlements: ISIN code GG00BP0TT489

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

The Company's legal name is Esken Limited (the **Company**). The commercial name is "Esken". 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. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (the **UK Prospectus Regulation**), and such approval should not be considered as an endorsement of the issuer that is, or of the quality of the securities that are, the subject of this Prospectus.

Investors should make their own assessment as to the suitability of investing in the New Shares.

A.1.4 *Date of approval of the prospectus*

This document was approved on 28 July 2021.

A.1.5 *Warning*

This summary has been prepared in accordance with Article 7 of the UK Prospectus Regulation and should be read as an introduction to 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.

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 and then to Esken Limited on 3 February 2021. Its LEI number is 213800BINQVRZFKA3E89.

B.1.2 *Principal activities*

Esken is a UK infrastructure group with operations across the United Kingdom in the aviation and biomass energy industries, with a strategy to develop valuable growth assets from aviation and energy from waste. The Group's operations are organised principally across two core operating divisions, together with a portfolio of non-core assets. The Group's core operating divisions are Stobart Aviation and Stobart Energy, and the Group's non-core operating divisions are Stobart Investments and Stobart Infrastructure. The Group divested Stobart Rail & Civils, previously a non-core operating division, in July 2020, and in June 2021 Stobart Air entered liquidation. The Group continues to explore opportunities to exit its remaining non-core operating divisions as market conditions for asset sales improve.

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 23 July 2021, being the latest practicable date prior to the publication of this document (the **Latest Practicable Date**), are as follows:

Name	Shares	
	No.	%
Toscafund	180,835,223	28.66
Strategic Value Partners	57,991,789	9.19
Harwood Capital Mgt Group	55,000,000	8.72
Invesco	41,778,906	6.62
Mr Richard Griffiths	28,314,347	4.49
Royal London Mutual Assurance Society	26,882,032	4.26
Hargreaves Lansdown PLC	22,816,784	3.62
Mr Allan W Jenkinson	19,549,647	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 the Latest Practicable Date and the completion of the Capital Raise), will be as follows:

Name	Shares	
	No.	%
Toscafund	285,077,384	27.80
Strategic Value Partners	94,101,387	9.18
Harwood Capital Mgt Group	90,845,210	8.86
Schroders Investment Management	56,371,707	5.50
Cyrus Capital	52,727,627	5.14
Invesco	47,001,269	4.58
Royal London Mutual Assurance Society	40,093,052	3.91
Mr Richard Griffiths	31,853,640	3.11

B.1.4 Key managing directors

David Shearer is the Executive Chairman 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 28 February 2021 (**FY21**) and the audited consolidated financial statements of the Company as of and for the year ended 29 February 2020 (**FY20**), each as incorporated by reference into this document. The comparative figures (FY20) included in the consolidated income statement of the FY21 Financial Statements have been restated due to a change in revenue recognition under IFRS 15. The Group's audited consolidated FY20 Financial Statements have not been restated or reissued.

The Company's auditor has included a paragraph in the independent auditor's reports in respect of the FY20 Financial Statements and the FY21 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 28 February 2021	Year ended 29 February 2020 (restated) ⁽¹⁾	Year ended 29 February 2020	Year ended 28 February 2019
	(£'000)			
Continuing Operations				
Revenue	110,724	142,098	170,175	146,889
Other income	5,798	4,700	4,700	1,310
Operating expenses—other	(134,263)	(142,943)	(178,288)	(152,766)
Share of post-tax profits of associates and joint ventures	(218)	(9,765)	(9,765)	(1,740)
Gain/(loss) on swaps	80	(300)	(300)	(353)
Adjusted EBITDA⁽²⁾	(17,879)	(6,210)	(13,478)	(6,660)
Depreciation	(31,814)	(20,024)	(22,723)	(16,305)
Amortisation	—	(7,456)	(7,456)	(3,938)
Loss on acquisition	(58,182)	—	—	—
Impairment—other	(22,097)	(48,330)	(56,804)	(7,800)
Impairment—loan receivables from joint venture	—	(45,105)	(45,105)	—
Operating loss	(129,972)	(127,125)	(145,566)	(34,703)
Impairment of loan notes	(8,000)	(2,754)	(2,754)	(3,208)
Finance costs	(17,214)	(14,453)	(14,017)	(5,213)
Finance income	4,849	4,917	4,353	1,010
Loss before tax	(150,337)	(139,415)	(157,984)	(42,114)
Tax	7,083	8,390	8,390	(530)
Loss for the year from continuing operations⁽³⁾	<u>(143,254)</u>	<u>(131,025)</u>	<u>(149,594)</u>	<u>(42,644)</u>

Notes:

- (1) The comparative results for the year ended 29 February 2020 included in the consolidated income statement of the FY21 Financial Statements have been restated where required due to IFRS 5 Discontinued Operations in connection with the preparation of the FY21 Financial Statements. Refer to note 5 of the FY21 Financial Statements for more details. The Group's audited consolidated FY20 Financial Statements have not been restated or reissued.
- (2) Adjusted EBITDA represents (loss)/profit for the year from continuing operations before the impact of depreciation, amortisation, impairments, finance costs (net) and tax. Adjusted EBITDA is referred to as EBITDA in the FY20 Financial Statements and FY21 Financial Statements.
- (3) For the avoidance of doubt, the results of Stobart Air are included in the Group's continuing operations for FY19, FY20 and FY21 as the decision to liquidate Stobart Air did not take place until after the end of FY21.

The following table sets out the Group's Adjusted EBITDA for the periods indicated.

	Year ended 28 February 2021	Year ended 29 February 2020 (restated) ⁽¹⁾	Year ended 29 February 2020	Year ended 28 February 2019
	(£'000)			
Loss for the year from continuing operations	(143,254)	(131,025)	(149,594)	(42,644)
Adjusted EBITDA ⁽²⁾	(17,879)	(6,210)	(13,478)	(6,660)

Notes:

- (1) The comparative results for the year ended 29 February 2020 included in the consolidated income statement of the FY21 Financial Statements have been restated where required due to IFRS 5 Discontinued Operations in connection with the preparation of the FY21 Financial Statements. Refer to note 5 of the FY21 Financial Statements for more details. The Group's audited consolidated FY20 Financial Statements have not been restated or reissued.
- (2) Adjusted EBITDA represents (loss)/profit for the year from continuing operations before the impact of depreciation, amortisation, impairments, finance costs (net) and tax. Adjusted EBITDA is referred to as EBITDA in the FY19 Financial Statements and FY20 Financial Statements.

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

	As at 28 February 2021	As at 29 February 2020	As at 28 February 2019
		(£'000)	
Non-current assets	369,373	388,866	467,416
Current assets	55,444	75,270	79,736
Non-current liabilities	(172,600)	(221,979)	(137,722)
Current liabilities	(203,904)	(139,059)	(112,476)
Net assets	48,313	103,098	296,954

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

	As at 28 February 2021	As at 29 February 2020	As at 28 February 2019
		(£'000)	
Net cash outflow from operating activities	(29,443)	(22,221)	(12,796)
Net cash (outflow)/inflow from investing activities	4,979	(9,751)	9,863
Net cash inflow/(outflow) from financing activities	27,070	27,342	25,743
(Decrease)/increase in cash and cash equivalents	2,606	(4,630)	(28,676)
Cash and cash equivalents at the beginning of the year	9,802	14,432	43,108
Cash and cash equivalents at the end of the year	12,408	9,802	14,432

The tables below set out the Borrower Group's summary financial information for the periods indicated and has been extracted without material adjustment from the consolidation schedules used in preparing the Group's audited consolidated financial statements for FY21, FY20 and FY19. It represents the historical financial information of London Southend Airport Company Limited, Thames Gateway Airport Limited, Stobart Solar Limited and Stobart Jet Centre Limited on a combined basis net of intra-group eliminations for the Borrower Group.

The historical financial information of the Borrower Group does not include acquisition fair value adjustment net of depreciation and unrealised profit on construction of land and buildings of £24.8 million and the corresponding deferred tax liability of £20.0 million as at 28 February 2021, recorded in the Group's consolidated financial statements.

Summary unaudited income statement of the Borrower Group

	2021 (£'000)	2020 (£'000)	2019 (£'000)
Revenue	15,569	43,755	33,559
Operating profit / (loss)	(13,062)	(6,129)	(4,886)
Finance income	—	—	—
Finance costs	(1,099)	(1,123)	(219)
Profit / (loss) before tax	(14,161)	(7,252)	(5,105)

Notes:

- (1) The income statements presented above are unaudited.
- (2) The income statements above do not include an allocation of tax as it is not possible to provide a meaningful allocation to the Borrower Group.

Summary unaudited statement of net assets/(liabilities) of the Borrower Group

	As at 28 February 2021
	(£'000)
Non-current assets	158,334
Current assets	3,906
Current liabilities	(213,466)
Non-current liabilities	(29,651)
Net liabilities	(80,877)

Notes:

- (1) The net asset statement presented above is unaudited.
- (2) The net asset statement above does not include the final tax assets or liabilities as it is not possible to provide a meaningful allocation to the Borrower Group.

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

If the Transaction does not complete, the Group may not have sufficient funds to meet its working capital requirements and liabilities as they fall due.

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.

Certain covenants and reserved matters may adversely impact the ability of the Borrower Group and the Group to undertake certain material activities relating to the business of the Borrower Group.

The benefits of the Transaction may take longer than expected to be realised or may not be realised at all.

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 78,865,765 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 313,991,377 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 1 New Share for every 8 existing ordinary shares 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 B03HDJ7 and trade under the symbol "ESKN".

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 £63,092,612.30, comprised of 630,926,123 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 £102,533,674, comprising 1,025,336,741 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 Amended Facility Agreement, the Company is restricted from paying or declaring dividends whilst the New Facility remains in place. Dividends from the Borrower Group to the Wider Group are subject to certain restrictions under the terms of the Investment and are not expected to be paid for a number of years.

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 30.8 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 the Latest Practicable Date and the issuance of New Shares). Shareholders who do not, or are not permitted to, acquire the New Shares will be diluted by 38.5 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 26 August 2021.

The Company is proposing to raise up to approximately £50.6 million (net of estimated commissions, fees and expenses) by the issue of up to 392,857,142 New Shares at 14 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 37.1 per cent. discount to the closing price of 22.25 pence per Share on 27 July 2021, being the last closing price prior to the announcement of the Capital Raise.

Certain of the Directors and members of the Management Board have subscribed for, in aggregate, 1,553,476 Shares at the Offer Price by way of direct subscription letter with the Company.

The Open Offer is an opportunity for Qualifying Shareholders to apply for in aggregate 78,865,765 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: 1 Open Offer Share at 14 pence each for every 8 Existing Shares 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 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. 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 26 August 2021 (or such later time or date as the Company and the Joint Global Co-ordinators may agree).

D.2 Why is this document being produced?

The purpose of this document is to explain the background to, and reasons for, the Transaction and to set out the key terms relating to the Investment and the terms and conditions of the Capital Raise. The Board believes the Transaction 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 Transaction is expected to raise approximately £170.6 million in net proceeds (net of estimated commissions, fees and expenses), including approximately £120 million in net proceeds expected to be raised through the Investment (£125 million in gross proceeds) and approximately £50.6 million in net proceeds expected to be raised through the Capital Raise (£55.0 million in gross proceeds). The total costs, charges and expenses payable by the Company in connection with the Transaction are estimated to be approximately £17.4 million (inclusive of VAT). No expenses will be charged by the Company to the purchasers of the New Shares.

RISK FACTORS

The Transaction and any investment in the New Shares, including as part of the Capital Raise, 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, an investment in the New Shares and the Investment. The Group's businesses, operating results, financial condition and prospects could be materially and adversely affected by any of the risks described below.

Prospective investors should note that the risks relating to the Group, its industry, the New Shares and the Transaction, 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 or to approve the Transaction. 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 or approving the Transaction 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 Transaction does not complete, the Group may not have sufficient funds to meet its working capital requirements and liabilities as they fall due.*

The Directors believe that successful completion of the Transaction, along with the entry into the Amended Facility Agreement for the New Facility, is required to fund the Group's short-term working capital requirements, allow the Group to refinance the Existing Facility, resolve the specific uncertainties in respect of securing the necessary funds to survive the short-term difficulties through the ongoing COVID-19 crisis, and position the Group to deliver its medium-term growth strategies.

The Group has obtained a deferral of financial covenant testing from its lending banks under the Existing Facility Agreement from May 2021 to 31 August 2021. Facility A is fully drawn down at £80 million. Drawdowns under Facility B during July and August 2021 are subject to meeting certain conditions, including the Company's ability to successfully complete the Transaction on or prior to 31 August 2021 (the **Draw-Stop Date**). The Group has satisfied these conditions to date and has drawn down £28 million of the £40 million available under Facility B as at the Latest Practicable Date in order to provide working capital for the Group and to maintain cash headroom up to 28 July 2021 and expects to draw down up to £33 million in aggregate under Facility B by the Draw-Stop Date.

Accordingly, if the Transaction fails to complete, the Existing Lenders have no obligation to fund any further drawings and there can be no guarantee that the lending banks will consent to allow further drawdowns under Facility B beyond the Draw-Stop Date. If they do so consent, any further access to drawings under Facility B is expected to be conditional upon the Group seeking to market and dispose of all or part of the business of the Group on an accelerated basis. The New Facility is conditional on completion of the Transaction and the repayment by the Company of all outstanding amounts under the Existing Facility.

The Company's auditor has included a paragraph in the independent auditor's reports in respect of the FY20 Financial Statements and the FY21 Financial Statements stating that there is material uncertainty in respect of the Company's ability to continue as a going concern. The COVID-19

pandemic has continued to significantly impact the Group's revenue and costs in FY21 and the first five months of FY22, in particular in the Stobart Aviation business. The COVID-19 pandemic is expected to continue to significantly impact the Group given the current restrictions and limitations on both domestic and international air travel. Since the start of the COVID-19 pandemic, 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 business critical, including being required to meet regulatory requirements, and has deferred all discretionary spend.
- The Group utilised the UK Government's Job Retention Scheme and initially put approximately 57 per cent. of the Group's more than 1,550 employees on furlough at its highest in April 2020. Approximately 243 of its employees remain on furlough or part time furlough (out of a total number of employees of the Group of 931 as at June 2021).
- The Group has reduced employee numbers from 1,482 as at February 2020 to 931 as at June 2021.
- The Directors and members of the Management Board agreed to 20 per cent. pay reductions and all other non-furloughed management accepted 10 per cent. pay reductions for six months during 2020.
- A recruitment freeze was put in place in early March 2020 and all variable pay awards were deferred during FY21. No annual bonus scheme has yet been put in place for FY22 other than for Stobart Energy.
- The Group has utilised a number of measures made available by the UK Government to help conserve cash.

If the Capital Raise is not completed by 31 August 2021, the Amended Facility Agreement will not become effective and the lending banks may choose to no longer provide financial covenant waivers or deferrals under the Existing Facility and may not provide consent to the Company drawing down further funds under Facility B prior to or beyond the Draw-Stop Date. This would likely result in a situation where the Company may have no further access to funds under the Existing Facility beyond the Draw-Stop Date such that it is unable to meet its liabilities as they fall due, and, in respect of the financial covenants, an event of default would immediately occur on 31 August 2021 following which the lending banks would be entitled to demand immediate repayment of all outstanding amounts under the Existing Facility Agreement (which as at the Latest Practicable Date are £108 million and is anticipated to total £113 million by 31 August 2021). Unless the Group is able to agree short-term relief with the lending banks and certain of its other stakeholders in order to explore alternative funding options to refinance the Existing Facility, or to dispose of all or part of the business of the Group in order to generate sufficient funds to repay the Existing Facility, the Company does not expect that the Group would be able to obtain the funds necessary to pay all due amounts under the Existing Facility, and enforcement of the security granted in favour of the lending banks, together with 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 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 Transaction does not successfully complete.

Consequently, if (i) the Transaction does not successfully complete and (ii) the Effective Date does not occur in respect of the Amended Facility Agreement, in each case by the Draw-Stop Date (or such later date as agreed with the lending banks including the provision of further funding under Facility B), the Directors expect that Administration (or equivalent local law procedures) of the Company and of certain key trading companies in the Group and enforcement of the transaction security granted in favour of the Existing Lenders would be reasonably likely shortly thereafter. Shareholders would likely lose all or a substantial part of their investment in the Company as a result.

See also the section below titled "*Risks relating to the Transaction not proceeding*".

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.

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 the imposition of curfews or other social distancing measures.

Stobart Aviation, which generated revenue of £24.6 million (including £0.1 million of intercompany revenue) in FY21, 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 daily aircraft movements (i.e. landings or take-offs per day) fell from approximately 50 to fewer than 10 per day in the same period. Passenger numbers have improved to an average of 277 per day over the course of July 2021 and aircraft movements (primarily relating to logistics) have started to recover at an average of ten per day in the same period. Although the Group expects this recovery to continue gradually until the end of February 2022 under a 'reasonable worst case scenario', the speed of this recovery may be negatively impacted by factors outside the Group's control, such as changes to international or regional travel advice on short notice or the imposition of required quarantine periods for travellers into the United Kingdom and other European countries. For example, the so-called "traffic light" system currently in force in the United Kingdom has created uncertainty amongst passengers, which has negatively impacted passenger numbers. 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.

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, as well as to the liquidation of Stobart Air in June 2021.

In the Stobart Energy operating division, which generated revenue of £75.0 million in FY21, the UK national lockdown announced on 23 March 2020 in response to the COVID-19 pandemic led to a significant slowdown in construction activity, a 75 per cent. decrease in commercial and industrial waste arising year-on-year and the temporary closure of household waste and recycling centres at the start of FY21. The Group's inbound waste wood supply therefore decreased as much as 80 per cent. year-on-year. 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 during the United Kingdom's first lockdown in response to COVID-19 negatively impacted gate fee pricing and required the Group to import waste wood from Europe. Although supply of waste wood has improved considerably since the time of the first lockdown and as a result gate fees are steadily returning toward pre-COVID-19 levels, any further impacts to the Group's waste wood supply as a result of the COVID-19 pandemic may result in an inability of the Group to fulfil its requirements under its supply agreements with its biomass energy plant customers on commercially acceptable terms or at all. 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 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 put approximately 57 per cent. of its employees on furlough (at its highest in April 2020) to minimise cash burn and approximately 26 per cent. of its employees remain on furlough (out of a total number of employees of the Group of 931 as at June 2021). The COVID-19 pandemic has also had 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) and the duration of their use 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 many of 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. The Group's full year FY22 performance may be disproportionately impacted as the Group's peak summer months, particularly for Stobart Aviation, may be negatively affected by COVID-19 pandemic-related uncertainty and restrictions for a second year. 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 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 FY21, the Group derived 94.4 per cent. of its revenue from the United Kingdom and the Directors 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 (Ryanair and Wizz Air) accounted for approximately 60 per cent. of London Southend Airport's passenger traffic in FY21, and its only global

logistics customer currently accounts for a substantial portion of its revenue. Stobart Energy's seven largest biomass energy plant customers accounted for approximately 72.2 per cent. of the tonnage supplied by the Group in FY21. 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. For instance, easyJet, the Group's largest airline customer, announced in August 2020 the closure of its bases at London Southend Airport and two further airports as part of a wider cost-cutting exercise in response to the impact of COVID-19 on air travel.

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, in FY20 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. In FY21, a £3.5 million settlement was agreed under the "take or pay" provisions of the fuel supply agreement with the owner of that plant.

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 continuing 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 having withdrawn from membership of the European Union on 31 January 2020.

Although the United Kingdom entered into a trade and cooperation agreement with the European Union on 24 December 2020 that provides for, among other things, the free movement of goods between the United Kingdom and the European Union, continued legal uncertainty and potentially divergent national laws and regulations may adversely affect economic or market conditions in the United Kingdom, Europe or globally, which could negatively impact business and consumer confidence in the United Kingdom, and which could lead to reduced levels of travel, and leisure travel in particular. As almost all of the Group's operations are located in the United Kingdom, any impact on the broader economic environment in the United Kingdom as a result of Brexit could have a disproportionate impact on the Group.

Further, to the extent that Brexit decreases the value of the British pound against the euro, travel from the United Kingdom to Europe would become more expensive. Moreover, 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, which may be exacerbated in the context of weakening economic conditions caused by the COVID-19 pandemic.

In addition, the continued uncertainty and potentially divergent national laws and regulations post-Brexit have the potential to impact the Group's operations, including operational and commercial challenges for airports. Any future restrictions on the import of raw materials could also impact 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.

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 Logistics Development Group plc (formerly Eddie Stobart Logistics plc) (**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 property lease guarantees as at 28 February 2021 was approximately £54.9 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 £4.6 million, which is the annual rent and rates liability if all the properties covered by the guarantee were to become and remain vacant.

- Although the Group announced the liquidation of Stobart Air on 12 June 2021, it remains a guarantor in relation to a number of different potential exposures for Stobart Air and Propius. Both businesses were acquired from the administrators of Connect Airways in April 2020 following the failure of Flybe.

The potential liabilities include:

- ATR aircraft leases, which, following exercise of the early termination option notice of which was served on 27 July 2021, run to April 2023, with a maximum commitment of approximately £59.2 million, including lease payments, maintenance costs, break fees and associated break fee finance costs, to be paid to GOAL, following which the aircraft leases and parent company guarantees will expire and Propius will become dormant; and
- a facility provided by Aer Lingus, under which Stobart Air, until its liquidation, received 100 per cent. of ticket revenue in advance of passenger flights, the repayment of which if flights do not take place was guaranteed up to maximum of €18 million. Following the termination of the franchise agreement in June 2021, the Group settled amounts outstanding in relation to unflown ticket revenues for €6 million and expects to make a further payment of between €1 million and €2 million to Aer Lingus in connection with the termination of such facility.

Although the Group has announced its intention to seek sublease arrangements for the aircraft with alternative operators as soon as practicable to mitigate the impact on the Group, there can be no assurance a sublease opportunity will be available on acceptable terms or at all.

- 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 UK national lockdown announced on 23 March 2020 in response to the COVID-19 pandemic initially resulted in the closure of household waste and recycling centres operated by local authorities and of the construction and demolition sectors. Without these key sources of supply, the Group's inbound waste wood supply decreased as much as 80 per cent. year-on-year and Stobart Energy entered FY21 at its lowest level of gate fees in recent years. Although gate fees are steadily returning toward pre-COVID-19 levels as a result of improving supply of waste wood, 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. For further detail, please see the risk factors 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*" and "*The Group's businesses are subject to seasonality*".

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 lieu of travel. 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 develop or 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 is 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 likely to be affected for a second year.

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 faces risks related to the impact of climate change.

The impact of climate change could have an adverse impact on the Group's business.

For example, if climate change results in more volatile weather, such as a greater frequency and intensity of storms, this could disrupt the operation of London Southend Airport by reducing airport capacity and/or affecting the ability of passengers and/or employees to access the airport and any facilities associated with or required in connection with the operation and management of the airport.

Such volatile weather events could also impact the supply and distribution of waste wood across the United Kingdom or could impact the operations of the biomass energy plants supplied by the Stobart Energy operating division.

In addition, in respect of the Stobart Aviation business, passenger attitudes to environmental and climate issues may change and this may lead to a reduced demand for air travel or reputational consequences. The UK Government could also increase the regulatory burden on London Southend Airport in response to issues relating to climate change.

These impacts of climate change could damage the Group's reputation, decrease the value of its assets and businesses, or otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

13. *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.

14. *Following completion of the Transaction, the Group will be exposed to risks related to the New Facility.*

Under the terms of the Amended Facility Agreement in respect of the New Facility, the Wider Group is subject to certain financial and operational covenants, the effects of which could restrict the Wider Group's ability to incur additional indebtedness and/or grow its business. In addition, under the terms of the Amended Facility Agreement, the Company is restricted from paying or declaring dividends whilst the New Facility remains in place and, to the extent that the New Facility has not been refinanced by 1 January 2022, increased fees will become payable by the Company in respect of the New Facility.

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 Transaction and availability of the New Facility, 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 Amended Facility Agreement could result in a default thereunder which would permit the acceleration of the maturity of the indebtedness thereunder, cancellation of the New Facility and, if the Group is unable to refinance the New Facility at that time on acceptable terms, would have a material adverse effect on the Wider Group's business, financial condition and results of operations.

In addition, the Group will need to refinance the New Facility prior to its termination on the New Facility Termination Date. Whilst the Directors believe that the Group will be able to refinance the New Facility prior to this date with a new working capital facility and the statements in this risk factor do not qualify the opinion of the Company that, taking into account the net proceeds of the Transaction and availability of the New Facility, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document, 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 procuring investments into parts of the business, together with a smaller debt facility than that provided under the Amended 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 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, London Southend Airport will not be subject to economic regulation by the CAA unless it 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 London Southend Airport satisfies 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 GDPR as it forms part of the law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 and relevant statutory instruments (**UK 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 were heard in the Upper Tribunal (Lands Chamber) in October 2020. The aggregate amount claimed by the claimants was approximately £9 million. However, the Lands Tribunal have found in favour of the claimants to an extent which would lead to the Company making payments in an amount of approximately £1.2 million, plus certain costs of the claimants which are yet to be assessed. The Group has agreed to make a payment of £500,000 on account of such costs. On 10 July 2021, the Upper Tribunal (Lands Chamber) refused the claimants' application for permission to appeal its decision. The claimants may apply to the Court of Appeal for permission to appeal, which must be filed within 28 days of the 10 July 2021 decision of the Upper Tribunal (Lands Chamber).

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. A number of these actions have either run their course in the courts or been the subject of an agreed confidential settlement. As at the date of this document, there remain three outstanding matters relating to Mr Tinkler:

- (a) firstly, 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. It is expected that a trial in relation to this matter will take place in January 2022;
- (b) secondly, on 17 November 2020, Mr Tinkler served proceedings against the Company seeking to set aside the judgment of HHJ Russen QC dated 15 February 2019 for fraud by the Company; and
- (c) thirdly, on 19 November 2020, Mr Tinkler served further proceedings against the Company, Mr Ian Soanes, Mr Warwick Brady (a former Chief Executive Officer of the Company) and Mr Iain Ferguson (a former Chairman of the Company) alleging an unlawful means of conspiracy against him.

This third claim has been stayed pending resolution of the claim to set aside the judgment. A trial in regard to the claim to set aside the judgment has been listed in a trial window in February 2022. The Company believes these allegations are entirely without merit and will be vigorously defended.

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, 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 the ongoing disputes. 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 approximately £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 28 February 2021 of £2.7 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. As a UK tax resident group, the Group may be exposed to changes in tax policy in the United Kingdom and HMRC practices in relation to the position the Group has taken or intends to take.

Any 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 would impact upon the Group's tax charges or reporting obligations.

The Group typically takes external tax advice in relation to the tax filings it makes and the interactions it has with HMRC. Whilst the Group has some legacy HMRC enquiries, these are being worked through with HMRC and the Directors believe the Board have made several prudent assumptions and provisions within the accounts in relation to these matters as at 28 February 2021. This includes considering any associated interest and penalties.

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 centre. 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 13 airlines at London Stansted, London Southend and Manchester 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:

- the constraints in the Loan Agreement and the Reserved Matters in the Shareholders' Agreement requiring the input and consent of the Lender or CGI Shareholder (as applicable) in certain circumstances to implement certain actions in respect of the Borrower Group;
- 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 UK national lockdown announced on 23 March 2020 in response to the COVID-19 pandemic initially resulted in the closure of household waste and recycling centres operated by local authorities and of the construction and demolition sectors. 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 at normal volumes, which had an impact on the Group's profitability and cash flow.

Although supply of waste wood has improved considerably since the time of the first lockdown and as a result gate fees are steadily returning toward pre-COVID-19 levels, 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.

Additionally, 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 not only being able to satisfy the Group's requirements in relation to quantity and quality, but also on its suppliers' ability to timely meet the Group's delivery requirements. 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 the Capital Raise and investment in Shares

26. 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 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 16 August 2021, 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.

27. 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.

28. 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 the Transaction, 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.

29. 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 26 August 2021 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.

30. 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.

31. *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.

32. *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.

33. *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.

34. *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 Amended Facility Agreement, the Company is restricted from paying or declaring dividends whilst the New Facility remains in place. The terms of the Loan Agreement also restrict and/or prohibit the payment of dividends from the Borrower Group to the Wider Group in certain circumstances. It is not expected that the Borrower Group will be in a financial position to pay dividends to the Wider Group for a number of years.

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.

35. *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 will not be permitted to participate in the Capital Raise. 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.

Risks relating to the Investment

36. Closing of the Investment is subject to a number of conditions.

Closing of the Investment is subject to the approval (by ordinary resolution) of the Shareholders (the **Investment Resolution**) and the satisfaction (or waiver, where applicable) of a number of conditions on or before 30 September 2021 or such later date as Esken and the Lender agree, including among others:

- the raising of committed funding of at least £60 million by Esken of which at least £40 million is by way of the issue of Shares (which requirement will be met by the net proceeds from the Capital Raise if it is concluded) and not more than £20 million is by way of committed working capital facility (which requirement will be met by the availability of the New Facility should it be concluded);
- corporation authorisations, including the passing of the Investment Resolution;
- the delivery of certain legal opinions confirming the validity and enforceability of the Loan and its associated security and certain other matters to the Lender;
- completion of a corporate reorganisation so as to form the Borrower Group within the Wider Group, below Stobart Aviation; and
- the first ranking security over the assets of the Borrower Group which supports the existing banking arrangements for the Group being released so that first-ranking security over the assets of the Borrower Group can be granted to the secured creditors of the Borrower Group (principally being the Lender as lender under the Loan Agreement and to Stobart Aviation which is to provide the Pari Passu Loan).

There can be no assurance that these conditions will be satisfied and, accordingly, that Closing will take place. If Closing does not take place, any of the risks and uncertainties set out in these Risk Factors may adversely affect the Group's business, results of operations and financial condition.

37. Certain covenants may adversely impact the ability of the Borrower Group and the Group to undertake certain material activities relating to the business of the Borrower Group.

The Borrower Group will be subject to covenants under the Loan Agreement and the Shareholders' Agreement contains reserved matters. These will have an impact on both the Borrower Group and the Group.

Although the Group will continue to control the Borrower Group and have the most significant influence over its operations, it will have to take into account the views and/or influence of the Lender/ CGI Shareholder (as relevant), and, following the occurrence of certain insolvency events in relation to the Company and certain members of the Group, the Lender/CGI shall have the right to appoint a majority of the board of the Borrower and will therefore have control over the Borrower Group until such time as the insolvency event ceases to continue or there is a change of control such that the Borrower is no longer owned or controlled by an entity subject to an insolvency event. The Group may be unable to undertake certain activities because of the covenants and/or reserved matters, or it may experience delays in undertaking activities due to the time taken or conditions imposed to obtain the necessary consent from CGI. The Group may have disagreements with CGI that could impact the business and take up management time and funds notwithstanding that the Group has ultimate control over the business plan and budgets of the Borrower Group. CGI may have economic or business interests or goals that are inconsistent with those of the Group, or may experience financial, operational or other difficulties, either of which may adversely affect the success of the Borrower Group.

Under the Loan Agreement, the Borrower Group will be subject to a number of covenants, a breach of which may result in an event of default, and which limit the flexibility of the Borrower Group to make material changes to the business of the Borrower Group, including but not limited to:

- requiring the Borrower Group to apply available cash flow to service its debt obligations thereby restricting the Borrower Group's ability to pay dividends and distributions to Stobart Aviation;
- limiting the Borrower Group's ability to borrow additional funds or raise capital in the future;
- limiting the Borrower Group's flexibility to enter into transactions with the Wider Group;
- requiring the Borrower Group to maintain a level of liquidity before payments of dividends and distributions can be made to Stobart Aviation; and
- limiting the Borrower Group's flexibility in planning for, or reacting to, changes in its business and the markets in which it operates, for example, with respect to making acquisitions or disposals of assets beyond the parameters of the agreed permissions or where it seeks to incur capital expenditure or operating expenditure which is not consistent with its business plan.

The Borrower Group will therefore be subject to covenants which may restrict its ability to assist or facilitate the Group in implementing its strategic priorities or in reacting effectively to changes in consumer demand or to increased competition. Any inability to exploit commercial opportunities as a result of such covenants may have a material adverse effect on the Borrower Group and/or the Group and as a result of this, the Group may be placed at a competitive disadvantage compared to competitors which have less debt and may be or become more vulnerable to general adverse economic and industry conditions.

Under the Loan Agreement, there are certain underperformance trigger events which will occur if passenger numbers at London Southend Airport or the EBITDA of the Borrower Group fall below specified thresholds. Upon the occurrence of an underperformance trigger event, the Borrower shall have a specified period of time within which to cure the underperformance trigger event. If the underperformance trigger event is not cured within the cure period, the Borrower Group shall become subject to additional constraints and restrictions which may further limit the flexibility of the Borrower Group in running its business, including its ability to incur financial indebtedness and capital expenditure. The Borrower will also be restricted from making or declaring payments of dividends or distributions to the Wider Group. The Esken Shareholder will also be required to discuss with CGI whether changes to senior management of the Borrower Group are required, and in certain circumstances if the underperformance is not cured within specified periods, CGI will have a deciding right on replacement of the CEO and finance director of the Borrower (although the board of the Borrower will remain controlled by the Company and the chair of the Borrower board remains an Esken appointee).

Under the Loan Agreement, upon the occurrence of certain insolvency events in relation to any of the Company, the Esken Shareholder or any intermediate holding company between the Company and the Esken Shareholder, the Lender shall have the right to appoint a majority of the board of the Borrower and a majority of any sub-committee of the board of the Borrower until such time as the insolvency event has ceased or there has been a change of control in respect of the Borrower such that it is no longer controlled by an entity subject to any such insolvency event (whichever is earlier). For such period, the Lender will therefore control the board of the Borrower, subject at all times to certain "reserved matters" which shall require the consent of the directors appointed by the Esken Shareholder.

Further details of the key terms of the Loan Agreement are set out in Part IV—Summary of the Key Terms Relating to the Investment.

38. *Certain reserved matters may adversely impact the ability of the Borrower Group and the Group to undertake certain material activities relating to the business of the Borrower Group.*

Following Conversion, under the Shareholders' Agreement, certain customary matters, such as decisions to enter into material contracts with a value of £5 million or more or conduct material litigation proceedings where there is potential liability or a claim of £5 million or more, will be

designated as reserved matters which will require consent from CGI Directors and Esken Directors or from the CGI Shareholder and the Esken Shareholder. The Borrower may experience delays in undertaking activities due to the time taken in obtaining the necessary consents in relation to the reserved matters. Although the Group will continue to control the Borrower, and in particular will continue to retain control of the Borrower's business plan and annual budget, the reserved matters may restrict the Group from directing the Borrower to undertake certain activities without consent from the CGI Shareholder. While the CGI Shareholder is a party to the Shareholders' Agreement and holds at least 25 per cent. of the shares in the Borrower, in the event that the Company ceases to be a listed entity (whether as a result of a takeover or any other event), the CGI Shareholder will receive an approval right over the Borrower's business plan and budget. Further details of the reserved matters in the Shareholders' Agreement are set out in Part IV—Summary of the Key Terms Relating to the Investment.

The Group may find that a future disposal of its aviation business to a third party would be less attractive following the Transaction, given the reserved matter and any other rights afforded to the CGI Shareholder in the Shareholders' Agreement.

39. *If an event of default occurs under the Loan, this may have adverse implications for the Group.*

If an event of default occurs, the Lender shall have 60 days from the date of such occurrence to elect to either exercise its right to conversion or require that the Borrower repays the Loan at the "**Repayment Price**" (being the greater of: (i) an amount that achieves a 10 per cent. IRR for the period from the Closing Date to such repayment date (taking into account any Cash Interest paid during such period) and (ii) £193,750,000 less any Cash Interest paid) and/or take enforcement action with respect to the transaction security. If the Lender were to require repayment of the Loan at the Repayment Price, it may be the case that the Borrower is unable to raise the funds required to effect such repayment, thereby resulting in the Lender being able to require the transaction security to be enforced and the businesses in the Borrower Group be realised or sold.

40. *CGI may transfer its interest to a third party which may have strategies and goals that do not align with those of the Group.*

Following Conversion, the Loan Agreement and the Shareholders' Agreement allow the Lender and the CGI Shareholder to assign or transfer its interest to a third party subject to certain restrictions (a **Permitted Transferee**). Parties may transfer their interests to their affiliates without restrictions. The Permitted Transferee may have business strategies or aims that differ from the Group's business strategies.

The CGI Shareholder may not assign any of its rights or transfer by novation any of its rights and obligations under the Loan Agreement without the prior written consent of the Borrower to any entity or individual on a pre-agreed restricted list (the **Restricted List**) and certain other persons. The Restricted List cannot be changed except with the consent of Esken. Following the occurrence of an event of default under the Loan Agreement, the CGI Shareholder may assign or transfer all (and not only some) of its rights and obligations under the Loan Agreement without prior written consent of the Borrower to a Permitted Transferee but provided always that such rights and obligations are not transferred to any person on the Restricted List.

Following a lock-in period of two years following drawdown of the Loan and Conversion having occurred, the CGI Shareholder shall be permitted under the SHA to sell all (but not some) of its shares to a Permitted Transferee (subject to a number of restrictions). The CGI Shareholder must first make an offer to sell its shares in the Borrower Group to the Group. However, although the CGI Shareholder must do so, the Group may not be able to or may not want to take up the offer. If the Group does not accept the CGI Shareholder's offer, the CGI Shareholder may agree to sell the shares to a Permitted Transferee.

Although the Group will retain control of the Borrower Group in the case of a transfer, the Permitted Transferee could have a different strategy to that of the Group and the Group may have disagreements with a Permitted Transferee that could impact the business and take up management time and funds. A Permitted Transferee may have economic or business interests or goals that are inconsistent with those of the Group, or may experience financial, operational or other difficulties, either of which may adversely affect the success of the Borrower Group.

41. For so long as the Loan is not converted by the Lender, the Investment will increase Esken's debt facilities from a £120 million revolving credit facility to a £125 million convertible facility together with the new £20 million facility, but will decrease the interest paid in cash by the Group in the early years of the Loan.

Should the Transaction be approved by Shareholders, the Existing Facility will be refinanced by (i) indirectly, the proceeds of the Loan advanced to the Borrower and (ii) the proceeds from the Capital Raise. The exchangeable bonds issued by Stobart Finance plc will remain in place. The total debt facilities within the Group will therefore be greater than its existing debt facilities.

Under the terms of the Loan, the Borrower will be required to pay interest on the Loan every year for the period of the Loan. On each interest payment date, the principal amount of the Loan shall be increased by an amount equal to the PIK Interest (and any Cash Interest which the Borrower is unable to pay due to having insufficient free cash) accrued during the interest period immediately preceding such interest payment date, and PIK Interest and Cash Interest shall thereafter accrue on the principal amount of the Loan as increased by such PIK Interest and unpaid Cash Interest.

Cash Interest shall only be payable by the Borrower from revenue generated by the Borrower Group during the 12-month period prior to an interest payment date and shall be payable only to the extent that a minimum liquidity headroom test is satisfied, following payment of Cash Interest accrued on such interest payment date. To the extent that there are insufficient available funds to pay Cash Interest and meet the minimum liquidity headroom test, the Borrower will not be obliged to pay such accrued interest in cash and instead the shortfall amount in respect of the accrued Cash Interest shall be capitalised and added to the principal amount of the Loan and both PIK Interest and Cash Interest shall thereafter accrue on the principal amount of the Loan as increased by such shortfall amount. Accordingly, the longer the Loan is outstanding before it is converted, the greater the amount of interest which will accrue and which may become payable in cash by the Borrower Group.

In the event that the Loan is not converted or repaid prior to its final maturity date, the Borrower shall be liable to repay the Loan at its Repayment Price.

42. The Group may be required to pay the Lender if there is a breach of the warranties and indemnities given in favour of the Lender.

The Loan Agreement contains certain warranties and indemnities from the Borrower in favour of the Lender which are customary in nature. The Implementation Agreement also contains certain customary warranties from the Esken Shareholder in favour of the Lender. If the Borrower is required in the future to make payments under any of the warranties or indemnities the costs of such payments could have an adverse effect on its business, financial condition and results of operations.

In connection with the Investment, the Company has also agreed to grant, in the Indemnity Deed, certain indemnities in favour of the Borrower Group and, in some instances, the Lender and certain of its affiliates. These indemnities include obligations of the Company to indemnify:

- the Borrower Group against any losses arising from secondary tax liabilities or VAT liabilities of the Wider Group which are required to be paid by the Borrower Group to HMRC;
- the Borrower Group, the Lender and/or CGI and its affiliates against any "secondary" pension liabilities arising in connection with the existing defined benefit pension scheme in the Wider Group which are required to be paid by the Borrower Group, the Lender, CGI and/or its affiliates;
- the Borrower Group against any losses arising from the Reorganisation;
- the Borrower Group against any losses arising from the noise litigation proceedings (which are referred to in paragraph 17 of Part XI—Additional Information which were settled or otherwise provided for by the Borrower Group prior to the Closing Date; and
- the Borrower Group against any losses directly arising from certain litigation brought against the Group.

To the extent that significant claims were made against the Company by the Borrower Group, the Lender, CGI or its affiliates in relation to such indemnities, such indemnities could adversely affect the Group's financial condition.

Further details of the warranties and indemnities given by the Group, are set out in Part IV—Summary of the Key Terms Relating to the Investment.

Risks relating to the Transaction not proceeding

The following section discusses the risks of the Transaction not proceeding and should be read in conjunction with the risk factor above titled *“If the Transaction does not complete, the Group may not have sufficient funds to meet its working capital requirements and liabilities as they fall due”*.

43. *If the Transaction does not complete, the Group may be unable to realise value and achieve strategic objectives.*

The Transaction is subject to the approval of the Shareholders at the General Meeting and is conditional on all of the Resolutions being passed at the General Meeting. If Closing does not take place, the Group will not receive the proceeds from the Transaction and consequently the transaction costs and other costs incurred by the Group in connection with the Transaction will not be offset by such proceeds (including, for the avoidance of doubt, the Commitment Fee). The Commitment Fee of £1,649,871.80 shall become payable on the earlier of: (a) the Closing Date and (b) the date on which the Implementation Agreement terminates as a result of the conditions to Closing having not been satisfied by 30 September 2021.

In addition, the market’s perception of a failed Closing could result in a negative impact on the price of the Shares. The Group intends to apply the net proceeds of the Transaction payable at Closing to refinance its Existing Facility and meet other transaction costs incurred by Esken, including the Commitment Fee, with £20 million of the proceeds being advanced by the Wider Group to the Borrower to fund working capital requirements within the Borrower Group and the remaining net proceeds of the Transaction being used for the Group’s working capital requirements. If Closing does not take place, the Group will not receive the proceeds from the Transaction and this will have a negative effect on the Group’s financing. This will likely impact the Group’s ability to meet its strategic objectives and will likely require the Group to pursue alternative opportunities and/or take additional actions in order to enable it to do so.

44. *If the Transaction does not complete, the Group’s ability to attract and retain clients may be adversely affected.*

If the Transaction does not complete it could impact customers’ perceptions of the Group and, therefore, adversely affect the ability of the Group to attract and retain customers. Additionally, the failure to complete the Transaction may prompt third parties to re-price, modify or terminate their contractual relationships with the Group (where contractually permitted to do so), which may adversely affect the ability of the Group to retain a competitive network. In response to any of the foregoing, the Group may be forced to lower its service levels or its prices, or take other actions to manage and/or maintain its relationships with clients and third parties. Should any of these consequences occur, individually or together, the Group may suffer an adverse impact on its business, financial condition, results of operations and prospects.

45. *If the Transaction does not complete, there may be an adverse impact on the Group’s reputation.*

If Closing does not take place, there may be an adverse impact on the reputation of the Group as a result of media scrutiny arising in connection with the attempted Transaction. Furthermore, if Closing does not take place, Existing Lenders are unlikely to want to continue to support the business (as set out above). Any such reputational risks may adversely affect the Group’s business, results of operations and financial condition.

46. *If the Transaction does not complete it may make it more difficult to attract and retain key employees.*

The attraction, development, retention, reputation and succession of senior management and individuals with key skills are critical factors in the successful execution of the Group’s strategy, and operation of the Group’s divisions. This is especially relevant in the highly competitive markets in which the Group currently operates. If the Transaction does not complete, any negative publicity may

make it more difficult for the Group to attract and retain talented employees, which could compromise the achievement of the Group's strategic objectives.

Risks relating to the Transaction

47. The benefits of the Transaction may take longer than expected to be realised or may not be realised at all.

The Board believes that the entry by the Group into the Transaction is in the best interests of the Group and its Shareholders, and is justified by the benefits that the Board expects the Transaction will bring to the Group and its Shareholders. However, these expected benefits may not be achieved, or may take longer than expected to realise, and other assumptions upon which the Board had determined the terms of the Transaction may prove to be incorrect.

48. Closing of the Investment may make it more difficult or more expensive to secure funding.

The nature of the Loan Agreement, including the right of the Lender to Conversion, may preclude other counterparties from seeking to acquire the Borrower and/or the Group. It may also be difficult to refinance the Loan Agreement if the Lender decides not to exercise its right to Conversion.

Provision of first lien security over ring-fenced assets as well as agreed financial principles will impact the ability to raise future capital at asset level while the Loan Agreement is outstanding and pre-Conversion.

49. A third party may interfere with the Transaction which might delay or prevent completion of the Transaction.

As a listed company, the Company is exposed to approaches from third parties seeking to instigate a public takeover of the Company which might delay or prevent completion of the Transaction, thereby denying the Group of the benefits of a timely completion of the Transaction. The Directors might consequently be required (in accordance with their fiduciary duties) to amend or withdraw their recommendation in favour of the Resolutions and the Transaction which may result in the Transaction not proceeding to Closing.

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 Capital Raise 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 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.

The above explanatory wording regarding Forward Looking Statements does not in any way seek to qualify the statement regarding working capital that can be found at paragraph 18 of Part XI—Additional Information of this document.

PRESENTATION OF FINANCIAL INFORMATION

Historical financial information

Unless otherwise indicated, the historical and other financial information of the Group presented in this document has been extracted without material adjustment from: (a) the consolidated financial statements of the Company, which comprise (i) the audited 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 2021 and the unaudited, restated comparative financial information for the year ended 29 February 2020 (the **FY21 Financial Statements**) and (ii) the audited 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 (the **FY20 Financial Statements**), each incorporated by reference into this document; or (b) the unaudited interim management statements of the Company.

The Company's auditor has included a paragraph in the independent auditor's reports in respect of the FY20 Financial Statements and the FY21 Financial Statements stating that there is material uncertainty in respect of the Company's ability to continue as a going concern.

The historical financial information of the Borrower Group set out in Part VIII—Financial Information of the Borrower Group is unaudited and has been extracted without material adjustment from the consolidation schedules that underlie the audited consolidated financial statements of the Company. Where the information has been extracted from the consolidation schedules that underlie the interim condensed consolidated financial statements, the information is also unaudited.

Unless otherwise indicated, financial information in this document relating to the Company is presented in pounds sterling and has been prepared in accordance with IFRS.

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 FY20 Financial Statements.

ALTERNATIVE PERFORMANCE MEASURES

This document contains certain alternative performance measures (**APMs**) that are not defined or recognised under IFRS, including Adjusted EBITDA, 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 FY20 Financial Statements and the FY21 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

Adjusted EBITDA is 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 depreciation, amortisation, impairments, finance costs (net) and tax. These items are set out on the face of the consolidated income statement of the FY20 Financial Statements and FY21 Financial Statements where Adjusted EBITDA is referred to as EBITDA. A reconciliation of Adjusted EBITDA is presented below.

The Group presents Adjusted EBITDA because the Directors believe that this APM contributes 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 this APM is 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 28 February 2021	Year ended 29 February 2020 (restated) ⁽¹⁾ (£'000)	Year ended 28 February 2019
Loss for the year from continuing operations	(143,254)	(131,025)	(42,644)
Tax	(7,083)	(8,390)	530
Finance income	(4,849)	(4,917)	(1,010)
Finance costs	17,214	14,453	5,213
Impairment of loan notes	8,000	2,754	3,208
Impairment—Other	22,097	48,330	7,800
Impairment—Loan receivables from joint ventures	—	45,105	—
Amortisation	—	7,456	3,938
Depreciation	31,814	20,024	16,305
Gain/(loss) on swaps	(80)	300	353
Adjusted EBITDA⁽²⁾	(17,879)	(6,210)	(6,307)

Notes:

(1) The comparative results for the year ended 29 February 2020 included in the consolidated income statement of the FY21 Financial Statements have been restated where required due to IFRS 5 Discontinued Operations in connection with the preparation of the FY21 Financial Statements. Refer to note 5 of the FY21 Financial Statements for more details. The Group's audited consolidated FY20 Financial Statements have not been restated or reissued.

(2) Adjusted EBITDA is referred to as EBITDA in the FY20 Financial Statements and FY21 Financial Statements.

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

Stobart Aviation	Year ended 28 February 2021	Year ended 29 February 2020 (restated) ⁽¹⁾ (£'000)	Year ended 28 February 2019
Loss before tax from continuing operations	(17,522)	(9,755)	(5,568)
Finance costs (net)	1,429	1,235	231
Depreciation	9,362	7,824	5,816
Impairment	656	—	—
Restructuring costs	—	—	161
New business and new contract set-up costs	—	—	4,308
Adjusted EBITDA⁽²⁾	(6,075)	(696)	4,948

Notes:

(1) The comparative results for the year ended 29 February 2020 included in the consolidated income statement of the FY21 Financial Statements have been restated where required due to IFRS 5 Discontinued Operations in connection with the preparation of the FY21 Financial Statements. Refer to note 5 of the FY21 Financial Statements for more details. The Group's audited consolidated FY20 Financial Statements have not been restated or reissued.

(2) Adjusted EBITDA is referred to as EBITDA in the FY20 Financial Statements and FY21 Financial Statements.

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

Stobart Energy	Year ended 28 February 2021	Year ended 29 February 2020 ⁽¹⁾ (£'000)	Year ended 28 February 2019
(Loss)/profit before tax from continuing operations	(666)	5,192	5,324
Finance costs (net)	2,036	1,293	734
Depreciation	8,635	8,467	7,012
Amortisation of acquired intangibles	—	23	221
New business and new contract set-up costs	—	—	5,909
Adjusted EBITDA⁽²⁾	10,005	14,975	19,200

Note:

(1) The comparative results for the year ended 29 February 2020 included in the consolidated income statement of the FY21 Financial Statements have been restated where required due to IFRS 5 Discontinued Operations in connection with the preparation of the FY21 Financial Statements. Refer to note 5 of the FY21 Financial Statements for more details. The Group's audited consolidated FY20 Financial Statements have not been restated or reissued.

(2) Adjusted EBITDA is referred to as EBITDA in the FY20 Financial Statements and FY21 Financial Statements.

The following table sets out the reconciliation of Adjusted EBITDA for the Group's non-core operating divisions from (loss)/profit for the year from continuing operations for FY21.

FY21	Stobart Investments	Stobart Infrastructure
	(£'000)	
Loss before tax from continuing operations	(107,008)	(8,972)
Finance costs (net)	3,873	8,346
Depreciation	12,390	446
(Impairment)/impairment reversal	22,921	(1,480)
Adjusted EBITDA⁽¹⁾	(67,824)	(1,660)

Note:

(1) Adjusted EBITDA is referred to as EBITDA in the FY19 Financial Statements and FY20 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 28 February 2021	As at 29 February 2020	As at 28 February 2019
	(£ millions, unless otherwise indicated)		
Loans and borrowings—current	89.1	15.8	13.4
Loans and borrowings—non-current	122.1	177.8	84.1
Exchangeable bonds	52.0	51.7	—
Cash and cash equivalents	(12.4)	(9.8)	(14.4)
Net Debt	250.8	235.5	83.1
Group shareholders' equity	48.3	103.1	297.0
Gearing	519.2%	228.4%	28.0%

ROUNDING

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. 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

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. The Open Offer Entitlements, Excess Open Offer Entitlements and New Shares are being offered outside the United States in reliance on Regulation S.

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, and 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.

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 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	14 pence
Discount of Offer Price to the last closing price prior to the announcement of the Capital Raise	37%
Number of Existing Shares in issue as at the Latest Practicable Date	630,926,123
Basis of Open Offer	1 Open Offer Share for every 8 Existing Shares ⁽¹⁾
Number of New Shares to be issued pursuant to the Firm Placing	313,991,377
Number of new Shares to be issued pursuant to the Subscription Letters	1,553,476
Number of New Shares to be issued pursuant to the Placing and Open Offer ⁽²⁾	78,865,765
Number of Shares expected to be in issue immediately following completion of the Capital Raise ⁽³⁾	1,025,336,741
New Shares as a percentage of the expected enlarged issued share capital of the Company immediately following completion of the Capital Raise ⁽³⁾	38.3%
Firm Placed Shares as a percentage of the expected enlarged issued share capital of the Company immediately following completion of the Capital Raise ⁽³⁾	30.6%
Estimated expenses in connection with the Capital Raise . .	£4.4 million
Estimated net proceeds receivable by the Company from the Capital Raise after expenses	£50.6 million

Notes:

- (1) Fractions of Open Offer Shares will not be allotted to Shareholders in the Open Offer and fractional entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares.
- (2) The New Shares may be issued pursuant to the Open Offer regardless of whether the Open Offer is subscribed in full.
- (3) Assuming full take up by the Directors and the members of the Management Board of the total investment for which they have committed to subscribe (including under the Open Offer) and that no Shares are issued as a result of the exercise of any options between the Latest Practicable Date and Admission becoming effective.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS⁽¹⁾⁽²⁾⁽³⁾

Record Date for entitlements under the Open Offer	close of business on 26 July	2021
Announcement of the Transaction	27 July	2021
Ex-entitlement date for the Open Offer	28 July	2021
Publication and posting of this document and the Application Form (to Qualifying Non-CREST Shareholders only)	28 July	2021
Announcement of the results of the Firm Placing through a Regulatory Information Service	28 July	2021
Open Offer Entitlements and Excess Open Offer Entitlements enabled in CREST and credited to stock accounts of Qualifying CREST Shareholders in CREST (Qualifying CREST Shareholders only)	29 July	2021
Recommended latest time for requesting withdrawal of Open Offer Entitlements and Excess Open Offer Entitlements from CREST ⁽⁴⁾	4.30 p.m. on 10 August	2021
Latest time and date for depositing Open Offer Entitlements and Excess Open Offer Entitlements into CREST ⁽⁵⁾	3.00 p.m. on 11 August	2021
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 12 August	2021
Latest time and date for electronic proxy appointments or receipt of Forms of Proxy ⁽⁶⁾	11.00 a.m. on 13 August	2021
Voting Record Time ⁽⁷⁾	6.00 p.m. on 13 August	2021
Latest time and date for receipt of completed Application Forms and payments in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 16 August	2021
Announcement of the results of the Placing and Open Offer through a Regulatory Information Service	7.00 a.m. on 17 August	2021
General Meeting⁽⁸⁾	11.00 a.m. on 17 August	2021
Results of General Meeting announced through a Regulatory Information Service	17 August	2021
Admission of, and dealings commence in, the New Shares	8.00 a.m. on 26 August	2021
CREST Members' accounts credited in respect of New Shares in uncertificated form	From 8.00 a.m. on 26 August	2021
Expected despatch of definitive share certificates for New Shares in certificated form	Within 14 days of Admission	
Expected completion of the Transaction	26 August	2021
Draw-Stop Date	31 August	2021
The General Meeting will be held at Esken Limited, 3rd Floor, 15 Stratford Place, London W1C 1BE. Shareholders will not be entitled to attend the meeting in person and electronic facilities will be made available to attend the meeting, as detailed in Part I—Letter from the Executive Chairman of Esken Limited.		

Notes:

(1) The times and dates set out in this expected timetable for the Transaction and mentioned in this document, the Application Form and in any other document issued in connection with the Transaction 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.
- (6) In order to be valid, the Form of Proxy must be lodged no later than 11.00 a.m. (London time) on 13 August 2021 (or, if the General Meeting is adjourned, 48 hours (excluding non-business days) before the time fixed for the adjourned meeting). Please see “Voting at the General Meeting” on pages 65 to 66.
- (7) If the General Meeting is adjourned, the Voting Record Time for the adjourned meeting will be 6.00 p.m. on the date which is two Business Days before the date set for such adjourned meeting.
- (8) The Company will hold its Annual General Meeting immediately prior to the General Meeting. The Annual General Meeting is expected to have concluded by 11.00 a.m. If the Annual General Meeting has not concluded by 11.00 a.m. then the General Meeting will commence immediately after its conclusion. If the Annual General Meeting concludes before 11.00 a.m. then the General Meeting will commence at 11.00 a.m.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE 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.

<u>Name</u>	<u>Position</u>
David Shearer	Executive Chairman
Nick Dilworth	Chief Operating Officer
Lewis Girdwood	Chief Financial Officer
David Blackwood	Senior Independent Director
John Coombs	Non-Executive Director
Ginny Pulbrook	Non-Executive Director
Clive Condie	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:	Matthew Joy
Registered Office:	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:	Ernst & Young LLP 2 St Peter's Square Manchester M2 3EY United Kingdom 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 100 Bishopsgate London EC2P 2SR 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 law:

Davis Polk & Wardwell London LLP
5 Aldermanbury Square
London EC2V 7HR
United Kingdom

Registrar:

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL
United Kingdom

Receiving Agent:

Link Group
Corporate Actions
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL
United Kingdom

PART I—LETTER FROM THE EXECUTIVE CHAIRMAN OF ESKEN LIMITED

Directors:

David Shearer (Executive Chairman)
Nick Dilworth (Chief Operating Officer)
Lewis Girdwood (Chief Financial Officer)
David Blackwood (Senior Independent Director)
John Coombs (Non-Executive Director)
Ginny Pulbrook (Non-Executive Director)
Clive Condie (Non-Executive Director)

Registered Office:

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

28 July 2021

Dear Shareholder,

Proposed Placing and Open Offer of 78,865,765 New Shares and Firm Placing of 313,991,377 New Shares at 14 pence per New Share

Recommended investment by Carlyle Global Infrastructure Opportunity Fund L.P. into London Southend Airport Company Limited

Notice of General Meeting

Introduction

On 27 July 2021, the Company announced its intention to raise minimum gross proceeds of £45 million by way of a fully committed and underwritten Placing and Open Offer and Firm Placing (together, the **Capital Raise**) and that the Company has agreed a new £20 million conditional revolving credit facility with the Existing Lenders made available to the Wider Group (the **New Facility**). The Capital Raise is expected to raise approximately £50.6 million in net proceeds (net of estimated commissions, fees and expenses) and is fully underwritten by the Underwriters (other than the New Shares for which the Directors have committed to subscribe), subject to, and in accordance with, the terms and conditions of the Placing Agreement.

In addition, the Board announced on 2 July 2021 that they have reached agreement with CGIOF River S.à r.l. (the **Lender**), a special purpose vehicle which is controlled by Carlyle Global Infrastructure Opportunity Fund, L.P. (**CGI**), on the terms of a proposed investment through a £125 million senior loan facility (the **Loan**) provided by the Lender to, and which is convertible into 29.999 per cent. of the entire issued share capital of, London Southend Airport Company Limited (the **Borrower**) (which shall be increased to 30 per cent. following receipt of approval from the Office of Rail and Road), a wholly-owned subsidiary of the Company (the **Investment** and, together with the Capital Raise, the **Transaction**).

The Board also announced on 30 June 2021 the Company's year-end results for FY21.

The Investment constitutes a class 1 transaction for the purposes of the Listing Rules and completion of the Transaction is conditional on the approval of Shareholders at the General Meeting. The New Facility does not require the approval of Shareholders and will not be the subject of a vote at the General Meeting. However, the New Facility is conditional upon completion of the Transaction.

The Board is writing to explain the background to and reasons for the Transaction and the New Facility, set out the terms and conditions of the Capital Raise and the Investment, and provide Shareholders 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 Transaction.

This document also explains why the Directors of Esken (the **Directors**) consider the Transaction to be in the best interests of Shareholders as a whole and why the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own individual holdings.

1. Background to and reasons for the Transaction

At the time of concluding the 2020 Capital Raise in June 2020, the Group also agreed an additional bank facility of £40 million to sit alongside its existing facility of £80 million through to the expiry of

those facilities in January 2022. At the time, it was anticipated that this additional funding would be sufficient to allow the Group to execute its strategy to exit both the Rail & Civils business and Stobart Air as well as its related aircraft leasing company Propius Limited (**Propius**), while at the same time ensuring that the Group had sufficient funds to manage the impact of the pandemic. It was the intention that these bank facilities would be refinanced in the normal course once the pandemic was over.

A combination of factors (described below) has accelerated the need for a refinancing and additional liquidity is required both to fund the Group's short-term requirements and to enable it to build a strong foundation from which it can return the business to growth and deliver on its longer-term strategic ambitions for the Group's core operations: Energy and Aviation. Following the liquidation of Stobart Air announced on 12 June 2021, the Group now owns and operates two core businesses, being Stobart Energy and its aviation business comprising London Southend Airport (refer to paragraph 4 below for further information on the Borrower Group) as well as Stobart Aviation Services. Whilst the Board believes that these operations have the potential to generate significant value for Shareholders in a post-COVID environment, the recovery will need time and therefore require medium-term funding to underpin the business plans through the recovery period. The Board has concluded that while it was originally intended to monetise the Stobart Energy business within the two-year period following the 2020 Capital Raise, this is not the right answer from a Shareholder value perspective and so is to be held for the medium term.

The COVID-19 pandemic has created unprecedented challenges for the Company and the aviation sector as a whole. The Group has focused on cost control and cash conservation throughout the year and operational cash flows in the core business have been ahead of the reasonable worst case scenario set out at the time of the Capital Raise in June 2020. That scenario envisaged: (i) a phased recovery in waste wood supply and gate fees through to the end of August 2020, followed by normalised levels thereafter in the Stobart Energy division; and (ii) lockdown restrictions extending no later than March 2021 and a slow recovery thereafter in the Stobart Aviation division through to June 2021.

The impact of the pandemic has been greater and lasted longer than all governments' and experts' prevailing forecasts reviewed by the Directors at the time of the initial outbreak of the COVID-19 pandemic. Whilst Stobart Energy has been performing within the above parameters, it is now clear that travel restrictions will last longer and Stobart Aviation's recovery will be slower than was predicted in June 2020. In addition, cash outflows from Stobart Air (including the impact of liquidation) and Propius have exceeded the Directors' expectations at the time of the acquisition in early 2020, with Esken having funded the two entities £42.2 million between May 2020 and February 2021, and thus Group cash outflows have now exceeded the reasonable worst-case scenario established in June 2020 on an overall basis.

Stobart Energy was impacted by the first lockdown which affected construction activity and restricted the availability of waste wood during a period when the business would traditionally build stock to meet its contractual commitments during the period of peak demand through the winter months. The business took an early decision to secure supply in the UK market by reducing its gate fees charged to suppliers and in addition sourced additional supply of waste wood from overseas. These actions impacted both margins and earnings within that business but enabled the business to fulfil its contractual commitments to customers.

The extended lockdowns and restrictions on international travel throughout Europe in 2020 meant that air passenger travel was limited, which impacted London Southend Airport, Stobart Aviation Services and the Stobart Air operations. While steps were taken to minimise cash burn through utilising government schemes including furlough, freezing all capital expenditure, except safety critical projects, and all discretionary expenditure, the impact on the Group's financial resources has been significant.

Stobart Energy is recovering and it is expected to be back to pre-COVID-19 levels of activity by the end of FY22. It is a profitable cash-generative business with long term contracts and benefits from barriers to entry which make it an attractive and potentially valuable business over the medium term.

While London Southend Airport has been hit hard by the pandemic, it remains a key strategic asset in the globally important London airport market as that is expected to recover over the next two to three years as capacity constraints in London airports again become an issue. It has also developed a strong logistics operation which contributed meaningful revenues throughout the pandemic and this

offers scope for further development and value creation. The airport will take longer to fulfil its full potential and will need further investment to capitalise on the long-term opportunity. Discussions with strategic aviation partners have taken place over the last two years with this aim, but the uncertainty created by the pandemic meant that the Group had been unable to structure a transaction until now.

With the envisaged recovery of the London Southend Airport business and the streamlined operations, the opportunity to raise finance from an investment in the airport has once again been under consideration. Over the last nine months, the Group has been in discussions with CGI in relation to the development of LSA as aviation recovers from the pandemic. These discussions were announced on 14 June 2021 and the Investment was announced on 2 July 2021.

The Carlyle Group is a global investment firm with total assets under management of \$260 billion globally. Carlyle has been attracted to the opportunity at London Southend Airport and has spent considerable time with the management team understanding the business and the long-term opportunity. While the Transaction is structured as a loan with an option to convert into an equity share in the airport, both parties see this as a long-term strategic partnership in respect of London Southend Airport.

The Investment provides funding for the Wider Group of approximately £100 million (after the £20 million funding for London Southend Airport by way of the Pari Passu Loan but before other transaction costs incurred by Esken, including the Commitment Fee) which, together with the net proceeds of the Capital Raise totalling £50.6 million (net of estimated commissions, fees and expenses), will enable the Company to repay the outstanding amounts payable under the Existing Facility, which is expected to total £113 million as at 31 August 2021. As a result, post-Closing, the Transaction will reduce overall bank indebtedness of the Group, allow it to meet certain of its residual legacy obligations in respect of Stobart Air (and its liquidation) and Propius and underpin the business plan for Stobart Energy, as well as London Southend Airport for a period of 18 months from the date of this document. Any additional capital investment required in the medium to long term by the Borrower is expected to be raised as debt funding by the Borrower Group ringfenced from the Wider Group. In addition to the funding being provided, CGI brings significant expertise in developing airports around the world. This, together with the experienced operational team at the Borrower, adds to the Group's offering to its existing and prospective airline and logistics partners alike. This is important to the Group's airline and other partners as the Board looks to renew and rebuild the Group's commercial relationships with them. A combination of the Group's proven operational ability at London Southend Airport in a pre-COVID-19 world and a strong strategic financial partner in CGI will be powerful as passenger demand returns and activity levels increase.

The Transaction and the New Facility are intended to secure the financial position of the Group for the next 18 months from the date of this document. The New Facility expires on the New Facility Termination Date and the management fully intends to refinance or repay the New Facility prior to its expiry date. In addition, funding for the Group to meet the final residual legacy obligations for Propius in March to December 2023 totalling £26 million (after which Propius will become dormant), for the £53.1 million Exchangeable Bonds that mature in May 2024 and for other of the Group's purposes in the medium term would be expected to be sourced from the sale of non-core infrastructure assets, additional external funding at the relevant time and/or from cash flows from trading at levels above the Group budget. The Company has taken immediate steps to seek sublease arrangements for the aircraft held by Propius with alternative operators to mitigate the cash requirements from the Group but any beneficial impact from this has not been reflected in management's current expectations.

2. Information on the Group

The Group has become focused on establishing and investing in the growth of London Southend Airport as a major London airport and in the creation of a high-margin renewable waste wood fuel business. Investment in these businesses has to date been financed through the use of debt facilities, cash resources (including from the 2020 Capital Raise) and non-core asset sales. While COVID-19 continues to cause business interruption far beyond all initial expectations, the Company is continuing to focus on the strategy as laid out at the time of the 2020 Capital Raise.

Stobart Aviation

Stobart Aviation owns and operates the Borrower Group. Further details on the Borrower Group are set out in paragraph 4 below. In addition, Stobart Aviation Services, one of the businesses within the

division, provides check-in, baggage handling and global logistics operations at London Stansted, London Southend and Manchester airports. Stobart Aviation Services is also developing a strong reputation with a global e-commerce customer handling large scale cargo operations on a dedicated basis; it is also handling cargo at rail stations such as Manchester and sees this as an area of growth opportunity. In 2019, Stobart Aviation Services signed an agreement with a global logistics customer to provide full cargo handling facilities including screening and clearance for the import and export of goods at London Southend Airport, which successfully handled 28.4 million packages in the 12 months to February 2021 and has continued to operate strongly through the pandemic. Propius, an aircraft leasing business, also forms part of the Stobart Aviation division.

The Directors expect all airline carriers, including low-cost carriers (**LCCs**), full service and regional niche carriers, to be focused on seeking a low-cost base for operations and hub capacity at suitable prices and service levels. Once the unprecedented effects of COVID-19 have subsided, the Directors believe that LCCs will be the first airlines to recover, benefiting from their lower cost bases to offer short haul point to point flights faster than non-LCCs.

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. Due to this, the Company has already put in place an enhanced passenger experience for the post-COVID-19 world. This proposition aligns with the strategy of airlines and, given the significant year-on-year growth achieved in the years leading up to the COVID-19 pandemic and notwithstanding the impact from the pandemic on the Borrower's commercial agreements with airlines, the Directors are confident that the business will secure additional deals with airlines once better visibility of passenger demand returns. London Southend Airport will target agreements with existing and previous airline partners, new LCCs and full service and regional niche carriers.

Stobart Energy

Stobart Energy is the United Kingdom's largest supplier of waste wood fuel, with contracts in place to supply 1.7 million tonnes of waste wood fuel to dedicated biomass plants across the United Kingdom.

Its strategic processing capacity and strong customer base mean Stobart Energy processes over 10 per cent. of the United Kingdom's annual waste wood (approximately 4.5 million metric tonnes per year), for which it receives a gate fee, and Stobart Energy procures a further 15 per cent. of the United Kingdom's annual waste wood from third party waste wood processors. The business, which is supported by its own forestry division (Stobart Forestry), also handles 500,000 tonnes of virgin biomass sourced from managed woodlands and forestry bi-products in the United Kingdom.

Lockdown restrictions in the United Kingdom through November 2020 and from late December 2020 onwards have not inhibited the construction industry in the same way that the March 2020 lockdown did. Combined with proactive management action to rebuild stock levels during the summer through a combination of gate fees and imports (with consequential impact on margins), the availability of waste wood has been largely uninterrupted since the end of that first lockdown. This has meant that Stobart Energy has continued to meet the supply needs of its biomass plant partners and fulfil its contractual obligations.

Non-core operating divisions

The Group has made good progress against its stated strategy and has reduced its non-core operations significantly since the 2020 Capital Raise, including the sale of its Rail & Civils business in July 2020. Non-core operating divisions now consist of Stobart Investments and Stobart Infrastructure, which the Group is actively looking to exit by FY24 with the aim of realising value over time from a position of strength when market conditions are right.

Esken also owns Carlisle Lake District Airport (with a book value of £14.3 million as at 28 February 2021) but will actively explore strategic options for the use of this asset in discussion with stakeholders including potential alternative commercial opportunities for the airport.

The book value of the above non-core operating divisions was £39.2 million as at 28 February 2021.

Recent developments

The COVID-19 pandemic has continued to cause significant disruption for the Group. However, strict financial discipline has helped minimise cash burn and protect the Group's liquidity position. Stobart Energy continues to deliver cash generation whilst the Stobart Aviation business faces continuing challenges in terms of weak passenger demand. In addition, the acquisition of Stobart Air, the liquidation of which was announced on 12 June 2021, and Propius has resulted in cash outflows for the Group during the past year which will continue at a lower level until mid-2023. Break fees of US\$21.2 million in total plus associated break fee finance costs will be paid under the lease arrangements relating to Stobart Air's aircraft as the aircraft are returned to the GOAL Lessors, following which the aircraft leases and parent company guarantees will expire and Propius will become dormant. The Directors believe cash flow discipline, coupled with the depth of operational talent within the businesses, will help protect the value of the Company's core assets and aid recovery as vaccine programmes are rolled out, with activity expected to slowly increase over the coming months.

London Southend Airport

London Southend Airport has a strong and differentiated commercial passenger proposition and allows airlines to generate similar yields to other London airports but at a lower cost per passenger, including through the current usage of airline marketing contributions. The Company believes that this low-cost proposition will appeal to cost conscious airlines as the aviation sector recovers from the pandemic.

Lockdown restrictions curtailed much of the commercial passenger operations at London Southend Airport during 2020 and 2021 as evolving quarantine arrangements and late changes to travel corridors eroded passenger confidence when restrictions were lifted. As a result, 147,000 passengers flew through London Southend Airport in FY21 compared to 2.14 million in the prior year. Of those 147,000 passengers, 68,000 flew in March 2020 before travel restrictions took hold. Though some flying resumed in June 2021, with 4,555 passengers flying, the Directors do not expect commercial passenger operations to restart in earnest until much later in 2021.

In response to this trading environment, management took a range of decisive actions to significantly reduce London Southend Airport's cash burn, including extensive use of the UK Government's furlough scheme. London Southend Airport benefitted from continued operations and income from its global logistics operation throughout the year. However, movements reduced during January and February 2021 due to Brexit uncertainty and seasonal variances. While the logistics operations involved five daily rotations pre-Brexit, it returned to three daily rotations in March 2021.

Stobart Air and Propius

On 20 April 2021, the Group announced it had entered into agreements for the sale of its entire shareholdings in Stobart Air Unlimited Company (which operated regional flights under a franchise agreement for Aer Lingus) and Stobart Air (UK) Limited, the owner of Carlisle Lake District Airport to Ettyl Limited.

On 28 May 2021, Ettyl advised that its original funding package to support the transactions was no longer available and that it was in discussions on alternative funding options. On 12 June 2021, the Company announced that it was clear that Ettyl was unable to conclude the transactions on the original terms or to obtain an alternative funding package within the required timescale and exercised its right to terminate the contracts for the transactions with immediate effect. Further, in the absence of any alternative purchasers or sources of funding for the Stobart Air business within the timescales required, the Company advised the board of Stobart Air that it would not continue to provide financial support to the Stobart Air business going forward. As a result of this, the board of Stobart Air terminated its franchise agreement with Aer Lingus and ceased trading and appointed a liquidator on 14 June 2021.

The Company also announced that it had undertaken certain contingency planning measures and has agreed in response to these developments that it will continue to fund the lease obligations for certain of Stobart Air's aircraft through to termination of the leases in April 2023 under the terms of its pre-existing guarantee, and confirmed that it would take immediate steps to seek sublease arrangements for the aircraft with alternative operators to mitigate the impact on the Group.

The Company remains responsible for certain obligations to Aer Lingus under the franchise agreement which were also the subject of a pre-existing guarantee and have become payable following termination of the franchise agreement. These obligations and the guarantees entered into in early 2017 were the reason that the Group reacquired the airline and its related leasing company in April 2020. This enabled the Group to manage and seek to mitigate the impact of these liabilities following the administration of Connect Airways Limited.

In the announcement on 20 April 2021, the Company set out the cash flow impact on the Group on the assumption that the transactions concluded. The following table reflects the amended position over the period to the end of the leases assuming that the Group is unable to sublease the aircraft. It also includes the termination of the sale of Carlisle Lake District Airport which had been set to be concluded for consideration of £15 million.

	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>
Cash outflow reported previously (£ millions)	(16)	(9)	(24)
Additional cash impact arising from liquidation	(18) ⁽¹⁾	(13)	(2)
Total cash impact	(34)	(22)	(26)

Note:

(1) Cash impact reflects that the Group will retain ownership of Carlisle Lake District Airport rather than receive sale proceeds of £15 million.

Since April 2020, the Company has taken all steps to minimise the cash requirement of Stobart Air while seeking to find a purchaser recognising the importance of the airline to connectivity between the United Kingdom and Ireland, the 480 jobs involved and the fact that a sale would have been a better outcome for Shareholders. The Company has been successful in reducing the impact of its pre-existing obligations and in agreeing terms under which it has control of residual obligations through to expiry. However, the continuing impact of the pandemic which has resulted in almost no flying since April 2020 and the decision taken by Aer Lingus to award preferred bidder status to another party for the franchise agreement beyond its expiry in December 2022 significantly hampered the exhaustive steps taken to secure a future for the business and its staff.

The Group will retain the ownership of Carlisle Lake District Airport but will actively explore strategic options for the use of this asset in discussion with stakeholders including potential alternative commercial opportunities for the airport.

On 26 July 2021, the Company announced the conclusion of its role as strategic partner and operator of Teesside International Airport and transferred its 25% ownership of Teesside International Airport to a new Teesside Airport Foundation for a nominal consideration, the terms of which are detailed in paragraph 15.11 of Part XI—Additional Information. If there were to be a future sale of Teesside International Airport before 25 January 2023, the Company has agreed with Tees Valley Combined Authority (the TVCA) that Esken would be entitled to share in the proceeds of that sale up to an amount not exceeding £31.3 million, which would be used for general corporate purposes.

Stobart Aviation Limited (**SAL**) entered into a transaction with DLP Holdings S.a.r.l. (managed by Cyrus Capital), pursuant to which SAL agreed to transfer all of its interests as lender under (a) two facility agreements between it (and others), as lenders, and Flybe Limited (in administration), as borrower, and (b) one unsecured loan note issued by Connect Airways Limited (in administration), as borrower, to SAL (and others), as lenders. The transaction became unconditional on 23 July 2021 and SAL will be paid a cash consideration of £1.15 million on completion of the transaction, which is expected to occur in the near future.

3. Terms of the Capital Raise and the New Shares

The Company is proposing to raise approximately £55.0 million (approximately £50.6 million net of estimated commissions, fees and expenses) by way of a Placing and Open Offer of 78,865,765 New Shares, representing 7.7 per cent. of the enlarged issued share capital of the Company immediately following completion of the Capital Raise, and a Firm Placing of 313,991,377 New Shares, representing 30.6 per cent. of the enlarged issued share capital of the Company immediately following completion of the Capital Raise, each at an Offer Price of 14 pence per New Share.

Certain of the Directors and members of the Management Board have subscribed for, in aggregate, 1,553,476 Shares at the Offer Price by way of direct subscription letter with the Company (the

Subscription Letters). The Subscription Letters are subject to certain conditions, further details of which are set out in paragraph 15.1 of Part XI—Additional Information.

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 14 pence per New Share represents a 37.1 per cent. discount to the closing price of 22.25 pence on 27 July 2021, 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 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. 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:

1 Open Offer Share at 14 pence per Open Offer Share
for every 8 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 29 July 2021. 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 26 August 2021 (or such later time and/or date as the Company and the Joint Global Co-ordinators may agree).

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 38.5 per cent. as a result of the Placing and Open Offer (assuming no options granted under the Share Schemes are exercised between the Latest Practicable Date and the issuance of New Shares).

The results of the Placing and Open Offer are expected to be announced on or around 17 August 2021.

Firm Placing

The Company is proposing to issue 313,991,377 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 49.8 per cent. of the Shares in issue as at the Latest Practicable Date and are not subject to clawback under, nor do they form part of, the Open Offer. The Firm Placing is expected to raise approximately £44.0 million gross proceeds.

Shareholders who take up their pro rata Open Offer Entitlement in full will experience 30.8 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 Latest Practicable Date 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 26 August 2021 (or such later date as the Company and the Joint Global Co-ordinators may agree), 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 and the new Shares issued pursuant to the Subscription Letters 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 and the new Shares issued pursuant to the Subscription Letters 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 and the new Shares issued pursuant to the Subscription Letters will commence at 8.00 a.m. on 26 August 2021 (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.

4. Principal terms and conditions of the Investment

Under the terms of the Investment, which is subject to certain conditions and further terms as described herein, the Borrower has entered into the Loan Agreement and will borrow the Loan to be made available to it by the Lender, subject to the satisfaction of certain conditions referred to below (including the approval of the Transaction by Shareholders in due course). The principal amount of the Loan of £125 million will be advanced, net of the Lender's transaction costs and the Commitment Fee, to the Borrower on the Closing Date. The Borrower is obliged to repay the Loan in full seven years from the Closing Date unless Conversion (as defined below) occurs prior to such date. The Loan will entitle the Lender to convert, at any time following the Closing Date, its interest in the Loan (including all outstanding principal and any accrued but unpaid interest) into ordinary shares issued by the Borrower representing 29.999 per cent. of the entire issued share capital of the Borrower (which shall be increased to 30 per cent. of such share capital following receipt of certain approvals from the Office of Rail and Road) at any time before the Loan matures (**Conversion**).

The net proceeds of the Loan will be applied in repayment of existing intercompany loans owed by the Borrower to the Company and Stobart Aviation Limited. The Esken Shareholder (acting as **Pari Passu Lender**) will then advance a £20 million loan (the **Pari Passu Loan**) to the Borrower under an intercompany loan agreement which will rank *pari passu* with the Loan (the **Pari Passu Loan Agreement**).

The Borrower will grant first ranking fixed and floating security over all of its assets in support of its obligations under the Loan and the Pari Passu Loan. In addition, the other members of the Borrower Group will each give a guarantee in respect of the Borrower's obligations under the Loan and the Pari Passu Loan and will grant fixed and floating security over all of their respective assets in support of such guarantees. Interest shall accrue on the outstanding principal amount of the Loan at a rate of two per cent. per annum to be paid in kind (the **PIK Interest**) and eight per cent. per annum to be paid in cash (the **Cash Interest**), but on the basis that such Cash Interest is only payable if the Borrower has generated sufficient revenue during the previous year so as to pay such Cash Interest and meet a liquidity headroom test following payment of such amount, otherwise it is paid in kind as well. Interest payment dates will be the fifth Business Day following the end of each interest period, which shall be the last day of February of each year (following the Closing Date).

In connection with the Investment, each member of the Borrower Group, the Lender, the Pari Passu Lender and the Security Agent, amongst others, shall enter into an intercreditor agreement (the **Intercreditor Agreement**) which shall set out, amongst other things, the relative ranking of debt incurred by the Borrower Group and when enforcement action can be taken in respect of the security granted by the Borrower Group.

In the event that the Lender does not exercise its rights of Conversion prior to the maturity date of the Loan, and in certain circumstances (including following the occurrence of an event of default and on the final maturity date of the Loan), the Loan shall be repayable at the Repayment Price, being the greater of: (i) an amount that achieves a 10 per cent. IRR for the Lender for the period from the Closing Date to such repayment date (taking into account any Cash Interest paid during such period) and (ii) £193,750,000 less any Cash Interest paid during such period.

The Investment remains subject to the conditions set out in the Loan Agreement and a separate implementation agreement entered into on 2 July 2021 which governs the terms of certain commitments made by the Company, the Borrower, the Esken Shareholder and the CGI Shareholder in connection with Closing under the Loan Agreement and certain conditions to implementation of the Investment (the **Implementation Agreement**), including, amongst other things: the raising of committed funding of at least £60 million by the Company (of which at least £40 million is by way of the issue of Shares (which requirement will be met by the net proceeds from the Capital Raise if it is concluded) and not more than £20 million is by way of committed working capital facility (which requirement will be satisfied assuming that the New Facility is made available to the Wider Group by the Existing Lenders)), delivery of an initial business plan and annual budget for the Borrower Group agreed between the Esken Shareholder and the Lender, Shareholder approval of the Investment and completion of a corporate reorganisation to create the Borrower Group (the **Reorganisation**).

The Company will also be giving certain indemnities in a separate deed of indemnity (the **Indemnity Deed**) in favour of the Borrower Group and, in some instances, the Lender and certain of its affiliates. These indemnities include obligations of the Company to indemnify the Borrower Group and/or the Lender and certain of its affiliates (as applicable) against losses resulting from the Reorganisation, losses arising from secondary tax liabilities or “secondary” pension liabilities arising in connection with the Wider Group and losses arising from certain noise litigation proceedings (which are referred to in paragraph 17 of Part XI—Additional Information) and certain other matters.

Following Closing, the Borrower Group will be subject to certain customary restrictive covenants such that if the Borrower Group needs or wishes to undertake certain actions, it would be required to seek approval from the Lender. In addition, there are certain performance related triggers such that, in the event of underperformance by the Borrower Group in terms of passenger numbers using London Southend Airport and/or its profitability which are not cured within prescribed timeframes, it will be subject to certain tighter restrictions and the Lender will have certain enhanced rights and powers, including restricting incurrence of further indebtedness by the Borrower Group or the payment of dividends to the Wider Group. In addition, with effect from the Closing Date, CGI will have certain rights to participate in the management of the Borrower Group and following the occurrence of certain insolvency events in relation to certain members of the Wider Group, the Lender/CGI shall have the right to appoint the majority of the board of the Borrower.

Following Conversion, the Lender will be provided, pursuant to the Shareholders’ Agreement to be entered into between Stobart Aviation Limited (a wholly-owned subsidiary of the Company) (in that capacity, the **Esken Shareholder**) and the Lender (in that capacity, the **CGI Shareholder**), with certain additional rights in the management of the Borrower Group and will have the benefit of certain reserved matters such that the Borrower Group would need to seek consent from the CGI Shareholder or its representatives on the board of directors of the Borrower if it intended to take any action which is a reserved matter under the Shareholders’ Agreement (such as entering into certain material contracts or contracts with the Wider Group). While the CGI Shareholder is a party to the Shareholders’ Agreement and holds at least 25 per cent. of the shares in the Borrower, in the event that the Company ceases to be a listed entity (whether as a result of a takeover or any other event), the CGI Shareholder will receive an approval right over the Borrower’s business plan and budget.

Under the Implementation Agreement, the Company (i) provided a “no-shop” undertaking from it and its connected persons prohibiting the Company from soliciting an offer from, or participating in discussions with, another party to acquire the Borrower Group or issuing any debt which is convertible

into shares in the Borrower or any other arrangements which would frustrate or preclude, or would be an alternative to, the implementation of the Investment or would be an alternative to the financing provided under the Loan Agreement; and (ii) agreed to pay a commitment fee to CGI of £1,649,871.80 which shall become payable on the earlier of: (a) the Closing Date and (b) the date on which the Implementation Agreement terminates as a result of the conditions to Closing having not been satisfied by 30 September 2021.

A summary of the Loan Agreement, the Shareholders' Agreement, the Implementation Agreement, the Indemnity Deed, the Pari Passu Loan and the Intercreditor Agreement, which contains further details on the terms and conditions of the Investment and the rights available to the Lender and the CGI Shareholder under the Loan Agreement and Shareholders' Agreement prior to and following any Conversion is set out at Part IV—Summary of the Key Terms Relating to the Investment of this document.

Information on the Borrower Group

The Borrower Group comprises London Southend Airport Company Limited and each of Thames Gateway Airport Limited, Stobart Solar Limited and Stobart Jet Centre Limited, and forms part of the Stobart Aviation division.

The Borrower operates the award-winning London Southend Airport serving London and the South East, including its own rail station. The airport has become renowned for its exceptional customer service, the close proximity of the terminal to the car parks and rail station and the resulting low transit time from aircraft to car and train. The airport is currently served by Ryanair and Wizz Air, amongst others, and in 2020 served up to 40 destinations across Europe and the United Kingdom with passenger numbers of 2.14 million in FY20.

Stobart Jet Centre Limited (the **Jet Centre**) provides handling services to the private aviation market through its first-class lounge reception and complementary aircraft hangarage facilities. The Jet Centre offers a 24-hour operation with exceptional customer service and has developed a global network of operators since its launch in 2018.

Since 2016, Stobart Solar Limited has operated a 3.2 hectare solar farm at London Southend Airport providing the airport with renewable electricity and helping to reduce its carbon footprint.

Thames Gateway Airport Limited operates one of the UK's highest rated Holiday Inn Hotels. The hotel has consistently outperformed its competitors through its modern bedrooms, exceptional event function facilities and its award-winning rooftop restaurant with views over London Southend Airport.

Although the Group will retain control of the Borrower Group and its strategy, the Loan Agreement and Shareholders' Agreement will confer certain governance rights on CGI. Please see Part IV—Summary of the Key Terms Relating to the Investment for further details.

Information on the Lender

Carlyle is a global investment firm with deep industry expertise that deploys private capital across three business segments: Global Private Equity, Global Credit and Investment Solutions. With \$260 billion of assets under management as of 31 March 2021, Carlyle's purpose is to invest wisely and create value on behalf of its investors, portfolio companies and the communities in which they live and invest. Carlyle employs more than 1,800 people in 29 offices across five continents.

CGI is managed and advised by members of Carlyle, and is investing in the Borrower in collaboration with CAG Holdings LLC, a portfolio company of an affiliate of global investment firm the Carlyle Group, which is a US-based investment platform for airport infrastructure investment opportunities globally. CAG Holdings LLC has extensive experience in the aviation sector and is led by an experienced management team with a deep, localised understanding of the US airport market. CAG Holdings LLC's operating expertise helps create value for Carlyle investments, such as what is intended with London Southend Airport.

5. Use of proceeds and financial effects of the Transaction

The Investment is expected to raise £125 million in gross proceeds and approximately £120 million net of lender costs. The £120 million of proceeds will be available for the Group to refinance its Existing Facility and meet other transaction costs incurred by Esken, including the Commitment Fee,

with £20 million of the proceeds being advanced by the Wider Group to the Borrower so as to provide funding for London Southend Airport to cover all currently anticipated expenditure of the Borrower Group for the period through to the end of FY24, other than amounts funded from operating cash flows, which will be made available by the Pari Passu Loan.

The Group has in place an £80 million revolving credit facility (**Facility A**) and a £40 million revolving credit facility (**Facility B**) until 31 January 2022 (together, the **Existing Facility**), which were drawn down to £80 million and £28 million, respectively, as at the Latest Practicable Date. The proceeds from the Investment totalling £100 million (after the £20 million is advanced under the Pari Passu Loan but before other transaction costs incurred by Esken, including the Commitment Fee) will be used to repay amounts drawn down under Facility A and Facility B, which totalled £108 million as at the Latest Practicable Date and, pursuant to the July Consents, the Group anticipates drawing down up to an additional £5 million from Facility B (representing an aggregate draw down from the Existing Facility of £113 million) to provide working capital to the Group through to 31 August 2021.

The Capital Raise is expected to raise minimum gross proceeds of £55.0 million and approximately £50.6 million in net proceeds. Following repayment of the remaining £5 million drawn under the Existing Facility Agreement pursuant to the July Consents out of the proceeds of the Capital Raise, the Group intends to use the remaining net proceeds of the Capital Raise, together with the anticipated Group available cash balance in excess of £7 million as at 1 August 2021 and the £20 million New Facility (subject to meeting drawdown conditions as set out in the summary of the New Facility in paragraph 15.7 of Part XI—Additional Information) for its working capital requirements, including to meet certain of its residual legacy obligations under Stobart Air (and its liquidation) and Propius for 18 months from the date of this document. The proceeds will also be used to underpin the business plan for Stobart Energy.

The Group intends to draw down such funds under the New Facility as and when they are needed for its working capital requirements, which are set forth in the following table. Although entry into the Amended Facility Agreement in relation to the New Facility does not require the approval of Shareholders and will not be the subject of a vote at the General Meeting, it is conditional on completion of the Transaction. Further details on the New Facility are set out in paragraph 15.7 of Part XI—Additional Information.

A table setting out the detailed use of proceeds from the Transaction and the New Facility can be found below, which has been prepared on a reasonable worst case scenario basis. 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 “*If the Transaction does not complete, the Group may not have sufficient funds to meet its working capital requirements and liabilities as they fall due.*”

	7 months FY22 ⁽¹⁾	11 months FY23 ⁽²⁾	18 months to 31 Jan 2023	1 month FY23 ⁽³⁾	To end of FY23
	(£ millions)				
Opening available cash balance	7	31	7	16	7
Investment proceeds, net of Lender costs	120	—	120	—	120
Pari Passu Loan	(20)	—	(20)	—	(20)
Repay Existing Facility	(113)	—	(113)	—	(113)
New Facility drawdown	—	15	15	—	15
Repay New Facility	—	—	—	(15)	(15)
Net proceeds of the Capital Raise	51	—	51	—	51
Transaction costs and Commitment Fee	(8)	—	(8)	—	(8)
Proceeds from refinancing and the Capital Raise	30	15	45	(15)	30
Debt, leases and asset financing	(10)	(17)	(27)	(1)	(28)
Capex net of asset financing⁽⁴⁾	(1)	(1)	(2)	(0)	(2)
Stobart Air liquidation and Propius⁽⁵⁾	(9)	(18)	(27)	(4)	(31)
Other cash inflow / (outflow) including working capital	13	6	20	1	21
Closing available cash balance	31	16	16	(3)	(3)

Notes:

- (1) 7 months from 1 August 2021 to 28 February 2022.
- (2) 11 months from 1 March 2022 to 31 January 2023.
- (3) 1 month from 1 February 2023 to 28 February 2023.
- (4) Excludes potential proceeds from infrastructure asset sales.
- (5) £24.5 million Stobart Air and Propius liquidation cash flows incurred in FY22 prior to July 2021.
- (6) Due to the structure of the Investment, and the Borrower becoming a ringfenced asset as a result of the Pari Passu Loan, the subsequent cash flows presented above do not include the Borrower.
- (7) Available cash balances are shown net of restricted cash of £12.8 million.
- (8) Figures may not sum fully due to rounding.

The Transaction and the New Facility are intended to secure the financial position of the Group for the next 18 months from the date of this document and therefore the Company is of the opinion that, taking into account the net proceeds of the Investment, the net proceeds of the Capital Raise and the New Facility, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document, based on the assumptions set out in paragraph 18 of Part XI—Additional Information.

However, as set out in the table above, management's forecasts show a working capital shortfall of approximately £3 million in February 2023 for the Group, on a reasonable worst case scenario basis. This shortfall is principally a result of the requirement to refinance the New Facility by 1 February 2023. The Group anticipates incurring additional cash outflow from that date, pursuant to residual legacy obligations relating to Propius, the liquidation of Stobart Air and the cash impact of identified sensitivities and reduced activity levels across all divisions.

Whilst the Company has taken immediate steps to mitigate the risk of such shortfalls arising in the Group and fully intends to refinance or repay the New Facility prior to its expiry date on 1 February 2023, any beneficial impact from this has not been reflected in management's reasonable worst case scenario forecasts. Mitigating actions that may be available to management include (but are not limited to): seeking sublease arrangements for the aircraft held by Propius with alternative operators; the sale of non-core infrastructure assets; the delaying of certain discretionary capital expenditure and the refinancing of the New Facility.

6. New Facility

As announced on 27 July 2021, the Company has agreed the New Facility with the Existing Lenders. The Company and Stobart Energy Limited will be borrowers under the New Facility and shall be able to draw under the New Facility from the date on which the Transaction completes until one month before the New Facility terminates on 1 February 2023, subject to certain conditions. The borrowers' obligations under the New Facility will be guaranteed by members of the Wider Group and security will be granted by the borrowers and the guarantors as detailed in paragraph 15.7 of Part XI—Additional Information. The terms of the New Facility will be substantially similar to those of the Existing Facility.

The New Facility is conditional upon completion of the Transaction and the repayment by the Company of all outstanding amounts under the Existing Facility. In the event that the Transaction does not complete, the New Facility will not be available and the terms of the Existing Facility shall remain in force, and any further drawings under the Existing Facility beyond 31 August 2021 shall be subject to conditions imposed by the Existing Lenders at such time, which would be expected to include the requirement to seek to market and dispose of all or part of the business of the Group on an accelerated basis.

Further details on the New Facility are set out in paragraph 15.7 of Part XI—Additional Information.

7. Intentions of the Directors

The Directors, who beneficially hold in aggregate 1,518,133 Existing Shares, representing approximately 0.24 per cent. of the Company's existing issued ordinary share capital as at Latest Practicable Date, each have committed to vote their Existing Shares in favour of the Resolutions.

In addition, each of the Directors has committed to subscribe for a total investment (including under the Open Offer) as set out in the following table.

<u>Name</u>	<u>Existing Shares beneficially held⁽¹⁾</u>	<u>Total investment</u>
David Shearer	512,500	£100,000
Lewis Girdwood	300,000	£ 40,000
Clive Condie	185,000	£ 20,000
Nick Dilworth ⁽²⁾	163,593	£ 8,000
David Blackwood	169,534	£ 30,000
John Coombs ⁽³⁾	170,006	£ 25,000
Ginny Pulbrook	17,500	£ 5,000

Notes:

(1) As at the Latest Practicable Date.

(2) Includes 81,795 Shares held by Nick Dilworth's spouse.

(3) Includes 83,439 Shares held by John Coombs' spouse.

8. Current trading, trends and future prospects

The two core businesses of Aviation and Energy are currently returning to operations in different phases as a result of the continued impact of government travel advice.

The Stobart Energy division has continued to see the business operate at the expected levels now that the availability of waste wood from the construction industry has returned to pre-COVID-19 levels. The business has continued to see gate fees move in line with the expected increases with the move into the summer season and due to increased wood supply from the construction sector. The business is trading in line with management's expectations for FY22 and continues to develop to pre-COVID-19 levels as all plants are fully operational compared to FY20 and FY21. It is expected that Stobart Energy's performance will be back to pre-COVID-19 levels of activity by the end of FY22. Management intends to develop near-term growth opportunities from additional supply contracts and broaden the base of the market offering within the energy from waste space where existing operational expertise can be applied.

The challenging aviation sector travel advice and limited availability of travel routes has meant a slower recovery for London Southend Airport. However, there has been a return to some passenger flying though this will continue to be at low levels whilst "green routes" are limited. The management team remain focused on maintaining the tight cost control demonstrated throughout this period and remain prepared for an increased level of activity once routes open up and travel returns. The business remains resilient through the continued global logistics operation which has now returned to similar levels to last year following the earlier reduction in operations due to planned Brexit risk mitigation in January and February 2021.

Stobart Aviation Services is also being affected by the slower return to flying through this summer but, as with London Southend Airport, it has taken steps to ensure the cost base is reflective of this reduced level of activity and is ready in anticipation of the return of travel at the bases it serves.

The Directors have considered various operating scenarios with regard to the Group's recovery from the impact of COVID-19 for London Southend Airport and Stobart Aviation Services in 2021 and the years ending February 2022 and February 2023. The table below sets forth management's current expectations in respect of its future business operations.

Management's current expectations refer to the assumptions and beliefs of management as at the date of this document for London Southend Airport, Stobart Energy and non-core assets which are reflected in the Company's business plan and budget. Management's current expectations are not a forecast, but rather are a management model based on a number of assumptions and beliefs concerning, amongst other things, results of operations, financial condition, liquidity, prospects, growth, strategies and recovery from the impact of COVID-19 for London Southend Airport, Stobart Energy and non-core assets. By their nature, these assumptions and beliefs 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 risks and uncertainties resulting from the COVID-19 pandemic. 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, set out on page 211 of this document, please see paragraph 18 of Part XI—Additional Information.

	Management's current expectations⁽¹⁾⁽²⁾
London Southend Airport	
Passengers numbers at pre-COVID-19 average run rate by end of	April 2022
Cargo rotations at December 2020 levels by	October 2021
Stobart Energy	
Cumulative tonnes sold in excess of FY20 by ⁽³⁾	January 2022
Cumulative gate fee revenue in excess of FY20 by	November 2021
Disposal of Non-Strategic Infrastructure Assets	May 2023

Notes:

- (1) In the period following the 2020 Capital Raise to the end of the financial year (February 2021), the core business consumed £13.7 million cash including capital expenditure, an average of £1.7 million per month. This compares favourably to the downside scenario within the plan produced in 2020 of cash consumption of £37.0 million (£4.6 million per month) and management base case consumption of £34.4 million (£4.3 million per month).
- (2) Total group cash consumption over the same period was £59.1 million (£7.4 million per month), including over £40 million of funding support to Stobart Air. The Directors are confident that the strict cash management disciplines now embedded in the Group will continue.
- (3) Tilbury Green Power plant was offline for part of FY20.

9. Related Party Transaction

Toscafund is a substantial shareholder in the Company for the purposes of the Listing Rules as a result of being entitled to exercise, or to control the exercise of, over 10 per cent. of the votes able to be cast at general meetings of the Company. It is therefore considered to be a related party for the purposes of Chapter 11 of the Listing Rules. Toscafund has agreed to acquire up to 102,142,857 New Shares in the Firm Placing and the Placing (subject to clawback to satisfy valid applications under the Open Offer). As a consequence of the current interest of Toscafund in the Company, its proposed participation in the Firm Placing and Placing 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. Toscafund is not entitled to vote, and has undertaken to abstain from voting and to take all reasonable steps to ensure that its associates will abstain from voting, on the resolution to approve its own related party transaction at the General Meeting.

10. 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 Amended Facility Agreement, the Company is restricted from paying or declaring dividends whilst the New Facility remains in place. Dividends from the Borrower Group to the Wider Group are subject to certain restrictions under the terms of the Investment as described in more detail in Part A of Part IV—Summary of the Key Terms Relating to the Investment and are not expected to be paid for a number of years.

11. General Meeting and Resolutions

The Transaction and the Toscafund Transaction will require approval at a meeting of Shareholders to be held at Esken Limited, 3rd Floor, 15 Stratford Place, London W1C 1BE, at 11.00 a.m. on 17 August 2021 (London time). The Investment constitutes a class 1 transaction for the Company under the Listing Rules and the Transaction will require the passing by Shareholders of the Resolutions to be proposed at the General Meeting.

The New Facility does not require approval of Shareholders and will not be put to the General Meeting. However, the New Facility is conditional upon completion of the Transaction. The Toscafund Transaction is a related party transaction under the Listing Rules and requires the prior approval of independent Shareholders (being Shareholders other than Toscafund and its associates) by ordinary resolution to be proposed at the General Meeting. 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.

For the reasons set out in this document, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings of Shares, and that you take the action described below.

General Meeting

The General Meeting will be held at Esken Limited, 3rd Floor, 15 Stratford Place, London W1C 1BE on 17 August 2021 at 11.00 a.m. The Transaction and the Toscafund Transaction requires approval of Shareholders at the General Meeting. **The Company will hold its Annual General Meeting immediately prior to the General Meeting. The Annual General Meeting is expected to have concluded by 11.00 a.m. If the Annual General Meeting has not concluded by 11.00 a.m. then the General Meeting will commence immediately after its conclusion. If the Annual General Meeting concludes before 11.00 a.m. then the General Meeting will commence at 11.00 a.m.**

(a) The documents

If you hold your Shares directly you are asked to submit your proxy electronically by accessing the Registrar's website at www.signalshares.com. Instead of voting online, you may request a hard copy form of proxy directly from the Company Registrar, Link Group, 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. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.

(b) Attendance at the General Meeting

Coronavirus (COVID-19) measures

The Company is continuing to monitor public health guidance and legislation issued by the UK Government. Considering the continued unpredictability of UK Government guidance due to COVID-19, the General Meeting will be held in the first instance as a hybrid meeting which will enable Shareholders to participate and attend electronically in the safest manner possible, without leaving their homes.

Shareholders should not try attending the General Meeting in person. The Board strongly encourages you to submit a proxy form electronically and make full use of the electronic meeting facilities available to you.

Logging in

In order to join the General Meeting electronically and ask questions via the platform, Shareholders will need to connect to the following site <https://web.lumiagm.com>. Lumi is available as a mobile web client, compatible with the latest browser versions of Chrome, Firefox, Internet Explorer 11 (Internet Explorer V10 and lower are not supported), Edge and Safari and can be accessed using any web browser, on a PC or smartphone device.

Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will be asked to enter the Lumi Meeting ID, which is 155-493-987. You will then be prompted to enter your unique 11 digit Investor Code (IVC) including any leading zeros and 'PIN'. Your PIN is the last 4 digits of your IVC. This will authenticate you as a Shareholder.

Your IVC can be found on your share certificate, or Signal Shares users (www.signalshares.com) will find this under 'Manage your account' when logged in to the Signal Shares portal. You can also obtain this by contacting Link, our Registrar, by calling +44 (0) 371 277 0321. Lines are open from 9.00 a.m.

to 5.30 p.m. Monday to Friday, calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate.

Access to the General Meeting will be available from 30 minutes before meeting start time, although the voting functionality will not be enabled until the Chairman of the meeting declares the poll open. During the General Meeting, you must ensure you are connected to the internet at all times in order to vote when the Chairman commences polling on the Resolutions. Therefore, it is your responsibility to ensure connectivity for the duration of the General Meeting. A user guide to the Lumi website is available on our website at: <https://www.esken.com/investors/shareholder-centre/documents-circulars/?year=2021>.

If you wish to appoint a proxy other than the Chair of the meeting and for them to attend the virtual meeting on your behalf, please submit your proxy appointment in the usual way before contacting Link Group on +44 (0) 371 277 0321 in order to obtain their IVC and PIN. It is suggested that you do this as soon as possible and at least 48 hours (excluding non-business days) before the meeting.

If your Shares are held within a nominee and you wish to attend the electronic meeting, you will need to contact your nominee as soon as possible. Your nominee will need to present a corporate letter of representation to Link Group, our registrar, as soon as possible and at least 72 hours (excluding non-business days) before the meeting, in order that they can obtain for you your unique IVC and PIN to enable you to attend the electronic meeting.

The Company will continue to keep 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 (as applicable) Government guidance and directions in relation to COVID-19 and to act accordingly.

(c) Asking questions at the General Meeting

The Company recognises the importance of being able to answer Shareholders' questions. Shareholders are invited to email Matthew Joy, Company Secretary (matthew.joy@esken.com) including their Shareholder Reference Number (shown on their share certificate as Investor Code or IVC), with any questions relating to the business of the General Meeting which they would like to have considered. The Company requests that questions be submitted by 7 August 2021 at the latest. The Company will attempt to answer as many of your questions as it can via the Company's website (www.esken.com) in advance of the General Meeting. If a large number of questions on similar topics are received, the Company may group those questions and respond to them generally. You may also ask questions through the electronic meeting facilities.

(d) Voting at the General Meeting

Shareholders are strongly encouraged to submit a proxy vote in advance of the General Meeting. You can submit your proxy vote online or by returning any Form of Proxy posted to you on your request. Given the current arrangements regarding attendance, the Board would urge shareholders to appoint the Executive Chairman as their proxy rather than a named person. Shareholders who participate in the General Meeting electronically or in person will be able to vote in real time. All voting on the day will be via the dedicated online platform, <http://web.lumiagm.com>.

Sending Forms of Proxy by post or by hand

If you hold your Shares directly you are asked to submit your proxy electronically by accessing the Registrar's website at www.signalshares.com. Instead of voting online, you may request a hard copy form of proxy directly from the Company Registrar, Link Group, by email at enquiries@linkgroup.co.uk, or you may call Link 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. If you request a hard copy, please complete and sign it in accordance with the instructions printed on it and return it either (i) by post or, (ii) during normal business hours only, by hand, to the Company's registrar, Link Group at PXS 1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL, so as to be received as soon as possible and in any event not later than 11.00 a.m. (London time) on 13 August 2021, or, if the General Meeting is adjourned, the Form of Proxy should be received not later than 48 hours (excluding non-business days) before the time fixed for the adjourned General Meeting.

The Form of Proxy must be returned by the time mentioned above, or it will be invalid.

Shareholders are entitled to appoint a proxy in respect of some or all of their Shares and may also appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such holder. Shareholders who wish to appoint more than one proxy in respect of their holding of Shares should contact Link Group for further Forms of Proxy.

Completion and return of a Form of Proxy, or the appointment of a proxy electronically using CREST (or any other procedure described below), will not prevent you from attending, asking questions via the text function on the meeting platform and voting in person at the General Meeting (by electronic means), or any adjournment thereof, if you wish and are entitled to do so.

Online appointment of proxies

Shareholders entitled to attend and vote at the General Meeting may appoint a proxy electronically by logging on to the Registrar's website at www.signalshares.com and entering the Voting ID, Task ID and Shareholder Reference Number shown on their Form of Proxy. For an electronic proxy appointment to be valid, the appointment must be received by the Company's registrar, Link Group no later than 11.00 a.m. (London time) on 13 August 2021 (or, in the case of adjournment(s), not later than 48 hours (excluding non-business days) before the time fixed for the adjourned meeting). Full details of the procedure to be followed to appoint a proxy electronically are given on the website.

Electronic appointment of proxies through CREST

If you hold Shares in uncertificated form through CREST and wish to appoint a proxy or proxies for the meeting (or any adjourned meeting) by using the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed any voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with the specifications of Euroclear and must contain the information required for such instructions as described in the CREST Manual. The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy), must, in order to be valid, be transmitted so as to be received by the Company's registrar, Link Group not less than 48 hours (excluding non-business days) before the time fixed for the General Meeting (or adjourned meeting). 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 Application Host) from which Link Group is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is 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 any voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in the CREST Regulations.

(e) Shareholder Helpline

If you have any questions about this document or the General Meeting, or are in any doubt as to how to complete the Form of Proxy or submit a proxy form electronically, please contact the Company's registrars, Link Group at PXS 1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL or

call on 0371 664 0321 or, if telephoning from outside the UK, on +44 (0) 371 664 0321, between 9.00 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at applicable international rates. Calls may be recorded and monitored for security and training purposes. Please note that, for legal reasons, the helpline cannot provide advice on the merits of the Transaction or give any legal, tax or financial advice.

Resolutions

Resolution 1—Directors' authority to issue the New Shares

Resolution 1 authorises the Board to implement the Capital Raise and the general issue of Shares for the Capital Raise and the Subscription Letters up to an aggregate nominal value of £39,441,062, which is equal to approximately 62.5 per cent. of the nominal value of the current issued share capital of the Company (excluding treasury shares) as at the Latest Practicable Date. 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 new Shares in connection with the Capital Raise and the Subscription Letters. The authority granted under Resolution 1 is in addition to the authority to issue Shares which was granted to the Directors at the Company's last annual general meeting in 2020.

Resolution 2—Disapplication of pre-emption rights

Resolution 2 authorises the Directors to issue equity securities (as defined in the Articles) for cash pursuant to and in connection with the Capital Raise and the Subscription Letters without first offering them to existing Shareholders in proportion to their existing shareholdings up to an aggregate nominal amount of £39,441,062 (representing 394,410,618 Shares). This represents approximately 62.5 per cent of the nominal value of the current issued share capital of the Company (excluding treasury shares) as at the Latest Practicable Date. 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 and the Subscription Letters. 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 2 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 2020.

Resolution 3—Discount of greater than 10 per cent. to middle market price of the Shares

Resolution 3 authorises the Directors to issue up to 394,410,618 Shares pursuant to the Capital Raise and employee and other applications at the Offer Price, which represents a discount of 37.1 per cent. to the middle market price of the Company's Shares as at 27 July 2021 (being the last closing price before the announcement of the Capital Raise). This resolution is required under Listing Rule 9.5.10(3)(a). 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 4—Approval of issue of Shares to Toscafund

Funds managed by Toscafund hold in aggregate 180,835,223 Existing Shares, representing 28.66 per cent. of the Company's issued ordinary share capital as at the Latest Practicable Date. Toscafund has agreed to acquire up to 102,142,857 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 27.6 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.

Resolution 5—Approval of the Investment

Resolution 5 is the resolution that approves the Investment and authorises the Directors to implement the Investment.

Resolutions 1, 3, 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 2 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 Transaction to complete successfully and (ii) certain of the Resolutions, if passed, would not be effective to complete the Transaction unless certain other Resolutions are passed.

The full text of the Resolutions and other matters is set out in the Notice of the General Meeting attached to this document. If the Resolutions are not passed, the Transaction will not proceed.

Shareholders should note the special note in relation to the COVID-19 situation in the Notice of the General Meeting attached to this document.

12. 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, the Placing and Open Offer is not being made to Shareholders in or into any Excluded Territory.

Subject to certain limited exceptions, 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, nor will the CREST stock account of Shareholders with registered addresses, or who are resident or located, in an Excluded Territory be credited with Open Offer Entitlements or Excess Open Offer Entitlements. Any person with a registered address, or who is resident or located, in 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.

13. Taxation

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

14. 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.

15. Actions to be taken in respect of the Capital Raise

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 28 July 2021. 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 29 July 2021.

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 28 July 2021, 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 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 16 August 2021, 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 July 2021.

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.

16. Additional 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 XIII—Definitions and Glossary (inclusive) of this document. In particular, Shareholders should consider fully and carefully the risk factors associated with the Transaction, which are set out in the Risk Factors. Shareholders are advised to read the whole of this document and not merely rely on the summarised information set out in this letter.

17. Importance of your vote

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

conditional upon the completion of the Transaction and the repayment by the Company of all outstanding amounts under the Existing Facility.

Shareholders are asked to vote in favour of the Resolutions at the General Meeting in order for the Transaction to proceed. The Directors believe that successful completion of the Transaction and the entry into the Amended Facility Agreement for the New Facility, is required to fund the Group's short-term working capital requirements, allow the Group to refinance the Existing Facility, resolve the specific uncertainties in respect of securing the necessary funds to survive the short-term difficulties through the ongoing COVID-19 crisis and position the Group to deliver its medium-term growth strategies.

The Group has obtained a deferral of financial covenant testing from its lending banks under the Existing Facility Agreement from May 2021 to 31 August 2021. Facility A is fully drawn down at £80 million. Drawdowns under Facility B during July and August 2021 are subject to meeting certain conditions, including the Company's ability to successfully complete the Transaction on or prior to 31 August 2021 (the **Draw-Stop Date**). The Group has satisfied these conditions to date and as at the Latest Practicable Date has drawn down £28 million of the £40 million available under Facility B in order to provide working capital for the Group and to maintain cash headroom up to 28 July 2021 and expects to draw down up to £33 million in aggregate under Facility B by the Draw-Stop Date.

Accordingly, if the Transaction fails to complete, the Existing Lenders have no obligation to fund any further drawings and there can be no guarantee that the lending banks will consent to allow further drawdowns under Facility B beyond the Draw-Stop Date. If they do so consent, any further access to drawings under Facility B is expected to be conditional upon the Group seeking to market and dispose of all or part of the business of the Group on an accelerated basis. The New Facility is conditional on completion of the Transaction and the repayment by the Company of all outstanding amounts under the Existing Facility.

The Company's auditor has included a paragraph in the independent auditor's reports in respect of the FY20 Financial Statements and the FY21 Financial Statements stating that there is material uncertainty in respect of the Company's ability to continue as a going concern. The COVID-19 pandemic has continued to significantly impact the Group's revenue and costs in FY21 and the first five months of FY22, in particular in the Stobart Aviation business. The COVID-19 pandemic is expected to continue to significantly impact the Group given the current restrictions and limitations on both domestic and international air travel. Since the start of the COVID-19 pandemic, 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 business critical, including being required to meet regulatory requirements, and has deferred all discretionary spend.
- The Group utilised the UK Government's Job Retention Scheme and initially put approximately 57 per cent. of the Group's more than 1,550 employees on furlough at its highest in April 2020. Approximately 243 of its employees remain on furlough or part time furlough (out of a total number of employees of the Group of 931 as at June 2021).
- The Group has reduced employee numbers from 1,482 as at February 2020 to 931 as at June 2021.
- The Directors and members of the Management Board agreed to 20 per cent. pay reductions and all other non-furloughed management accepted 10 per cent. pay reductions for six months during 2020.
- A recruitment freeze was put in place in early March 2020 and all variable pay awards were deferred during FY21. No annual bonus scheme has yet been put in place for FY22 other than for Stobart Energy.
- The Group has utilised a number of measures made available by the UK Government to help conserve cash.

If the Capital Raise is not completed by 31 August 2021, the Amended Facility Agreement will not become effective and the lending banks may choose to no longer provide financial covenant waivers or deferrals under the Existing Facility and may not provide consent to the Company drawing down further funds under Facility B prior to or beyond the Draw-Stop Date such that the Group would be unable to meet its liabilities as they fall due, and, in respect of the financial covenants, an event of

default would immediately occur on 31 August 2021 following which the lending banks would be entitled to demand immediate repayment of all outstanding amounts under the Existing Facility Agreement (which as at the Latest Practicable Date are £108 million and is anticipated to total £113 million by 31 August 2021). Unless the Group is able to agree short-term relief with the lending banks and certain of its other stakeholders in order to explore alternative funding options to refinance the Existing Facility, or dispose of all or part of the business of the Group in order to generate sufficient funds to repay the Existing Facility, the Company does not expect that the Group would be able to obtain the funds necessary to pay all due amounts under the Existing Facility, and enforcement of the security granted in favour of the lending banks, together with 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 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 Transaction does not successfully complete.

Consequently, if (i) the Transaction does not successfully complete and (ii) the Effective Date does not occur in respect of the Amended Facility Agreement, in each case by the Draw-Stop Date (or such later date as agreed with the lending banks including the provision of further funding under Facility B), the Directors expect that Administration (or equivalent local law procedures) of the Company and of certain key trading companies in the Group and enforcement of the transaction security granted in favour of the Existing Lenders 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 Transaction to represent the best transaction possible for the Company, Shareholders and its stakeholders as a whole in the current circumstances.

Even if the Transaction is approved by Shareholders, as further disclosed in paragraph 5 of this Part I, management's forecasts show a working capital shortfall of approximately £3 million in February 2023, on a reasonable worst case scenario basis. This shortfall is principally a result of the requirement to refinance the New Facility by 1 February 2023. The Group anticipates incurring additional cash outflow from that date, pursuant to residual legacy costs relating to Propius, the liquidation of Stobart Air and the cash impact of identified sensitivities, and reduced activity levels across all divisions.

18. Letter of support

Toscafund, the Company's largest shareholder, provided the Company with a letter of support stating that it intends to fully support the Investment and the Capital Raise and it has agreed to acquire up to 102,142,857 New Shares in the Firm Placing and the Placing (subject to clawback to satisfy valid applications under the Open Offer).

19. Recommendations to Shareholders

The Board, having been so advised by the Joint Sponsors, considers that the terms of the Toscafund Transaction are fair and reasonable as far as the Shareholders are concerned and that the Toscafund Transaction is in the best interests of the Shareholders as a whole.

The Board consider the Transaction to be in the best interests of Esken and its Shareholders as a whole. Accordingly, the Board unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as all Directors who hold Shares intend to do in respect of their own holdings of, in aggregate, 1,518,133 Existing Shares representing approximately 0.24 per cent. of the existing issued ordinary share capital of Esken on the Latest Practicable Date.

Yours faithfully,
for and on behalf of Esken Limited

David Shearer
Executive Chairman

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 Group 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 Group 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. Most placees 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. 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 78,865,765 New Shares at a price of 14 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 any 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 1 Open Offer Share for every 8 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 27 July 2021.

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 26 August 2021 (or such later time and/or date as the Company and the Joint Global Co-ordinators may agree).

3. What is the Company's Firm Placing?

The Company is proposing to issue 313,991,377 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 49.8 per cent. of the Shares in issue as at the Latest Practicable Date 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 £44.0 million. The Firm Placing is subject to the same conditions and termination rights which apply 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 26 August 2021 or such later time and/or date as the Company and the Joint Global Co-ordinators may agree. 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 28 July 2021 (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 26 July 2021 (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 an Excluded Territory, and are not physically located in any 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 Capital Raise Resolutions at the General Meeting to be held at 11.00 a.m. on 17 August 2021, if you hold your Shares in certificated form and do not have a registered address in any 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 13 August 2021, 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 11.00 a.m. (London time) on 13 August 2021 (or, in the case of an adjournment, not later than 48 hours (excluding non-business days) 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 Group, 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. and 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 Group, PXS 1, 10th Floor, Central Square, 29 Wellington Square, Leeds LS1 4DL, by not later than 11.00 a.m. on 13 August 2021 (or, in the case of an adjournment, not later than 48 hours (excluding non-business days) 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. The Board strongly encourages Shareholders to appoint the Chair 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 as you will not be permitted to attend the meeting in person.

For the avoidance of doubt, it will not be possible to vote in person at the General Meeting other than by way of the electronic facilities to be made available as described elsewhere in this document unless circumstances change before the date of 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 38.5 per cent. from completion of the Capital Raise (assuming no options granted under the Share Schemes are exercised between the Latest Practicable Date 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 30.8 per cent. as a result of the Firm Placing (assuming no options granted under the Share Schemes are exercised between the Latest Practicable Date 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 14 pence giving you an amount of 350 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 Group, Corporate Actions, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL so as to be received by no later than 11.00 a.m. on 13 August 2021, 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: Esken Limited—2021 Open Offer Account" and crossed "A/C payee only", in the accompanying pre-paid envelope by post to Link Group, Corporate Actions, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL so as to be received no later than 11.00 a.m. on 16 August 2021, 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: Esken Limited—2021 Open Offer Account" 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 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 28 July 2021 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 X—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 X—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 Group will not be able to assist you with taxation issues.

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. Shareholders with registered addresses in, or located or resident in, the Excluded Territories 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 Group 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 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 £55.0 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 78,865,765 Open Offer Shares and a Firm Placing of 313,991,377 Firm Placed Shares. The Open Offer is an opportunity for Qualifying Shareholders to apply for in aggregate 78,865,765 Open Offer Shares *pro rata* to their current holdings at the Offer Price.

Certain of the Directors and members of the Management Board have subscribed for, in aggregate, 1,553,476 Shares at the Offer Price by way of the Subscription Letters. The Subscription Letters are subject to certain conditions, further details of which are set out in paragraph 15.1 of Part XI—Additional Information.

The Offer Price of 14 pence per New Share represents a 37.1 per cent. discount to the closing price of 22.25 pence per Existing Share on 27 July 2021 (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;
- (c) Admission becoming effective by not later than 8.00 a.m. on 26 August 2021 (or such later time and/or date as the Joint Global Co-ordinators and the Company may agree).

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) 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 4.4 of Part XI—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 38.3 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 16 August 2021 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. Most placees 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. 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 for under 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:

1 Open Offer Share at 14 pence each for every 8 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 38.5 per cent. (assuming no options granted under the Share Schemes are exercised between the Latest Practicable Date following the Capital Raise).

The results of the Capital Raise are expected to be announced on or around 17 August 2021.

Firm Placing

The Company is proposing to issue 313,991,377 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 49.8 per cent. of the Shares in issue as at the Latest Practicable Date 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 £44.0 million.

Shareholders who take up their *pro rata* Open Offer Entitlement in full will experience a 30.8 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 the Latest Practicable Date 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 26 August 2021 (or such later date as the Company and the Joint Global Co-ordinators may agree), 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) 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). 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 26 August 2021 (or such later time and/or date as the Joint Global Co-ordinators and Company may agree).

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 XI—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 26 August 2021 (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 26 August 2021.

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

- (a) Link Group 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 29 July 2021;
- (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 26 August 2021; 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 16 August 2021. The Open Offer Shares are expected to be issued on 26 August 2021. 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 28 July 2021 (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 12 August 2021.

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 28 July 2021, 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 28 July 2021 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. 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 28 July 2021 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 Group so as to be received by no later than 3.00 p.m. on 12 August 2021. 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.

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 Group, Corporate Actions, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL, so as to be received by Link by no later than 11.00 a.m. on 16 August 2021, 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: Esken Limited—2021 Open Offer Account" and crossed "A/C payee only". Cheques must be for the full amount payable on acceptance and sent by post to Link Group so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 16 August 2021. 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 a non-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 Group, Corporate Actions, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL. Alternatively, enquiries in connection with the Application Forms can be made to Link Group 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 Group 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 16 August 2021, 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 16 August 2021.

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 16 August 2021 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 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 of this Part III 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 Group, 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”).

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 Group 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 Group 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 Group, 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 Group 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: Esken Limited—2021 Open Offer Account" 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; or
- (ii) 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. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

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 11 August 2021 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 Group 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 Group 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 16 August 2021.

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 Group 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 Group 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 that 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 GG00BP0TT372;
- (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 21349ESK;
- (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 16 August 2021;
- (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 16 August 2021. 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 16 August 2021 in order to be valid is 11.00 a.m. on that day.

If Admission has not occurred by 8.00 a.m. on 26 August 2021, or such later time and date as the Company and the Joint Global Co-ordinators may agree, 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 GG00BP0TT489;
- (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 21349ESK;
- (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 16 August 2021;
- (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 16 August 2021. 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 16 August 2021 in order to be valid is 11.00 a.m. on that day.

If Admission has not occurred by 8.00 a.m. on 26 August 2021, or such later time and date as the Company and the Underwriters may agree, 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 16 August 2021. 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 than 11.00 a.m. on 16 August 2021 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 16 August 2021 (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) of this Part III, 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 Group receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Link Group 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 Group 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 Group.

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 11 August 2021. 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 Group 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 Group 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 X—Taxation. The information contained in Part X—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 Group, Corporate Actions, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL, 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 Group 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 Group 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.

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 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 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 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 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: Esken Limited—2021 Open Offer Account" 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.

The Company is not extending the offer of the New Shares into the United States, and 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. 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.

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.

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.

The Open Offer Entitlements, Excess Open Offer Entitlements and New Shares are being offered outside the United States in reliance on Regulation S. Any person in the United States who obtains a copy of this document and/or an Application Form is required to disregard them. 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, 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. Subject to certain limited exceptions, 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.

The New Shares may not be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other

circumstances which do not constitute an offer to the public within the meaning of the C(WUMP)O or an invitation to induce an offer by the public to subscribe for or purchase any shares and which do not result in this document being a “prospectus” as defined in the C(WUMP)O. No advertisement, invitation or document relating to the New Shares or this document may be issued or may be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the C(WUMP)O and the SFO) other than with respect to the New Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO or in other circumstances which do not constitute an offer or invitation to the public within the meaning of the C(WUMP)O. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document you should obtain independent professional advice.

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

In relation to each member state of the European Economic Area (each, an **EEA 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 EEA 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 EEA State or, where appropriate, approved in another EEA State and notified to the competent authority in that EEA State, all in accordance with Regulation 2017/1129/EU (the **Prospectus Regulation**), other than the offers contemplated in this document in a EEA 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 EEA 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 EEA 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 EEA 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 EEA 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 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 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 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 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 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 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 any 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 any 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 any 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—SUMMARY OF THE KEY TERMS RELATING TO THE INVESTMENT

PART A—LOAN AGREEMENT / SECURITY ARRANGEMENTS

Loan Agreement

The Loan Agreement includes provisions to the following effect:

Borrower and Guarantors

The Loan Agreement includes London Southend Airport Company Limited (**LSA**) as the Borrower and Thames Gateway Airport Limited, Stobart Solar Limited and Stobart Jet Centre Limited as joint and several guarantors of the Borrower's obligations (together with the Borrower, the **Obligors**).

Principal amount and interest

The principal amount of the available facility as at the Closing Date (as defined therein) will be £125 million.

Interest shall accrue on the outstanding principal amount of the Loan at a rate of 2 per cent. per annum (the **PIK Interest**) and 8 per cent. per annum (the **Cash Interest**). Interest payment dates will be the fifth Business Day following the end of each interest period (being a period of 12 months ending on the last day of February in each year save that the first interest period shall commence on the Closing Date and shall end on the last day of February 2022).

PIK Interest accrued during each Interest Period will be added to the principal amount of the Loan. Cash Interest will only be payable to the Lender out of revenues generated by the Obligors during the interest period preceding each interest payment date (after deducting certain expenditure and debt service charges of the Obligors) and shall only be payable to the extent that a minimum headroom liquidity requirement is met. Such minimum headroom liquidity requirement will be met to the extent that (i) following payment of the accrued Cash Interest on such interest payment date, and taking into account any other debt service charges payable on such date, there is a minimum of £5 million of cash to be available to the Obligors; and (ii) during each month of the three-year period following such interest payment date, there is a minimum of £2.5 million of cash (after deducting anticipated payments of operating and capital expenditure, debt service and cash taxes) (**Projected Cash**) forecast to be available to the Obligors and when the Projected Cash for each month of such three-year period is aggregated, the average Projected Cash available to the Obligors during such period is forecast to be not less than £5 million. To the extent that Cash Interest is not paid on an interest payment date, the unpaid amount will be added to the principal amount of the Loan with effect from such date and interest will accrue on such increased principal amount thereafter.

Purpose

The Borrower shall apply all amounts borrowed by it under the Loan in partial repayment of the outstanding intercompany loans advanced by the Company and Stobart Aviation Limited and settlement of the transaction fees, costs and expenses of the Lender incurred in entry into this Agreement.

Conditions precedent

The Loan Agreement requires the satisfaction of certain conditions precedent prior to the Lender being obliged to make the Loan available to the Borrower. These conditions precedent include:

- Customary corporate authorisations for a transaction of this type, including board resolutions, directors' certificates, financial statements and constitutional documents.
- A legal opinion of the legal advisers to the Lender.
- Duly executed copies of the ancillary transaction documents, including the Pari Passu Loan, Intercreditor Agreement, Deed of Indemnity, Shareholders' Agreement, Implementation Agreement, the document granting the Transaction Security, deed of release of existing security and utilisation request.
- Evidence of the approval of the Investment by the Shareholders of the Company.

- One or more RNS announcements from the Company which together confirm that (i) the Group has obtained at least £60 million of committed funding of which at least £40 million has been raised by way of the issue of Shares (which requirement will be met by the net proceeds from the Capital Raise if it is concluded) and no more than £20 million made available pursuant to a committed working capital facility; (ii) the equity raise has completed; and (iii) the working capital facility has been entered into and all initial conditions precedent have been satisfied.
- Certain other evidence such as a business plan, a cashflow statement for the period beginning 1 March 2021 and ending on the business day prior to the Closing Date demonstrating the funding injected by the Wider Group into the Borrower Group, a steps paper for the reorganisation of the Obligors into the Borrower Group and a licence in favour of the Borrower granting an exclusive and perpetual license to use the trademarks associated with London Southend Airport.

Undertakings

The Loan Agreement requires the Obligors to comply, with effect from the Closing Date and for so long as the Loan remains outstanding, with a number of customary undertakings and covenants, which are subject to customary materiality qualifications, exceptions and baskets. These covenants include, among others:

- restrictions on the nature and amount of financial indebtedness that may be incurred by the Obligors, including the requirement to meet certain debt incurrence tests before certain types of financial indebtedness can be incurred;
- restrictions on capital and operating expenditure which may be incurred by the Obligors during the term of the Loan;
- restrictions on disposals of assets;
- restrictions on the ability of the Obligors to make dividend payments, distributions or payments in respect of subordinated debt unless certain permitted distribution conditions are met; and
- restrictions on the ability of the Borrower to make material changes to the terms of reference for the Operational Committee or establish further committees for managing the Borrower other than with the prior consent of the Lender.

In addition, there are certain performance related triggers such that, in the event of underperformance by the Obligors in terms of passenger numbers using London Southend Airport and/or its profitability which are not cured within prescribed timeframes, the Obligors will be subject to certain tighter restrictions and the Lender will have certain enhanced rights and powers, including further restrictions with respect to the incurrence of financial indebtedness, a restriction on all disposals by the Borrower Group and a restriction on the payment of any distributions, dividends or in respect of subordinated debt.

Restrictions on transfer

The Loan Agreement includes restrictions on the ability for the Lender to transfer its rights and obligations under the Loan Agreement to a third party. The Lender is at all times restricted from transferring its interest to any entity on the Restricted List without the prior written consent of the Borrower.

The Lender may transfer its rights without the prior consent of the Borrower (subject to the Restricted List restrictions) provided that any transferee accedes to the relevant finance documents, and:

- the transferee is an affiliate of the Lender who has (a) completed any relevant “know your customer” checks requested to confirm that such transferee is in fact an affiliate; and (b) where no person, together with any of its affiliates (excluding any affiliates of the Lender) holds an economic interest (on a look through basis, whether held directly or indirectly) of more than 49 per cent. of the Lender; or
- an event of default under the Loan Agreement has been continuing for more than 70 days; or

- an event of default has been continuing for fewer than 70 days, but the Lender has accelerated the loan, confirmed that it will not exercise its conversion right and the Borrower has failed to repay the Loan within 10 Business Days.

Conversion and redemption rights

Conversion

At any time, prior to the maturity of the Loan, the Lender may elect, by serving 30 days' notice to the Borrower, to exercise its conversion right in respect of the Loan so as to convert the principal amount outstanding under the Loan (including all accrued interest) into ordinary shares in an amount equal to 29.9999 per cent. of the fully diluted share capital of the Borrower (which shall be increased to 30 per cent. following receipt of approval from the Office of Rail and Road). Following receipt of such notice, the Borrower must issue the shares to the Lender on the date specified by the Lender (such date being no less than 60 days following receipt of the notice).

Upon the exercise of its conversion rights, the Lender may require that the Borrower (a) capitalise certain outstanding shareholder indebtedness and (b) procure the release of certain debt guarantees granted in support of indebtedness incurred by the Wider Group. In the seven months prior to the final maturity of the Loan, the Lender will indicate its intention to convert the Loan or require its repayment at maturity at the request of the Borrower.

At any time following the fifth anniversary of the Closing Date, the Borrower may provide written notice to the Lender requesting that the Lender exercise its conversion right. If the Borrower provides such notice, the Lender shall either consent to the conversion, at which point the conversion as described above will occur, or consent to the Borrower repaying the loan in full at the Repayment Price (as defined below).

Following any conversion of the Loan, the obligations and liabilities of all parties under the Loan Agreement shall be discharged in full.

Redemption

To the extent that the Loan remains outstanding, the Borrower is obliged to repay the Loan in full on the final maturity date, being seven years from the Closing Date at the Repayment Price, which is the greater of: (a) the amount which generates a 10 per cent. IRR for the period from the Closing Date to the repayment date taking into account as part of the IRR calculation the amounts of all Cash Interest paid; or (b) £193.75 million less the amounts of all Cash Interest paid prior to the repayment date.

Following the second anniversary of the Closing Date, the Borrower may elect to repay the Loan in full by serving a notice on the Lender. Following delivery of such notice, the Lender will then have a two-month period to elect to exercise its conversion right. If the Lender does not exercise its conversion right during that period, the Borrower is required to repay the Loan at the Repayment Price on or prior to a pre-specified long-stop date.

The Esken Shareholder is required to notify the Lender of any proposed change of control of the Borrower Group or certain insolvency events. In respect of any proposed change of control, the Lender shall have a right of first offer in respect of the shares in the Borrower. Subject to such right, and following receipt of such notice, the Lender may serve notice on the Borrower to either require the Borrower to repay the Loan at the Repayment Price or exercise its conversion right. If the Lender does not elect to pursue either option above within two months of being notified of a proposed change of control, the Borrower may (at its option) elect to repay the Loan at the Repayment Price and/or implement the proposed change of control.

If any sum payable to the Lender by the Borrower Group under the Loan Agreement becomes subject to gross-up or if the Lender claims any tax-related indemnification from an Obligor the Borrower may serve notice on the Lender of its intention to repay the Loan in full at the Repayment Price on or prior to a long-stop date not more than 6 months following the date of such notice. If, within two months of receipt of such notice, the Lender does not serve notice exercising its conversion right, the Borrower shall repay the Loan in full at the Repayment Price on or prior to the long-stop date specified in its notice.

Marketing

The Lender is entitled to informally approach investors in the market with a view to determining the potential value of a sale of its stake in the Borrower if it exercised its conversion right subject to certain restrictions on the number of investors that can be approached and the scope of information that can be shared with such investors (and any commercially sensitive information shared will be subject to the terms of access that the board of the Borrower shall reasonably determine).

The Borrower will use its reasonable endeavours to procure that its management shall, upon request from the Lender, provide reasonable assistance in preparing and providing non-public information to be shared with such limited number of investors, provided that any non-public information shared will be subject to appropriate confidentiality undertakings.

Emergency Funding

The Loan Agreement includes the ability for the Borrower to submit a notice to the Lender and the Esken Shareholder specifying that certain emergency funding situations (including urgent liquidity requirements and events of default occurring under any of the Borrower's other financing) may arise (or have arisen).

Following submission of such notice, the Borrower may seek cost-effective third-party financing to remedy such situation. If the Borrower is unable to secure such financing or considers it to not be cost-effective, the Borrower may submit a request to the Lender and the Esken Shareholder to provide such emergency funding. The Lender and the Esken Shareholder shall notify the Borrower whether they are prepared to participate and on what terms. The Borrower shall notify both the Lender and the Esken Shareholder which terms it is willing to agree to and the other shall be given the opportunity to match such terms. If insufficient funding is offered by one party, the other party may elect to provide the shortfall. Up to £10 million of emergency funding may rank senior to the secured senior liabilities, including the Loan and the Pari Passu Loan (as set out in the Intercreditor Agreement). Any excess shall be subordinated to such secured senior liabilities.

Governance

Committees

Under the Loan Agreement, the Borrower shall undertake to establish an operational committee (the **Operational Committee**) responsible for the day-to-day decision making of the Borrower Group with delegated authority from the board of the Borrower with effect from the Closing Date.

The Esken Shareholder will undertake that it will establish a strategic committee for shareholder-level discussions (the **Strategic Committee**) in accordance with the terms set out in the Shareholders' Agreement.

Further details on the governance of the Borrower is set out in the section relating to the Shareholders' Agreement below.

Underperformance events

On the occurrence of certain trigger events related to underperformance with respect to passenger numbers at and/or profitability of London Southend Airport at various test dates (commencing in August 2022), the following shall occur:

- a revised business plan and annual budget shall be agreed between the Lender and the Esken Shareholder; and
- the Lender may commission an independent review to ascertain the causes of the relevant underperformance and the Lender and the Esken Shareholder shall meet to consider whether any management changes ought to be implemented.

In the event such underperformance is not cured within a set time period (which shorten depending on the severity of the underperformance), additional restrictions shall apply to the Obligors (including those outlined in the "Undertakings" above), the Lender may appoint additional non-executive directors to the Borrower's board (providing that the Lender's representatives remain a minority) and the Lender and the Esken Shareholder shall promptly meet to discuss senior management changes

and, if considered appropriate, a replacement process shall ensue as part of which the Lender shall have a deciding right in respect of replacement of the CEO and/or Finance Director of the Borrower.

Insolvency Event in relation to a Material Person

Following the appointment of an insolvency officeholder in respect of any of the Company, the Esken Shareholder and any intermediate holding company between the Company and the Esken Shareholder (each, a **Material Person**) (an **Insolvency Event**), and until such time as either such Insolvency Event has ceased or a change of control has occurred such that the Borrower is no longer controlled by a person subject to an Insolvency Event (whichever is earlier), the Lender shall have the right to appoint the minimum number of:

- directors to constitute the majority of the board of the Borrower; and
- members of the sub-committees of the Borrower (including the Operational Committee) to constitute the majority of such sub-committees.

In the event that the Lender does appoint a majority of the board of the Borrower following the occurrence of an Insolvency Event in respect of a Material Person, the Lender shall procure that:

- no action or decision is taken in respect of any matters which are “Reserved Matters” under the Shareholders’ Agreement without the prior consent of at least one director appointed by each of the Lender and the Esken Shareholder; and
- no material updates or amendments are made to the then current Business Plan and Annual Budget without the consent of the directors appointed by the Esken Shareholder.

Right of First Offer

In certain circumstances relating to transactions which might give rise to a change of control of the Borrower, the Lender shall have the right to (i) demand repayment at the Repayment Price, or (ii) exercise its conversion rights and / or (iii) make an offer to Esken and the Esken Shareholder to acquire the shares held by the Esken Shareholder in the Borrower on the same terms implied by the transaction leading to the change of control, which Esken and the Esken Shareholder may choose to accept.

Events of Default

The Loan 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 obligations and a cross-default to other financial indebtedness which ranks senior to liabilities under the Loan Agreement of any member of the Borrower Group.

Following the occurrence of an event of default, the Lender shall have 60 days from the date of such occurrence to either exercise its conversion right in respect of the Loan or to require that the Borrower repay the Loan in full at the Repayment Price and/or take enforcement action with respect to the transaction security. If within 90 days of such occurrence, the Lender has neither exercised its conversion right nor demanded repayment at the Repayment Price, nor granted a waiver in respect of the event of default, the Borrower shall be entitled to repay the Loan at the Repayment Price.

To the extent that, following the occurrence of an Event of Default, the Lender has elected to require that the Borrower repay the Loan in full at the Repayment Price and/or take enforcement action, the Lender may require that the Borrower (a) capitalise certain outstanding shareholder indebtedness and (b) procure the release of certain debt guarantees granted in support of indebtedness incurred by the Wider Group, to the extent that such capitalisation and/or release is required to order that the Lender recover the Repayment Price.

Security Agreement

The obligations of the Obligors under the Loan Agreement and related finance documents will be secured in favour of the Security Agent by the security granted under an English-law governed security agreement to be dated the Closing Date creating fixed and floating security as applicable over substantially all of the assets of the Obligors save for certain assets where the consent of a third party is required to be obtained in order for such security to be granted or such rights to be assigned (as the

case may be), in relation to which the Borrower will use reasonable endeavours to obtain such consent as soon as reasonably practicable.

PART B—SUMMARY OF THE SHAREHOLDERS' AGREEMENT

The Shareholders' Agreement will be signed on Closing of the Investment, with certain limited provisions taking effect at Closing and all other provisions taking effect on Conversion. A summary of the Shareholders' Agreement is as follows:

Investors

The Shareholders' Agreement is between LSA, the Esken Shareholder and the CGI Shareholder and governs the relationship between the Esken Shareholder and the CGI Shareholder as investors in LSA. The business of the Borrower Group is specified as the business: (i) operated by the Borrower Group as at the Closing Date; and (ii) of owning, operating and developing London Southend Airport (including, without limitation, provision of facilities for and connected with aeronautical activities and commercial activities including retail, car parks, jet centres, advertising and surface transport and the development thereof).

Issue of shares

Following Conversion, any shares in LSA can only be issued with the consent of the Esken Shareholder (whilst the Esken Shareholder holds at least 50 per cent. of the shares in LSA) and on a pre-emptive basis to the CGI Shareholder and the Esken Shareholder *pro rata* to their equity proportions.

General governance

Board of LSA

Following Conversion, the board of LSA will be increased up to seven members. Subject to the consequences of a Material Person Insolvency Event outlined below, the CGI Shareholder will be entitled to appoint and remove up to two directors (while it holds 30 per cent. or less of the shares in LSA, and if it holds more than 30 per cent. of shares, it shall be entitled to appoint such number of directors equivalent to its equity proportion) who must have relevant experience in the airport or aviation sector and who must each be approved by the Esken Shareholder (the **CGI Directors**). The Esken Shareholder shall be entitled to appoint at least four directors (for so long as it holds a majority of shares in LSA), and if it no longer holds a majority of shares, it shall be entitled to appoint such number of directors equivalent to its equity proportion (the **Esken Directors**). The Esken Shareholder and CGI Shareholder shall jointly be entitled to appoint at least one independent non-executive director who must have relevant experience in the airport or aviation sector. The rights of the CGI Shareholder in this respect, and in relation to the other governance rights referred to below, shall subsist for so long as it holds at least 25 per cent. of the shares in the Borrower. The rights of the Esken Shareholder in this respect shall subsist for so long as it remains, in some circumstances, the holder of the majority of shares in LSA and in certain other respects for so long as it holds at least 25 per cent. of the shares in LSA. For the avoidance of doubt, the CGI Shareholder does not have a right or option exercisable at its sole discretion under the Shareholders' Agreement to increase its stake in LSA.

The chair of the board of LSA shall be appointed from the Esken Directors, whilst the Esken Shareholder remains the largest shareholder in LSA, but shall not have a casting vote. The quorum for board meetings shall in most circumstances be at least three directors, including at least two Esken Directors and one CGI Director, except at a meeting which has been adjourned and reconvened twice, in which case the quorum shall be at least three directors, including at least two Esken Directors.

Each director of LSA shall be entitled to cast one vote, unless that director has a conflict of interests. However, if the CGI Shareholder or the Esken Shareholder elects to appoint fewer CGI Directors or Esken Directors (as applicable) than it is entitled to appoint pursuant to the Shareholders' Agreement, then the CGI Directors or Esken Directors (as applicable) shall be entitled to exercise such number of votes as would have been held by the CGI Directors or Esken Directors (as applicable) if the maximum number of CGI Directors or Esken Directors (as applicable) was appointed pursuant to the Shareholders' Agreement.

Board meetings will take place at least quarterly every financial year, and the chair of Esken Limited and any executive director of Esken Limited is permitted to attend such board meetings (whilst the Esken Shareholder holds at least 25 per cent. of the shares in LSA).

CGI Observer rights

The CGI Shareholder is entitled to nominate one CGI Director to attend any board meeting of any Borrower Group company without any voting rights, provided that it holds at least 25 per cent. of the shares in LSA.

Operational Committee

At Closing, the Esken Shareholder will establish an Operational Committee, which will be responsible for the day to day management of the Borrower Group. The Operational Committee will comprise of nine members, including two members appointed by the CGI Shareholder, two members which comprise the existing directors of LSA (prior to Conversion) or the Esken Directors (following Conversion) and five members from the senior management of LSA, comprising the chief executive, finance director, chief operations officer, business development director and one other member of senior management of LSA nominated for such purposes by the chief executive of LSA.

The Operational Committee will take decisions via majority vote.

The chair of the Operational Committee shall be appointed from the senior management members but shall not have a casting vote. The quorum for Operational Committee meetings shall be at least three members, including at least two senior management members and one member appointed by the CGI Shareholder, except at a meeting which has been adjourned and reconvened twice, in which case the quorum shall be at least three members, including two senior management members.

Operational Committee meetings shall take place at least monthly, and as more frequently as required for the management of LSA. The chair of Esken Limited and any executive director of Esken Limited may attend any Operational Committee meeting at any time.

The Esken Shareholder is entitled to nominate one observer to attend any Operational Committee meeting of LSA, provided that it holds at least 25 per cent. of the shares in LSA.

The CGI Shareholder is entitled to nominate one observer to attend any Operational Committee meeting of LSA where the business plan and annual budget is discussed, provided that it holds at least 25 per cent. of the shares in LSA.

Appointment of Chief Executive

For so long as the Esken Shareholder holds more than 50 per cent. of the shares in LSA, the chief executive of LSA will be appointed and may be removed at any time by the Esken Shareholder, provided that the Esken Shareholder shall consult with the CGI Shareholder and take into account the CGI Shareholder's reasonable comments in relation to any appointment or removal of the chief executive of LSA. The Esken Shareholder will consult with the CGI Shareholder on the proposed remuneration of any proposed chief executive of LSA.

General Meetings

LSA general meetings shall be conducted in accordance with the articles of association of LSA. A quorum shall only be present if at least one representative from both the Esken Shareholder and the CGI Shareholder are present for so long as the CGI Shareholder holds at least 25 per cent. of the shares in LSA.

Strategic Committee

From Closing, the parties will establish the Strategic Committee to accommodate discussions between the Esken Shareholder and the CGI Shareholder for so long as the CGI Shareholder holds at least 25 per cent. of the shares in LSA. Each of the Esken Shareholder and the CGI Shareholder has up to two appointed representatives on the Strategic Committee. The quorum for any meeting of the Strategic Committee is one representative appointed by the Esken Shareholder and one representative appointed by the CGI Shareholder.

Investor Conflicts

In the event any of the Esken Shareholder or the CGI Shareholder or any of their affiliates are involved in litigation or other legal proceedings against LSA, that party will not be permitted be counted in the quorum in respect of any general meeting or Strategic Committee meeting (and the quorum requirement shall be adjusted as necessary so as not to require the presence of the conflicted shareholder), nor to vote on that matter at any general meeting or Strategic Committee meeting (and the non-conflicted Investor shall be entitled to exercise the votes of any conflicted Investor) and to the extent that this matter is an Investor Matter (as defined below), it will be deemed not to require the consent of that conflicted shareholder.

Reserved Matters

Following Conversion, certain matters are designated as reserved matters under the Shareholders' Agreement, which require consent either from CGI Directors and Esken Directors (**Board Matters**) or from the CGI Shareholder and the Esken Shareholder (**Investor Matters**).

Board Matters cover (amongst other matters) incurrence of borrowings and debt (excluding certain debt which is deemed to be permitted financing), entry into material contracts, incurrence of capital expenditure (excluding certain capital expenditure which is deemed permitted), acquisitions or disposals of intellectual property rights, actions taken in relation to legal proceedings with a value of £5 million and above or incurrence of material operating expenditure.

Investor Matters cover (amongst other matters) amendments to the constitutional documents of the Borrower Group, changes in the share capital of LSA, changing the nature of the business of LSA, the Borrower Group making material acquisitions or disposals or entering into partnerships or joint ventures, the winding up of any Borrower Group company or entry into certain related party transactions with investors.

Deadlock

The Shareholders' Agreement includes provisions for resolving a deadlock (**Deadlock**), which occurs when any reserved matter is proposed at two consecutive board meetings, Strategic Committee meetings or general meetings, but is not approved, the LSA board fails to approve a Subsequent Business Plan or Annual Budget, a quorum is not present at two consecutive Strategic Committee meetings, general meetings of the holders of shares in LSA, LSA board meetings or Operational Committee meetings due to the same investor (or its directors) failing to attend, or an investor gives notice that there is a fundamental difference in opinion relating to the strategy for LSA or the business intended to be carried out by the Borrower Group (the **Business**), or other circumstances which seriously threatens the relationship of the shareholders in relation to the Business.

If a Deadlock occurs, any investor may serve notice on the other investor stating that a Deadlock has arisen. If a Deadlock cannot be resolved through amicable negotiation between the interested parties within 10 Business Days from and including the date on which a deadlock notice is received, the matter shall be referred to appointed representatives of each of the investors, who will attempt in good faith to resolve the Deadlock. If the Deadlock cannot be resolved through negotiation between the appointed representatives of the investors within 10 Business Days from and including the date of the referral, the parties will attempt to resolve the Deadlock through mediation. If the Deadlock cannot be resolved by mediation within 20 Business Days following the date of appointment of the mediator, the status quo shall continue to apply.

Business Plan and Annual Budget

The initial long-term business plan (the **Initial Business Plan**) and budget (the **Initial Annual Budget**) for the Borrower Group has been agreed between the Esken Shareholder and the CGI Shareholder and will be adopted by LSA immediately prior to drawdown of the Loan by LSA. The initial business plan will cover a seven-year period commencing with the financial year in which the Shareholders' Agreement is entered into.

Each year the Operational Committee will prepare an update to the previous year's business plan (a **Subsequent Business Plan**). A draft of a Subsequent Business Plan will be circulated to each member of the LSA board at the same time as it is circulated to the CGI Shareholder (as applicable),

the Esken Shareholder and Esken Limited (as applicable), and each member of the LSA board will have the opportunity to review and comment on the draft.

LSA shall use all reasonable endeavours to procure that, by no later than 15 days prior to the end of each financial year, the LSA board will have approved a revised draft of the annual budget (to be prepared by the Operational Committee) for the Borrower Group covering the twelve-month period commencing at the start of the following financial year to replace the prior existing annual budget (the **New Annual Budget**).

Any Subsequent Business Plan or New Annual Budget may only be adopted by a majority vote of the LSA board and approval from the board of Esken Limited while Esken Limited remains a listed entity. Following Conversion, if Esken Limited is delisted, any Subsequent Business Plan or Subsequent Annual Budget may only be adopted by a majority vote of the LSA board and approval from the Esken Shareholder and the CGI Shareholder. Any material amendment of the Business Plan or the Annual Budget shall require a majority vote of the LSA board.

LSA agrees that it will act in a commercially reasonable manner when setting and approving any Subsequent Business Plan and/or New Annual Budget and take into account (i) the aim to balance operating expenditure and capital expenditure needs over the relevant period with the then current and forecast passenger numbers, and revenue growth, and recognising that (A) any growth capital expenditure will be related to and supported by forecast passenger numbers and related revenue generation and (B) the current infrastructure of London Southend Airport can support up to 3 million passengers and any increase in passenger capacity beyond 3 million would require significant capital expenditure to be undertaken; (ii) all commercially reasonable comments on it from the CGI Shareholder at the time when it is being discussed/settled at the operations committee/board of LSA; and (iii) the Financial Principles and other obligations of the Borrower Group.

Based on the information currently available to LSA, the Esken Shareholder and the CGI Shareholder, the joint view of LSA, the Esken Shareholder and the CGI Shareholder as at the Closing Date is that commencing construction on certain key projects prior to the passenger numbers for the preceding 12 months being at or above the numbers set out in certain investment principles appended to the Shareholders' Agreement would (for this purpose) be commercially unreasonable.

Escalation procedure

In the event that the CGI Shareholder determines (acting reasonably) that any proposed Subsequent Business Plan or New Annual Budget is not commercially reasonable, it may, to the extent that any such concerns are not resolved in the ordinary course monthly meetings of the Operational Committee/the board meetings of LSA:

- (a) deliver to the Esken Shareholder notice of its concerns following which a meeting of the Strategic Committee will be formally convened as soon as is reasonably practicable to discuss such concerns with a view to resolving them;
- (b) if the Esken Shareholder and the CGI Shareholder are unable to reach agreement as to the commercial reasonableness of the proposed Subsequent Business Plan and/or New Annual Budget within 15 Business Days of the meeting of the Strategic Committee or resolve the concerns raised, the CGI Shareholder may request that a board meeting of Esken Limited be convened at which representatives of the CGI Shareholder shall be entitled to discuss their concerns with the board of Esken Limited with a view to resolving such concerns; and
- (c) if, notwithstanding the meetings in paragraphs (a) and (b) above, the Esken Shareholder wishes to continue with the proposed Business Plan and/or Annual Budget, then the matters in dispute may be referred (on the application of either the Esken Shareholder or the CGI Shareholder) for review by an independent mediator in accordance with a mediation process provided that the outcome of the review as to commercial reasonableness of the relevant matters in dispute by such mediator shall not be binding on either LSA or the Esken Shareholder.

Failure to approve Business Plan or Annual Budget

If the LSA board fails to approve a Subsequent Business Plan or a New Annual Budget, the Business Plan or Annual Budget (as applicable) then in force shall continue to apply, and LSA shall continue to comply with those provisions of the Business Plan or Annual Budget (as applicable) as applicable to

the relevant financial year, with the only updates being adjustments by reference to the Consumer Price Index (as published from time to time) to the previous Business Plan or Annual Budget, until such time as a Subsequent Business Plan or Annual Budget (as applicable) is approved.

If the Company ceases to be a listed entity (including for example following a takeover of the Company), any Subsequent Business Plan or New Annual Budget must be approved by: (i) a majority vote of the board of directors of the LSA; and (ii) each of the shareholders of LSA which hold at least 25 per cent. of the shares in LSA.

Transfers of shares

Save with prior written consent of the Esken Shareholder, the CGI Shareholder may not make any transfer of shares in LSA save for certain circumstances expressly permitted by the Shareholders' Agreement (as described below).

No transfer of LSA shares may be made by the CGI Shareholder unless prior consent from the Esken Shareholder has been received, except for the following:

- a transfer to an affiliate which is not a Restricted Person (provided that: (i) such affiliate is, or is majority-owned by, a fund or funds which is managed and advised by Carlyle Investment Management L.L.C. (or its affiliates) (each a **CGI PAT Fund**); (ii) the CGI Shareholder's Approved Parent controls the affiliate and, if the affiliate is not a CGI PAT Fund, the CGI PAT Fund(s); and (iii) no person, together with any of its affiliates (excluding any affiliates of the CGI Shareholder) holds an economic interest (on a look-through basis, whether held directly or indirectly) of more than 49 per cent. of the CGI Shareholder;
- a transfer required to reverse a previous transfer made in breach of the Shareholders' Agreement;
- a transfer permitted by the Shareholders' Agreement in relation to the right of first refusal, drag-along and tag-along rights (as further described below);
- a transfer made as part of the implementation of an exit approved by both the CGI Shareholder and the Esken Shareholder from the investment (whether through an IPO or a sale); or
- a transfer made in accordance with the option to purchase right referred to below.

Save with prior written consent of the Esken Shareholder, the CGI Shareholder may not transfer any LSA shares to any person (each, a **Restricted Person**):

- who is subject to certain insolvency events;
- unless the CGI Shareholder has provided any "know your customer" information and evidence reasonably requested by LSA to enable LSA to satisfy itself (acting reasonably) with respect to all relevant reasonable "know your customer" requirements relating to such person;
- who directly or indirectly, holds an interest exceeding 10 per cent. (excluding any limited partnership interests or any other interest in which such person does not exert control or influence) in the following airports: Gatwick Airport, London City Airport, Luton Airport and Stansted Airport; or
- who is on the Restricted List.

If the Esken Shareholder transfers any of its LSA shares, the transferee must accede to relevant documentation to become subject to the same provisions as the Esken Shareholder, and if the transferee is a person that is not part of the Esken Group, the Esken Shareholder must have complied with the right of first refusal and tag-along rights set out below. The Esken Shareholder may not transfer shares to any person that is subject to certain insolvency events or who the Esken Shareholder has not provided "know your customer" information and evidence reasonably requested by the CGI Shareholder to enable the CGI shareholder to satisfy itself (acting reasonably) with respect to all relevant reasonable "know your customer" requirements relating to such person, in each case without the CGI Shareholder's prior consent.

Save with prior written consent of the CGI Shareholder, the Esken Shareholder may not transfer any LSA shares to any person:

- who is subject to certain insolvency events; or
- with respect to whom all relevant reasonable 'know your customer requirements' for the CGI Shareholder have not been satisfactorily completed.

Sale by the CGI Shareholder

Subject to the right of first refusal below, the CGI Shareholder is permitted to sell all (but not some) of its LSA shares to a third party who is not a Restricted Person following the second anniversary of the drawdown of the Loan provided Conversion has occurred. The CGI Shareholder shall consult with the Esken Shareholder as to the identity of the proposed third party before implementing any such sale. The Esken Shareholder will procure that LSA's management provides the CGI Shareholder with such reasonable assistance in any sale process as the CGI Shareholder may reasonably request (provided any reasonable third party expenses are borne by the CGI Shareholder).

Right of first refusal

Where either investor proposes to transfer any of its LSA shares to a third party, that investor will notify the other investor prior to signing any agreement relating to such transfer. The transferring investor must first make an offer to the other investor to acquire the shares being transferred at such price and on such terms as the transferring investor proposes in cash. If the notified investor does not accept the transferring investor's offer within one month, the transferring investor may agree to sell the relevant shares offered for transfer to any person at a price equivalent to no less than 100 per cent. of the transferring investor's offer and otherwise on customary terms for any such sale, subject to the definitive agreement for such sale being entered into within six months after the initial notice of proposed transfer.

Drag-Along rights

Where the Esken Shareholder proposes to transfer LSA shares amounting to a majority interest in LSA to a third party and the CGI Shareholder has not exercised its right of first refusal as set out in the section entitled "Right of first refusal" above or its tag-along right as set out in the section entitled "Tag along rights" below, the Esken Shareholder shall have the right to require the CGI Shareholder to transfer all (but not some only) of the shares held by it and its permitted affiliate transferees to the transferee, at the same price (such price to be payable in cash) and on the same terms and conditions as the proposed transfer of shares by the Esken Shareholder to the transferee, by giving written notice to that effect to the CGI Shareholder accompanied by copies of all documents necessary to be executed by the CGI Shareholder to give effect to the transfer of its shares to the third party.

The minimum price at which the CGI Shareholder shall be required to transfer its shares shall be a cash amount equal to the greater of (i) 3x multiple on invested capital and (ii) such amount as would give the CGI Shareholder 16 per cent. IRR, calculated based on the initial principal amount of the Loan on the Closing Date. The minimum price at which any third party of the shares previously held by the CGI Shareholder shall be required to transfer its shares shall be a cash amount equal to a 16 per cent. IRR calculated based on the purchase price of the shares from the CGI Shareholder.

Tag-Along rights

Where the Esken Shareholder proposes to enter into a transaction pursuant to which it, or another member of the Group, agrees to transfer shares in LSA to any person outside the Group (such person being a **Third Party Purchaser**) (a **Third Party Transaction**) which would result in a Third Party Purchaser and/or any affiliate or any other person known by the Esken Shareholder to be acting on behalf of the Third Party Purchaser (a **Related Third Party**) (together or separately) acquiring a majority interest in LSA (taking into account any additional Third Party Transaction either with the same Third Party Purchaser or with a Related Third Party (a **Related Transaction**)), the Esken Shareholder shall not complete such Third Party Transaction (or in the case of a series of Related Transactions, the last Related Transaction) unless it first ensures that the Third Party Purchaser and/or the Related Third Party (as applicable) makes a separate offer to the CGI Shareholder to buy all of the shares held by the CGI Shareholder at the same price (with the alternative of a cash-equivalent of such price if for non-cash) and on the same terms and conditions of the proposed Third Party

Transaction (or in the case of a series of Related Transactions: (i) the weighted average price across the Third Party Transaction and the series of Related Transactions; and (ii) the best terms and conditions applicable to any of the Third Party Transaction and the Related Transactions) (a **Tag Along Offer**).

If the CGI Shareholder accepts such Tag Along Offer then its shares shall be transferred to the Third Party Purchaser at the same time as the shares held by the Esken Shareholder are so transferred. If the CGI Shareholder does not accept the Tag Along Offer within 30 days it shall lapse.

Marketing

The CGI Shareholder is entitled to, following the second anniversary of the drawdown of the Loan provided Conversion has occurred, informally approach investors in the market with a view to determining the potential value of a sale of its stake or a syndication of an indirect interest in LSA subject to certain restrictions on the number of investors that can be approached and the scope of information that can be shared with such investors (and any commercially sensitive information shared will be subject to the terms of access that the senior management members of the Operational Committee shall determine).

LSA will use its reasonable endeavours to procure that its management shall, upon request from the CGI Shareholder, provide reasonable assistance in preparing and providing non-public information to be shared with such limited number of investors, provided that any non-public information shared will be subject to appropriate confidentiality undertakings.

Option to Purchase in the event of a default

Each of the following events shall be a Material Default with respect to the relevant investor:

- (a) the party or any member of its group transferring Shareholder Instruments otherwise than in accordance with the Shareholders' Agreement or failing to complete or procure the completion of a required transfer of Shareholder Instruments in accordance with the Shareholders' Agreement;
- (b) the party failing to provide any reasonable information and evidence in relation to the transfer or issue of Shareholder Instruments requested pursuant to the Shareholders' Agreement; or
- (c) the party or any of its affiliates breaching the restrictions set out in the Restrictive Covenant Side Letter (as defined herein).

In the event of any of the following:

- (a) a Material Default;
- (b) an Insolvency Event of the CGI Shareholder or any other investor other than the Esken Shareholder;
- (c) the appointment of a liquidator, trustee in bankruptcy, receiver, administrator, compulsory manager or other similar officer of a Material Person (a **Material Person Insolvency Event**);
- (d) the Company ceasing to control the Esken Shareholder, and the appointment of an administrator, liquidator, compulsory manager or other similar officeholder over the Company shall not in itself constitute a cessation of control of Esken Limited over the Esken Shareholder;
- (e) the Company ceasing to be the beneficial owner (directly or indirectly through wholly-owned Subsidiaries) of the majority of the issued share capital of the Esken Shareholder;
- (f) Carlyle Investment Management L.L.C. (or its affiliates) ceasing to be adviser and manager to Carlyle Global Infrastructure Opportunity Fund, L.P. or such other funds which, individually or together, majority-own (directly or indirectly) the CGI Shareholder (each a **Carlyle Fund**);
- (g) The Carlyle Group Inc. ceasing to control the CGI Shareholder or the Carlyle Funds;
- (h) Carlyle Funds ceasing to, individually or together, majority-own (directly or indirectly) the CGI Shareholder;

- (i) any person, together with any of its affiliates, (excluding any affiliates of the CGI Shareholder) holding an economic interest (on a look-through basis, whether held directly or indirectly) of greater than 49 per cent. of the CGI Shareholder);
- (j) any entity on the Restricted List acquiring any interest or ownership in (i) the CGI Shareholder or (ii) any entity which holds an interest or ownership in the CGI Shareholder and is Controlled by the CGI Shareholder's Approved Parent, in each case otherwise than through being a limited partner; or
- (k) for so long as the Esken Shareholder Controls LSA, LSA disposing of Material Assets without the Requisite Approval,

(each a **Trigger Event**), the relevant party shall notify the other investor.

The shareholder in respect of which the Trigger Event applies will have one month from such notification to rectify the Trigger Event (if possible). If, after one month, the Trigger Event has not been rectified or persists, the other shareholder may then exercise an option to purchase all (but not only some) of the shares held by the shareholder in respect of which the Trigger Event applies, at fair market value, which is determined by an independent valuation (at the cost of LSA).

Upon the occurrence of a Trigger Event set out in (b), (c) and (j) above until the earlier of the date on which such Trigger Event is rectified or (i) in the case of the Trigger Events in (b) and (j), if applicable, the date of expiry of the right to purchase period set out in the Shareholders' Agreement; and (ii) in the case of the Trigger Events in (c), if applicable, the date on which a Material Person Insolvency Event Cessation Event occurs, the affected investor shall cease to have any rights:

- (a) to vote at any LSA board meeting, Operational Committee meeting and Strategic Committee meeting (as applicable);
- (b) to otherwise give its consent in respect of any Reserved Matter (and where a vote to be taken on any Reserved Matter the votes attributable to the equity proportion of the affected investor shall be allocated to the other investor); and
- (c) to certain information and access granted under the Shareholders' Agreement.

Upon the occurrence of a Trigger Event set out in (a), (b), (c) and (j) above until the earlier of the date on which such Trigger Event is rectified or (i) in the case of the Trigger Events set out in (a), (b) and (j), if applicable, the date of expiry of the Right to Purchase Period; and (ii) in the case of the Trigger Events set out in (c), if applicable, the date on which a Material Person Insolvency Event Cessation Event occurs, the pre-emption rights, the right of first refusal and the emergency funding procedure shall cease to apply in favour of the affected investor.

Upon the occurrence of the Trigger Event set out in (c) above until the earlier of the date on which such Trigger Event is rectified or the date on which a Material Person Insolvency Event Cessation Event occurs:

- (a) the right of the Esken Shareholder to appoint and remove the majority of the Board shall cease to apply;
- (b) the right of the Esken Shareholder to appoint and remove the chief executive of LSA shall cease to apply, provided that the CGI Shareholder shall consult with the Esken Shareholder and take into account the Esken Shareholder's reasonable comments in relation to any appointment or removal and on the proposed remuneration of the chief executive; and
- (c) the right of the Company to approve any Subsequent Business Plan and Annual Budget under the Shareholders' Agreement shall cease to apply, provided that (i) LSA agrees that it will take into account all commercially reasonable comments on any Subsequent Business Plan and Annual Budget from the Esken Shareholder; and (ii) the escalation procedure as set out in the section titled "Escalation Procedure" above will be available in favour of the Esken Shareholder in the event that the Esken Shareholder determines (acting reasonably) that any proposed Subsequent Business Plan or Subsequent Annual Budget is not commercially reasonable.

Emergency Funding (post-Conversion)

If, following Conversion, the board of LSA, acting in good faith and first having considered all reasonable and practical alternatives in the circumstances, considers that there is a material risk of an emergency funding situation arising (an **Emergency Funding Situation**), the board will promptly deliver to the Esken Shareholder and the CGI Shareholder notice of the circumstances giving rise to the Emergency Funding Situation (an **Emergency Funding Notice**), and together with such notice or as soon as practicable thereafter, details of any proposed fundraising from LSA, in the form of an issue or grant of Shareholder Instruments.

If the LSA board serves an Emergency Funding Notice on the Esken Shareholder and the CGI Shareholder, it may resolve to issue or grant New Shareholder Instruments to investors on a pre-emptive basis or incur financial indebtedness provided that an Emergency Funding Situation has arisen.

If the LSA board resolves that an event is an Emergency Funding Situation it may raise such Emergency Funding (through the issue or grant of only such number of New Shareholder Instruments or incurrence of financial indebtedness) as would, in its reasonable opinion, cure or avoid the relevant Emergency Funding Situation.

The Esken Shareholder and the CGI Shareholder will first be offered an opportunity to either subscribe, on the same terms, pro rata to their equity proportions, for all or some of such New Shareholder Instruments in accordance with a pre-emption procedure or to commit to providing any financial indebtedness calculated by reference to their equity proportion.

If one shareholder does not fully participate in the issue of the New Shareholder Instruments in such an Emergency Funding Situation, it shall be given a period following their issue to exercise a catch-up option to acquire New Shareholder Instruments from the other investor such that the shareholders return to their equity proportions as they had been prior to the issue of the New Shareholder Instruments.

If the funding offered by the shareholders is insufficient, in aggregate, to cure or avoid the relevant Emergency Funding Situation then LSA shall seek any shortfall in the Emergency Funding from third parties, subject to the reserved matters.

Restrictive covenant

The Company, the Esken Shareholder, CGIOF GP L.L.C. and the CGI Shareholder have also agreed in a separate side letter to the shareholders' agreement that neither it (nor certain of its affiliates) shall (without the prior consent of the other investor):

- compete with the Business; or
- in the case of the CGI Shareholder and CGIOF GP L.L.C. only, directly or indirectly solicit or entice away or endeavour to solicit or entice away from the Borrower Group or the Group any Senior Employee (subject to certain customary exceptions) (the **Restrictive Covenant Side Letter**).

For the purposes of this section, **compete** means to directly or indirectly hold an interest exceeding 10 per cent. of the shares, equity or voting rights (excluding any limited partnership interests or any other interest in which such person does not exert control or influence) in the ownership, operation and/or development of any of the following airports: Gatwick Airport, London City Airport, Luton Airport and Stansted Airport (whether alone or jointly with others, whether as principal, agent, shareholder or otherwise and whether for its own benefit or that of others).

The letter shall automatically terminate on the first date to occur of the following:

- in respect of an investor and its affiliates who are party to the letter, the date which is two years following the date on which it ceases to be an investor under the Shareholders' Agreement;
- in respect of all parties to the letter:
 - prior to Conversion, the date on which LSA repays the Loan in its entirety;
 - prior to Conversion, the date on which the Loan matures in accordance with its terms; and

- following Conversion, the date which is two years following the date on which the Shareholders' Agreement is terminated (subject to certain exceptions).

These restrictions shall not affect or prohibit any investor (nor any of its affiliates) from owning securities which are publicly traded in any entity which is listed on a stock exchange that do not exceed 5 per cent. in nominal value of or voting rights in such entity.

PART C—IMPLEMENTATION AGREEMENT

The Implementation Agreement has been signed on the date of the Loan Agreement and governs the obligations and commitments on the CGI Shareholder, the Lender, the Esken Shareholder and the Company to implement the Investment:

Commitments to satisfy the conditions precedent in the Loan Agreement

The Implementation Agreement contains a requirement on each of the parties to use all reasonable endeavours to satisfy the conditions precedent in the Loan Agreement as at the utilisation date. The Lender gives certain warranties as to capacity and authority to execute the Investment documents, insolvency and that it has sufficient funds to provide the Loan on the utilisation date.

Undertakings on Esken

The Company has provided a “no-shop” undertaking from it and its affiliates from 2 July 2021 until the earlier of (i) the utilisation of the Loan; (ii) the date of the General Meeting if the Investment Resolution is not approved at the General Meeting; or (iii) termination of the Implementation Agreement, prohibiting the Company from soliciting an offer from, or participating in discussions with, another party to acquire the Borrower Group or issuing any debt which is convertible into shares in LSA or entering into any other arrangements which would frustrate or preclude, or would be an alternative to, the implementation of the Transaction, or would be an alternative to the financing provided pursuant to the Loan Agreement.

The Company will use best endeavours to ensure that the General Meeting is held as soon as reasonably practicable after the date of publication of this document and that the General Meeting is in any event held by no later than 10.00 a.m. (London time) on 21 September 2021.

Commitment Fee payment

The CGI Shareholder will be entitled under the Implementation Agreement to receive a commitment fee of £1,649,871.80 (the **Commitment Fee**) which shall become payable on the earlier of: (i) the Closing Date and (ii) the date on which the Implementation Agreement terminates as a result of the conditions to Closing having not been satisfied by 30 September 2021. If the Commitment Fee becomes payable on the Closing Date, it may be deducted from the proceeds of the Loan.

The Implementation Agreement will terminate if all of the Conditions Precedent have not been satisfied by 30 September 2021.

PART D—INDEMNITY DEED

In connection with the Investment, the Company has agreed to enter into the Indemnity Deed on the Closing Date pursuant to which it will grant certain indemnities in favour of the Borrower Group and, in some instances, the Lender and certain of its affiliates. These indemnities include obligations of the Company to indemnify:

- the Borrower Group against any losses arising from implementing the Reorganisation;
- the Borrower Group against any losses arising from secondary tax liabilities or VAT liabilities of the Wider Group which are required to be paid by the Borrower Group to HMRC;
- the Borrower Group, the Lender and/or CGI and their affiliates against any “secondary” pension liabilities arising in connection with the existing defined benefit pension scheme in the Wider Group which are required to be paid by the Borrower Group, the Lender, CGI or any such affiliate;

- the Borrower Group against any losses arising from the noise litigation proceedings (which are referred to in paragraph 17 of Part XI—Additional information) which were settled or otherwise provided for by the Borrower Group prior to the Closing Date; and
- the Borrower Group against any losses directly arising from certain litigation brought against the Group.

The Indemnity Deed will also contain wrong-pockets provisions requiring the Group to transfer assets to the Borrower Group (i) which are exclusively used by the Borrower Group but which are held by the Group to the Borrower Group and (ii) which were anticipated to be transferred to the Borrower Group pursuant to the Reorganisation but were not transferred, following completion of the Loan Agreement, if any such assets are found. The Borrower Group will also be subject to a similar obligation to transfer assets to the Esken Group (excluding the Borrower Group) which are exclusively used by the Group but which are held by the Borrower Group and (ii) which were anticipated to be transferred to the Esken Group pursuant to the Reorganisation but were not so transferred, to the Group following completion of the Loan Agreement, if any such assets exist.

PART E—PARI PASSU LOAN

In connection with the Investment, Stobart Aviation Limited, as Pari Passu Lender, will enter into the Pari Passu Loan Agreement on the Closing Date with the Borrower Group which will include provisions to the following effect:

Borrower and Guarantors

Under the Pari Passu Loan Agreement, LSA will be the Borrower and Thames Gateway Airport Limited, Stobart Solar Limited and Stobart Jet Centre Limited will be joint and several guarantors of the Borrower's obligations.

Principal amount and interest

Stobart Aviation Limited, as Pari Passu Lender, will make £20 million available to the Borrower.

Interest shall accrue on the outstanding principal amount of the Pari Passu Loan at a rate of 8 per cent. per annum (the **PP Cash Interest**). Interest payment dates will be the fifth Business Day following the end of each interest period (being a period of 12 months ending on the last day of February in each year save that the first interest period shall commence on the Utilisation Date and shall end on the last day of February 2022).

PP Cash Interest will only be payable to the Pari Passu Lender out of revenues generated by the Obligors during the interest period preceding each interest payment date and shall only be payable to the extent that a minimum headroom liquidity requirement is met. Such minimum headroom liquidity requirement will be met to the extent that (i) following payment of the accrued Cash Interest on such interest payment date, and taking into account any other debt service charges payable on such date, there is a minimum of £5 million of cash to be available to the Obligors on that Interest Payment Date; and (ii) during each month of the three-year period following such interest payment date, there is a minimum of £2.5 million of Projected Cash forecast to be available to the Obligors and when the Projected Cash for each month of such three-year period is aggregated, the average Projected Cash available to the Obligors during such period is not less than £5 million. To the extent that PP Cash Interest is not paid on an interest payment date, the unpaid amount will be added to the principal amount of the Loan with effect from such date and interest will accrue on such increased principal amount thereafter.

Purpose

The Borrower shall apply all amounts borrowed by it under the Pari Passu Loan for general corporate purposes.

Redemption

To the extent that the Pari Passu Loan remains outstanding, the Borrower is obliged to repay the Pari Passu Loan in full on the final maturity date, being seven years from the date on which the Pari Passu Loan is drawn by the Borrower.

Events of Default

The Pari Passu Loan Agreement will contain certain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including, for example, non-payment, breach of obligations and a cross-default to the Loan Agreement.

Ranking and Security

The Pari Passu Loan will rank *pari passu* with the Loan save that if any part of the Loan and the Pari Passu Loan remain outstanding on the final maturity date of the Loan, the Pari Passu Loan shall be subordinated to and all monies then available for repayment of such loans shall first be applied in payment of the Repayment Price in full before any monies are applied in repayment of the Pari Passu Loan.

The Obligors' liabilities to the Pari Passu Lender in respect of the Pari Passu Loan shall be secured by the Transaction Security.

Under the terms of the Intercreditor Agreement, the Pari Passu Lender shall not form part of the "Enforcement Instructing Group" (as defined below) for so long as the Loan remains outstanding.

PART F—INTERCREDITOR AGREEMENT

In connection with the Investment, each member of the Borrower Group, the Lender, the Pari Passu Lender and the Security Agent, amongst others, shall, on the Closing Date, enter into an intercreditor agreement (the **Intercreditor Agreement**).

The Intercreditor Agreement will set out, amongst other things:

- the relative ranking of debt incurred by the Borrower Group;
- when payments can be made in respect of the subordinated debt of the Borrower Group;
- when enforcement action can be taken in respect of the subordinated debt; and
- turnover provisions.

Ranking and Priority

The Intercreditor Agreement will provide that in the event that there are any liabilities owing to holders of Super Senior Liabilities (as defined therein and which includes up to £10 million in emergency funding and up to £50 million of capex funding) and certain agent liabilities will rank *pari passu* in right and priority of payment between themselves and in priority to (A) the liabilities owing to the Lender under the Loan Agreement (the **Convertible Facility Liabilities**) the liabilities owing to the Pari Passu Lender under the Pari Passu Loan (the **Pari Passu Liabilities**) and/or the Alternative Financing Liabilities (as defined therein) which will rank *pari passu* in right and priority of payment between themselves (except where FMD Subordination (as defined therein) applies in which case the Convertible Facility Liabilities shall rank in priority to the Pari Passu Liabilities) and, in turn, in priority to (B) the Junior Liabilities (as defined therein). The Super Senior Liabilities, the Convertible Facility Liabilities, the Pari Passu Liabilities and the Alternative Financing Liabilities constitute the **Senior Liabilities** and the creditors in respect of such liabilities, the **Senior Creditors**.

The Intra-Group Liabilities (as defined therein), the Wider Group Debt Guarantee Liabilities (as defined therein) and Subordinated Liabilities (being the liabilities in respect of indebtedness (other than the Pari Passu Loan) owing to any member of the Wider Group or any Sponsor Affiliate (as defined therein)) will be subordinated to the liabilities owed to the Senior Creditors. The Intra-Group Liabilities will be subordinated to the **Subordinated Liabilities** and the Wider Group Debt Guarantee Liabilities. The Subordinated Liabilities will be subordinated to the Wider Group Debt Guarantee Liabilities.

Security and Priority of Security

The Senior Creditors will benefit from the Transaction Security, which will not become enforceable until the occurrence of an applicable acceleration event (such creditors and the Security Agent, the **Secured Parties**).

The Transaction Security will rank and secure the Senior Liabilities in the following order, firstly the liabilities in respect of Super Senior Liabilities and certain agent liabilities *pari passu* and without any

preference between them; secondly the liabilities in respect of the Convertible Facility Liabilities, Pari Passu Liabilities and/or the Alternative Financing Liabilities (except where FMD Subordination (as defined therein) applies in which case the Convertible Facility Liabilities shall rank in priority to the Pari Passu Liabilities) pari passu and without any preference between them; and thirdly the Junior Liabilities.

Additional Restrictions

The Intercreditor Agreement will restrict (among other things) with respect to the Borrower and its subsidiaries:

- the ability of intra-group debtors to pay, prepay, repay, redeem, defease or discharge or acquire intra-group liabilities except for certain specified permitted payments;
- their ability to pay, prepay, repay, redeem, defease or discharge or acquire Subordinated Liabilities except for certain specified permitted payments;
- their ability to pay, prepay, repay, redeem, defease or discharge or acquire the Wider Group Debt Guarantee Liabilities except for certain specified permitted payments;
- their ability of the intra-group lenders and Subordinated Creditors to take any enforcement action; and
- the ability of the intra-group lenders and Subordinated Creditors to take the benefit of any guarantees or security

Instructions and enforcement of Transaction Security

For the purposes of this section, “Enforcement Instructing Group” means at any time, the Senior Creditors (excluding, before the Convertible Facility Discharge Date (as defined therein), the Pari Passu Lender) whose Senior Credit Participations (as defined therein) at that time aggregate to more than:

- (a) if none of (b), (c) and (d) below apply, 66 per cent. of the total Senior Credit Participations of such Senior Creditors at that time;
- (b) if an Enforcement Trigger Event (as defined therein) is continuing for more than 6 months but less than 12 months, more than 50 per cent. of the total Senior Credit Participations of such Senior Creditors at that time; or
- (c) if an Enforcement Trigger Event is continuing for more than 12 months but less than 15 months, more than 33 per cent. of the total Senior Credit Participations of such Senior Creditors at that time;
- (d) if an Enforcement Trigger Event is continuing for more than 15 months but less than 18 months, more than 25 per cent. of the total Senior Credit Participations of such Senior Creditors at that time; or
- (e) if an Enforcement Trigger Event is continuing for more than 18 months, more than 10 per cent. of the total Senior Credit Participations of such Senior Creditors at that time.

At any time after the Security Agent has received notice of an Enforcement Trigger Event (as defined therein), it shall notify each Secured Creditor of such Enforcement Trigger Event and shall promptly request by notice (an **Enforcement Instruction Notice**) an instruction from the Enforcement Instructing Group as to whether the Security Agent should deliver an Enforcement Notice to enforce all or any part of the Transaction Security or to take any other kind of Enforcement Action.

The Security Trustee shall enforce according to the enforcement instructions received from the Enforcement Instructing Group.

PART G—REORGANISATION

Esken will implement a corporate reorganisation to form the Borrower Group on the Closing Date. The Reorganisation will involve the Borrower acquiring Stobart Solar Limited and Stobart Jet Centre Limited from Stobart Aviation by way of a share for share exchange.

PART V—BUSINESS OVERVIEW OF THE GROUP

Overview

Esken is a UK infrastructure group with operations across the United Kingdom in the aviation and biomass energy industries, with a strategy to develop valuable growth assets from aviation and energy from waste. The Group's operations are organised across two core operating divisions, together with a portfolio of non-core assets.

The Group's core operating divisions are:

- **Stobart Aviation**—The Group owns and operates London Southend Airport. In addition, Stobart Aviation Services, one of the businesses within the division, provides check-in, baggage handling and cargo services for 13 airlines at London Stansted, London Southend and Manchester airports. Stobart Aviation accounted for £24.7 million of total revenue (before adjustments and eliminations) in FY21.
- **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 FY21 supplied 1.4 million tonnes. Stobart Energy accounted for £75.0 million of total revenue (before adjustments and eliminations) in FY21.

The Group's non-core operating divisions are:

- **Stobart Investments**—The Group holds an 9.1 per cent. stake in Logistics Development Group plc (formerly Eddie Stobart Logistics plc) and a 19.3 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. As announced by the Company on 12 June 2021, Stobart Air is undergoing liquidation proceedings and two of Stobart Air's subsidiaries (Stobart Air Services (UK) Limited and Stobart Air Services (IOM) Limited) are now also undergoing liquidation proceedings. Stobart Investments accounted for £9.0 million of total revenue (before adjustments and eliminations) in FY21.
- **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 £39.2 million as at 28 February 2021. The Group aims to divest all of its non-core assets for cash by FY24 with the aim of realising value over time from a position of strength when market conditions are right. Stobart Infrastructure accounted for £1.1 million of total revenue (before adjustments and eliminations) in FY21.

The Group divested Stobart Rail & Civils, previously a non-core operating division, in July 2020 and continues to explore opportunities to exit its remaining non-core operating divisions as market conditions for asset sales improve.

Esken is registered in Guernsey, headquartered in London and it employed 911 people in the United Kingdom as at 28 February 2021.

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 28 February 2021, the Group's revenue was £110.7 million, its loss for the year from continuing operations was £143.3 million and its Adjusted EBITDA was a loss of £17.9 million.

Recent Developments

The COVID-19 pandemic has continued to cause significant disruption for the Group. However, strict financial discipline has helped minimise cash burn and protect the Group's liquidity position. Stobart Energy continues to deliver cash generation whilst the Stobart Aviation business faces continuing challenges in terms of weak passenger demand. In addition, the acquisition of Stobart Air, the liquidation of which was announced on 12 June 2021, and Propius has resulted in cash outflows for the Group during the past year which will continue at a lower level until mid-2023. Break fees of US\$21.2 million in total plus associated break fee finance costs will be paid under the lease arrangements relating to Stobart Air's aircraft as the aircraft are returned to the GOAL Lessors, following which the aircraft leases and parent company guarantees will expire and Propius will become dormant. The Directors believe cash flow discipline, coupled with the depth of operational talent within the businesses, will help protect the value of the Company's core assets and aid recovery as vaccine programmes are rolled out, with activity expected to slowly increase over the coming months.

London Southend Airport

London Southend Airport has a strong and differentiated commercial passenger proposition and allows airlines to generate similar yields to other London airports but at a lower cost per passenger, including through the current usage of airline marketing contributions. The Company believes that this low-cost proposition will appeal to cost conscious airlines as the aviation sector recovers from the pandemic.

Lockdown restrictions curtailed much of the commercial passenger operations at London Southend Airport during 2020 and 2021 as evolving quarantine arrangements and late changes to travel corridors eroded passenger confidence when restrictions were lifted. As a result, 147,000 passengers flew through London Southend Airport in FY21 compared to 2.14 million in the prior year. Of those 147,000 passengers, 68,000 flew in March 2020 before travel restrictions took hold. Though some flying resumed in June 2021, with 4,555 passengers flying, the Directors do not expect commercial passenger operations to restart in earnest until much later in 2021.

In response to this trading environment, management took a range of decisive actions to significantly reduce London Southend Airport's cash burn, including extensive use of the UK Government's furlough scheme. London Southend Airport benefitted from continued operations and income from its global logistics operation throughout the year. However, movements reduced during January and February 2021 due to Brexit uncertainty and seasonal variances. While the logistics operations involved five daily rotations pre-Brexit, it returned to three daily rotations in March 2021.

Stobart Air and Propius

On 20 April 2021, the Group announced it had entered into agreements for the sale of its entire shareholdings in Stobart Air Unlimited Company (which operated regional flights under a franchise agreement for Aer Lingus) and Stobart Air (UK) Limited, the owner of Carlisle Lake District Airport to Ettyl Limited.

On 28 May 2021, Ettyl advised that its original funding package to support the transactions was no longer available and that it was in discussions on alternative funding options. On 12 June 2021, the Company announced that it was clear that Ettyl was unable to conclude the transactions on the original terms or to obtain an alternative funding package within the required timescale and exercised its right to terminate the contracts for the transactions with immediate effect. Further, in the absence of any alternative purchasers or sources of funding for the Stobart Air business within the timescales required, the Company advised the board of Stobart Air that it would not continue to provide financial support to the Stobart Air business going forward. As a result of this, the board of Stobart Air terminated its franchise agreement with Aer Lingus and ceased trading and appointed a liquidator on 14 June 2021.

The Company also announced that it had undertaken certain contingency planning measures and has agreed in response to these developments that it will continue to fund the lease obligations for certain of Stobart Air's aircraft through to termination of the leases in April 2023 under the terms of its pre-existing guarantee, and confirmed that it would take immediate steps to seek sublease arrangements for the aircraft with alternative operators to mitigate the impact on the Group.

The Company remains responsible for certain obligations to Aer Lingus under the franchise agreement which were also the subject of a pre-existing guarantee and have become payable following termination of the franchise agreement. These obligations and the guarantees entered into in early 2017 were the reason that the Group reacquired the airline and its related leasing company in April 2020. This enabled the Group to manage and seek to mitigate the impact of these liabilities following the administration of Connect Airways Limited.

In the announcement on 20 April 2021, the Company set out the cash flow impact on the Group on the assumption that the transactions concluded. The following table reflects the amended position over the period to the end of the leases assuming that the Group is unable to sublease the aircraft. It also includes the termination of the sale of Carlisle Lake District Airport which had been set to be concluded for consideration of £15 million.

	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>
Cash outflow reported previously (£ millions)	(16)	(9)	(24)
Additional cash impact arising from liquidation	(18) ⁽¹⁾	(13)	(2)
Total cash impact	(34)	(22)	(26)

Note:

(1) Cash impact reflects that the Group will retain ownership of Carlisle Lake District Airport rather than receive sale proceeds of £15 million.

Since April 2020, the Company has taken all steps to minimise the cash requirement of Stobart Air while seeking to find a purchaser recognising the importance of the airline to connectivity between the United Kingdom and Ireland, the 480 jobs involved and the fact that a sale would have been a better outcome for Shareholders. The Company has been successful in reducing the impact of its pre-existing obligations and in agreeing terms under which it has control of residual obligations through to expiry. However, the continuing impact of the pandemic which has resulted in almost no flying since April 2020 and the decision taken by Aer Lingus to award preferred bidder status to another party for the franchise agreement beyond its expiry in December 2022 significantly hampered the exhaustive steps taken to secure a future for the business and its staff.

The Group will retain the ownership of Carlisle Lake District Airport but will actively explore strategic options for the use of this asset in discussion with stakeholders including potential alternative commercial opportunities for the airport.

On 26 July 2021, the Company announced the conclusion of its role as strategic partner and operator of Teesside International Airport and transferred its 25% ownership of Teesside International Airport to a new Teesside Airport Foundation for a nominal consideration, the terms of which are detailed in paragraph 15.11 of Part XI—Additional Information. If there were to be a future sale of Teesside International Airport before 25 January 2023, the Company has agreed with TVCA that Esken would be entitled to share in the proceeds of that sale up to an amount not exceeding £31.3 million, which would be used for general corporate purposes.

Stobart Aviation Limited (**SAL**) entered into a transaction with DLP Holdings S.a.r.l. (managed by Cyrus Capital), pursuant to which SAL agreed to transfer all of its interests as lender under (a) two facility agreements between it (and others), as lenders, and Flybe Limited (in administration), as borrower, and (b) one unsecured loan note issued by Connect Airways Limited (in administration), as borrower, to SAL (and others), as lenders. The transaction became unconditional on 23 July 2021 and SAL will be paid a cash consideration of £1.15 million on completion of the transaction, which is expected to occur in the near future.

Strategic Update

The impact of the pandemic has been both greater and over a longer period than anticipated at the time of the 2020 Capital Raise. This has led the Board to undertake a further review of the strategy and the medium-term funding requirements for the Group. This concluded that the Group holds two attractive businesses which can generate significant value for Shareholders as markets recover post-COVID-19. The key strategic objective will therefore be to drive value for Shareholders from these assets with any decision on the realisation of value being deferred until the businesses recover fully from the pandemic and become mature cash generative business units. While it was previously intended at the time of the 2020 Capital Raise to seek to monetise the Stobart Energy business by

June 2022, the Board has concluded that this is not the right option for Shareholder value and so is to be held in the medium term.

Stobart Energy is a recovering cash generative business with a strong market position and long-term supply contracts. It is anticipated that financial performance will return to pre-COVID-19 run rate levels in FY22. Opportunities are being explored for additional supply contracts and to broaden the base of the market offering within the energy from waste space where existing operational expertise can be applied. The business offers the opportunity to generate returns from an asset with infrastructure characteristics and a compelling environmental benefit by recycling waste wood to produce energy rather than it going to landfill.

In the Stobart Aviation business the prime asset is London Southend Airport, which, prior to the pandemic, offered passenger services to over 40 destinations to a market of approximately eight million people living within one hour travel time to the airport. Whilst aviation has been one of the hardest hit sectors by the pandemic the fundamental long term value drivers of LSA remain sound.

The Group will continue to invest in the infrastructure of LSA in line with passenger demand recovery allowing LSA to meet the needs of airline partners for an efficient cost effective London airport and offering a safe and enjoyable passenger experience. In addition there is an opportunity to develop the logistics offering both with the existing global logistics partner and other related businesses. Given the award of the Thames Freeport status in the Estuary and proximity to East London, LSA is well placed to capitalise on accelerated airfreight growth and movements.

In line with the previously stated strategy, the Group will actively look to exit from all other non-core infrastructure assets owned by the Group having a net book value of approximately £39 million at 28 February 2021. When this process is complete the Group will become a focussed group with two operating businesses.

Business Operations

The Group's operations are organised across two core operating divisions, together with a portfolio of non-core assets. The core operating divisions are Stobart Aviation and Stobart Energy, and the non-core operating divisions are Stobart Investments and Stobart Infrastructure. The Group divested Stobart Rail & Civils, previously a non-core operating division, in July 2020 and continues to explore opportunities to exit its remaining non-core operating divisions as market conditions for asset sales improve.

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 13 airlines at London Stansted, London Southend and Manchester airports.

In FY19, London Southend Airport (including the hotel and Stobart Jet Centre) accounted for approximately three-quarters of Stobart Aviation's revenue, and Stobart Aviation Services accounted for approximately one-quarter of Stobart Aviation's revenue.

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 FY19, FY20 and FY21, 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

FY21 saw unprecedented challenges for the global aviation industry as a result of the COVID-19 pandemic, which continues to have 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 1.49 million, 2.14 million and 147.2 thousand passengers in FY19, FY20 and FY21, respectively.

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. Flybe entered into Administration and ceased flight operations in March 2020 and easyJet closed its London Southend Airport base from August 2020. In FY21, Ryanair and Wizz Air accounted for, in aggregate, approximately 60 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 FY21 comprised nearly half 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 FY18 pursuant to a sale and leaseback agreement under which the Group continues to operate and generate revenue from the hotel.

In October 2019, Stobart Aviation Services signed an agreement with a global logistics customer to provide full cargo handling facilities including screening and clearance for the import and export of goods at London Southend Airport, which successfully handled 28.4 million packages in the 12 months to February 2021.

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 FY20 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 1,660, 1,512 and 408 movements in FY19, FY20 and FY21.

Passenger experience

The Directors believe that, as a result of COVID-19, airports are 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 Company made the following enhancements to the passenger experience at London Southend Airport as a result of COVID-19:

- Thermal cameras were 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.
- Hand sanitisation stations and large wipe dispensers were installed every 20 paces throughout the terminal journey.
- Deep cleaning took place nightly whilst the airport's cleaning team sanitised handrails and surfaces throughout the day.

- Bio screens were installed at all face-to-face locations to protect passengers and staff.
- The security process now uses advanced baggage scanning devices, which means liquids and laptops can remain within bags.
- After security, passengers moved through to a large, open-plan departure lounge and were encouraged to socially distance. Whilst the airport's main retail outlets remained closed, a new pop-up café was introduced serving hot drinks and snacks. Vending machines were also located throughout the 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 and Manchester airports. The Group has contracts with 13 airlines, including Scandinavian airlines (SAS), Wizz Air, 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.

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. Following the end of the Brexit transition period on 31 December 2020, the United Kingdom no longer participates in the EASA regime and 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 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 UK regulations setting minimum standards for local air quality and limits on emissions of nitrogen oxides (whether from airport or other activities).

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. Over 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 FY21 supplied 1.4 million tonnes.

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 approximately 320 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 Adjusted EBITDA for the periods indicated.

	FY21	FY20	FY19
Waste wood fuel supplied ⁽¹⁾	1.4	1.5	1.3
Revenue ⁽²⁾	75,019	76,339	65,143
(Loss)/profit before tax from continuing operations ⁽²⁾	(666)	5,192	5,324
Adjusted EBITDA ⁽³⁾	10,005	14,975	19,200

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. Adjusted EBITDA is referred to as EBITDA in the FY19 Financial Statements, FY20 Financial Statements and FY21 Financial Statements.

Market and Competition

In November 2019, gate fees 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 UK national lockdown announced on 23 March 2020 in response to the COVID-19 pandemic initially resulted in the closure of household waste and recycling centres operated by local authorities and of the construction and demolition sectors. Without these key sources of supply, the Group's inbound waste wood supply decreased as much as 80 per cent. year-on-year and Stobart Energy entered FY21 at its lowest level of gate fees in recent years. The supply of waste wood has improved considerably since the time of the first lockdown and as a result gate fees are steadily returning toward pre-COVID-19 levels.

Pre-COVID-19, approximately 4.5 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 and will terminate entirely in 2037. As a result, the Group does not expect any new plants to become operational.

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 102,000 tonnes of unprocessed waste wood, which equates to approximately 1.9 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 12 years. By the end of FY20, all of the plants currently supplied by the Group had successfully completed commissioning and become fully operational. The Group supplied 1.4 million tonnes of waste wood fuel in FY21.

The COVID-19 pandemic led to a shortage of waste wood supply, which resulted in an inability of the Group to fulfil its requirements under its supply agreements with its biomass energy plant customers in some respects. As a result, the Group issued force majeure notices to many of its biomass energy plant customers pursuant to the terms of certain of its supply agreements, and, as at the date of this document, all of those force majeure situations have ended.

The Group's seven largest biomass energy plant customers accounted for approximately 72.2 per cent. of the tonnage supplied by the Group in FY21, 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. 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, an 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 and will terminate entirely in 2037. 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.

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 Investments

Stobart Investments holds a 9.1 per cent. stake in Logistics Development Group plc (formerly Eddie Stobart Logistics plc) and a 19.3 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 Infrastructure

Stobart Infrastructure holds a portfolio of non-strategic property and infrastructure assets with a book value of £39.2 million as at 28 February 2021 (compared to £47.3 million as at 29 February 2020). 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 for cash by FY24, including Carlisle Lake District Airport, with the aim of realising value over time from a position of strength when market conditions are right. The Group has assumed proceeds of £11.8 million from asset sales in its base case business plan and nil proceeds under a 'reasonable worst case scenario'.

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 6,067, 14,007 and 4,918 movements in FY19, FY20 and FY21. The reduced movements in FY19 were 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 FY21, Carlisle Lake District Airport served approximately 1,108 commercial passengers.

In April 2021, the Group announced it had entered into agreements with Ettyl Limited for the sale of its entire shareholding in Stobart Air as well as Carlisle Lake District Airport, subject to certain change of control and bank facility consents. On 28 May 2021, Ettyl advised that its original funding package to support the transactions was no longer available and that it was in discussions on alternative funding options. On 12 June 2021, the Company announced that it was clear that Ettyl was unable to conclude the transactions on the original terms or to obtain an alternative funding package within the

required timescale and exercised its right to terminate the contracts for the transactions with immediate effect. Customary surviving provisions have survived termination of the agreements.

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 FY21, employee 'accidents' decreased 61 per cent. and employee 'incidents' decreased 23 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

The Group sold the Eddie Stobart and Stobart trademarks and designs to Eddie Stobart for a total consideration of £10 million on 21 May 2020. Until completion of the sale, the Group owned the Eddie Stobart and Stobart trademarks and designs and all associated intellectual property rights.

The sale of the Eddie Stobart and Stobart trademarks and designs resulted in an immediate cash receipt. It also had 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 the Group's transition to the Esken name.

The consideration for the sale is £10.0 million, of which £6.0 million was received on completion, £2.5 million was received on 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 Shareholders approved a resolution at a general meeting on 3 February 2021 to change the Company's corporate name to Esken Limited. 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 28 February 2021, the Group had a team of 911 people located in the United Kingdom. The following table details the number of the Group's employees by location as at 28 February 2019, 29 February 2020 and 28 February 2021.

	As at 28 February 2021	As at 29 February 2020	As at 28 February 2019
England	870	1,416	1,126
Home-based	8	3	3
Midlands	0	0	2
North East	62	98	102
North West	312	543	415
South East	481	765	602
South West	7	7	2
Northern Ireland	3	5	1
Scotland	21	114	98
Wales	17	15	12
Total	911	1,482	1,237

The following table details the number of the Group's employees by operating division as at 28 February 2019, 29 February 2020 and 28 February 2021.

	As at 28 February 2021	As at 29 February 2020	As at 28 February 2019
Stobart Aviation	540	922	619
Stobart Aviation Services	297	607	358
Other	243	315	261
Stobart Energy	317	358	342
Stobart Rail & Civils⁽¹⁾	0	211	222
Central / head office (Stobart Group)	54	59	54
Total	911	1,482	1,237

Note:

(1) The Company divested Stobart Rail & Civils in July 2020.

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 FY19, FY20 or FY21.

PART VI—OPERATING AND FINANCIAL REVIEW

The financial information below has been extracted without material adjustment from the FY20 Financial Statements and the FY21 Financial Statements. You should read the information below in conjunction with the Group's historical financial information contained in Part VII—Financial Information of the Group, alongside the detailed information included in this document in Part V—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

Esken is a UK infrastructure group with operations across the United Kingdom in the aviation and biomass energy industries, with a strategy to develop valuable growth assets from aviation and energy from waste. The Group's operations are organised across two core operating divisions, together with a portfolio of non-core assets.

The Group's core operating divisions are:

- **Stobart Aviation**—The Group owns and operates London Southend Airport. In addition, Stobart Aviation Services, one of the businesses within the division, provides check-in, baggage handling and cargo services for 13 airlines at London Stansted, London Southend and Manchester airports. Stobart Aviation accounted for £24.7 million of total revenue (before adjustments and eliminations) in FY21.
- **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 FY21 supplied 1.4 million tonnes. Stobart Energy accounted for £75.0 million of total revenue (before adjustments and eliminations) in FY21.

The Group's non-core operating divisions are:

- **Stobart Investments**—The Group holds a 9.1 per cent. stake in Logistics Development Group plc (formerly Eddie Stobart Logistics plc) and a 19.3 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. As announced by the Company on 12 June 2021, Stobart Air is undergoing liquidation proceedings, and two of Stobart Air's subsidiaries (Stobart Air Services (UK) Limited and Stobart Air Services (IOM) Limited) are now also undergoing liquidation proceedings. Stobart Investments accounted for £9.0 million of total revenue (before adjustments and eliminations) in FY21.
- **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 £39.2 million as at 28 February 2021. The Group aims to divest all of its non-core assets for cash by FY24, with the aim of realising value over time from a position of strength when market conditions are right. Stobart Infrastructure accounted for £1.1 million of total revenue (before adjustments and eliminations) in FY21.

The Group divested Stobart Rail & Civils, previously a non-core operating division, in July 2020 and continues to explore opportunities to exit its remaining non-core operating divisions as market conditions for asset sales improve.

Esken is registered in Guernsey, headquartered in London and it employed 911 people in the United Kingdom as at 28 February 2021.

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 28 February 2021, the Group's revenue was £110.7 million, its loss for the year from continuing operations was £143.3 million and its Adjusted EBITDA was a loss of £17.9 million.

RECENT DEVELOPMENTS

The COVID-19 pandemic has continued to cause significant disruption for the Group. However, strict financial discipline has helped minimise cash burn and protect the Group's liquidity position. Stobart Energy continues to deliver cash generation whilst the Stobart Aviation business faces continuing challenges in terms of weak passenger demand. In addition, the acquisition of Stobart Air, the liquidation of which was announced on 12 June 2021, and Propius has resulted in cash outflows for the Group during the past year which will continue at a lower level until mid-2023. Break fees of US\$21.2 million in total plus associated break fee finance costs will be paid under the lease arrangements relating to Stobart Air's aircraft as the aircraft are returned to the GOAL Lessors, following which the aircraft leases and parent company guarantees will expire and Propius will become dormant. The Directors believe cash flow discipline, coupled with the depth of operational talent within the businesses, will help protect the value of the Company's core assets and aid recovery as vaccine programmes are rolled out, with activity expected to slowly increase over the coming months.

London Southend Airport

London Southend Airport has a strong and differentiated commercial passenger proposition and allows airlines to generate similar yields to other London airports but at a lower cost per passenger, including through the current usage of airline marketing contributions. The Company believes that this low-cost proposition will appeal to cost conscious airlines as the aviation sector recovers from the pandemic.

Lockdown restrictions curtailed much of the commercial passenger operations at London Southend Airport during 2020 and 2021 as evolving quarantine arrangements and late changes to travel corridors eroded passenger confidence when restrictions were lifted. As a result, 147,000 passengers flew through London Southend Airport in FY21 compared to 2.14 million in the prior year. Of those 147,000 passengers, 68,000 flew in March 2020 before travel restrictions took hold. Though some flying resumed in June 2021, with 4,555 passengers flying, the Directors do not expect commercial passenger operations to restart in earnest until much later in 2021.

In response to this trading environment, management took a range of decisive actions to significantly reduce London Southend Airport's cash burn, including extensive use of the UK Government's furlough scheme. London Southend Airport benefitted from continued operations and income from its global logistics operation throughout the year. However, movements reduced during January and February 2021 due to Brexit uncertainty and seasonal variances. While the logistics operations involved five daily rotations pre-Brexit, it returned to three daily rotations in March 2021.

Stobart Air and Propius

On 20 April 2021, the Group announced it had entered into agreements for the sale of its entire shareholdings in Stobart Air Unlimited Company (which operated regional flights under a franchise agreement for Aer Lingus) and Stobart Air (UK) Limited, the owner of Carlisle Lake District Airport to Ettyl Limited.

On 28 May 2021, Ettyl advised that its original funding package to support the transactions was no longer available and that it was in discussions on alternative funding options. On 12 June 2021, the

Company announced that it was clear that Ettyl was unable to conclude the transactions on the original terms or to obtain an alternative funding package within the required timescale and exercised its right to terminate the contracts for the transactions with immediate effect. Further, in the absence of any alternative purchasers or sources of funding for the Stobart Air business within the timescales required, the Company advised the board of Stobart Air that it would not continue to provide financial support to the Stobart Air business going forward. As a result of this, the board of Stobart Air terminated its franchise agreement with Aer Lingus and ceased trading and appointed a liquidator on 14 June 2021.

The Company also announced that it had undertaken certain contingency planning measures and has agreed in response to these developments that it will continue to fund the lease obligations for certain of Stobart Air's aircraft through to termination of the leases in April 2023 under the terms of its pre-existing guarantee, and confirmed that it would take immediate steps to seek sublease arrangements for the aircraft with alternative operators to mitigate the impact on the Group.

The Company remains responsible for certain obligations to Aer Lingus under the franchise agreement which were also the subject of a pre-existing guarantee and have become payable following termination of the franchise agreement. These obligations and the guarantees entered into in early 2017 were the reason that the Group reacquired the airline and its related leasing company in April 2020. This enabled the Group to manage and seek to mitigate the impact of these liabilities following the administration of Connect Airways Limited.

In the announcement on 20 April 2021, the Company set out the cash flow impact on the Group on the assumption that the transactions concluded. The following table reflects the amended position over the period to the end of the leases assuming that the Group is unable to sublease the aircraft. It also includes the termination of the sale of Carlisle Lake District Airport which had been set to be concluded for consideration of £15 million.

	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>
Cash outflow reported previously (£ millions)	(16)	(9)	(24)
Additional cash impact arising from liquidation	(18) ⁽¹⁾	(13)	(2)
Total cash impact	(34)	(22)	(26)

Note:

(1) Cash impact reflects that the Group will retain ownership of Carlisle Lake District Airport rather than receive sale proceeds of £15 million.

Since April 2020, the Company has taken all steps to minimise the cash requirement of Stobart Air while seeking to find a purchaser recognising the importance of the airline to connectivity between the United Kingdom and Ireland, the 480 jobs involved and the fact that a sale would have been a better outcome for Shareholders. The Company has been successful in reducing the impact of its pre-existing obligations and in agreeing terms under which it has control of residual obligations through to expiry. However, the continuing impact of the pandemic which has resulted in almost no flying since April 2020 and the decision taken by Aer Lingus to award preferred bidder status to another party for the franchise agreement beyond its expiry in December 2022 significantly hampered the exhaustive steps taken to secure a future for the business and its staff.

Esken will retain the ownership of Carlisle Lake District Airport but will actively explore strategic options for the use of this asset in discussion with stakeholders including potential alternative commercial opportunities for the airport.

On 26 July 2021, the Company announced the conclusion of its role as strategic partner and operator of Teesside International Airport and transferred its 25% ownership of Teesside International Airport to a new Teesside Airport Foundation for a nominal consideration, the terms of which are detailed in paragraph 15.11 of Part XI—Additional Information. If there were to be a future sale of Teesside International Airport before 25 January 2023, the Company has agreed with TVCA that Esken would be entitled to share in the proceeds of that sale up to an amount not exceeding £31.3 million, which would be used for general corporate purposes.

Stobart Aviation Limited (**SAL**) entered into a transaction with DLP Holdings S.a.r.l. (managed by Cyrus Capital), pursuant to which SAL agreed to transfer all of its interests as lender under (a) two facility agreements between it (and others), as lenders, and Flybe Limited (in administration), as borrower, and (b) one unsecured loan note issued by Connect Airways Limited (in administration), as

borrower, to SAL (and others), as lenders. The transaction became unconditional on 23 July 2021 and SAL will be paid a cash consideration of £1.15 million on completion of the transaction, which is expected to occur in the near future.

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 FY19, FY20 and FY21 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) over the course of March 2020 fell sharply to nearly zero as a result of the COVID-19 pandemic. Passenger numbers have improved to an average of 277 per day over the course of July 2021 and aircraft movements (primarily relating to logistics) have started to recover at an average of ten per day in the same period and the Group expects this recovery to continue gradually until the end of February 2022 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 FY22.

Passenger demand

The Group's aeronautical and non-aeronautical revenue is directly impacted by passenger demand at its airports. In FY19 and FY20 London Southend Airport served 1.49 million and 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, with London Southend Airport serving 147,000 passengers in FY21. Passenger demand has remained suppressed in the first five months of FY22, which the Group expects a gradual resumption of passenger travel until the end of February 2022, with an average of 38,000 passengers per month, compared to pre-COVID-19 levels of 159,000 in the corresponding period in FY20, under a 'reasonable worst case scenario', and the phased recovery will continue with passenger numbers at pre-COVID-19 average run rate by April 2023, compared to pre-COVID-19 levels of 178,000 for the full year FY20, 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.

FY19 saw substantial growth in the number of flights to/from London Southend Airport operated by easyJet, and in FY20, Ryanair, Wizz Air, Loganair and FlyOne each began operating flights to/from London Southend Airport. The COVID-19 pandemic had a significant and adverse impact on the Group's airline customers in FY21, contributing to Flybe's entry into Administration on 5 March 2020 and easyJet's decision to close its bases at London Southend Airport and two further airports in August 2020 as part of a wider cost-cutting exercise, and continued to have a significant and adverse impact on passenger volumes in the first three months of FY22.

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 16 per cent., 27 per cent. and 47 per cent. of Stobart Aviation's revenue in FY19, FY20 and FY21, respectively. The COVID-19 pandemic had a significant and adverse impact on the Group's airline customers in FY21 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 FY19 and 13 in FY20, and now provides services to 13 airlines at three airports across the United Kingdom. In FY21, the arrangements to provide ground handling services for Logan Air at Glasgow and Edinburgh airports were terminated.

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 for a second year can be expected to have a disproportionate impact on the Group's results of operations in FY22, as they did in FY21. Ordinarily, the operating division's profitability tends to increase in the summer as a result of higher passenger volume and is 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, an 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 and will terminate entirely in 2037, the Group does not expect further such plants to be built.

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, in November 2019, gate fees 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 UK national lockdown announced on 23 March 2020 in response to the COVID-19 pandemic initially resulted in the closure of household waste and recycling centres operated by local authorities and of the construction and demolition sectors. Without these key sources of supply, the Group's inbound waste wood supply decreased as much as 80 per cent. year-on-year and Stobart Energy entered FY21 at its lowest level of gate fees in recent years. 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 supply shortage during the first half of 2020 caused the Group to be unable to supply its biomass energy plant customers. As a result, the Group issued force majeure notices to many of its biomass energy plant customers pursuant to the terms of certain of its supply agreements, although those force majeure conditions abated later in 2020.

The supply of waste wood has improved considerably since the time of the first lockdown and as a result gate fees are steadily returning toward pre-COVID-19 levels.

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 102,000 tonnes of waste wood fuel, which equates to

approximately 1.9 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

Stobart Rail & Civils continued to trade below expectations in the first half of FY21, 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. As a result of that poor performance, the Group divested Stobart Rail & Civils, previously a non-core operating division, to Bavaria Industries Group AG in July 2020.

New contracts during FY19 and FY20

Other than contracts with other Group entities, all of the Group's Rail & Civils contracts were competitively tendered, and therefore the Group's ability to win new contracts was 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 undertook improvement works at Stobart Energy facilities. In FY19, 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.

	FY20	FY19
	(£'000)	
Internal revenue	13,404	20,480
External revenue	28,077	31,867
Total revenue⁽¹⁾	<u>41,481</u>	<u>52,347</u>

Government spending

Stobart Rail & Civils 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 directly affected the Group's results of operations prior to its disposal of Stobart Rail & Civils in July 2020.

During FY19 and FY20, there was a trend of national and local governments and public entities cutting budgets, including spending on public infrastructure, which continued into FY21. This 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 FY20, 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 FY20 Financial Statements.

Restated FY20 comparative financial information

On 14 July 2020, the Group divested Stobart Rail Limited to Bavaria Industries Group AG. The operations of Stobart Rail Limited represented a separate major line of business. The Group's results of the operations, along with the loss on disposal, have been reported as part of the single line loss from discontinued operations, net of tax on the face of the consolidated income statement of the FY21 Financial Statements. The comparative results for the year ended 29 February 2020 included in the consolidated income statement of the FY21 Financial Statements have been restated on the same basis. Refer to note 5 of the FY21 Financial Statements for more details.

The Group's audited consolidated FY20 Financial Statements have not been restated or reissued and as a result the audited FY20 Financial Statements are not directly comparable to the financial information presented by the Group in respect of subsequent financial periods. The discussion of movements in the Group's results of operations and financial position between FY20 and FY21 in this Section VI is based on the unaudited comparative financial statements for the year ended 29 February 2020 included in the FY21 Financial Statements. The discussion of movements in the Group's results of operations and financial position between FY19 and FY20 in this Section VI is based on the audited comparative financial statements for the year ended 28 February 2019 included in the F20 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.

Prior to its disposal, Stobart Rail & Civils recognised revenue based on the specification within the contract and the input method was used to measure progress of delivery. If a modification to the contract occurred, the specifics of the modification were assessed as to whether it represented a separate performance obligation or if it was a modification to the existing contract. Consideration was given to ensure that recognition of a contract modification was only recognised as revenue when either it was approved or it was considered legally enforceable. Revenue was only recognised on a contract if it was 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 FY20 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.

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 FY21 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 15 to the FY21 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 in 2020.

Impairment of loan notes

Impairment of loan notes comprises an impairment in FY20 in relation to the shareholder loan notes relating to Mersey Bioenergy Holdings Limited, the Widnes biomass plant owner.

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 11 to the FY21 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 10 to the FY21 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 12 to the FY21 Financial Statements.

COMPARISON RESULTS OF OPERATIONS

The following table sets forth the Group's consolidated income statement for the periods indicated.

	Year ended 28 February 2021	Year ended 29 February 2020 (restated) ⁽¹⁾	Year ended 29 February 2020	Year ended 28 February 2019
			(£'000)	
Continuing Operations				
Revenue	110,724	142,098	170,175	146,889
Other income	5,798	4,700	4,700	1,310
Operating expenses—other	(134,263)	(142,943)	(178,288)	(152,766)
Share of post-tax profits of associates and joint ventures	(218)	(9,765)	(9,765)	(1,740)
Loss on swaps	80	(300)	(300)	(353)
Adjusted EBITDA⁽²⁾	(17,879)	(6,210)	(13,478)	(6,660)
Depreciation	(31,814)	(20,024)	(22,723)	(16,305)
Amortisation	—	(7,456)	(7,456)	(3,938)
Loss on acquisition	(58,182)	—	—	—
Impairment—other	(22,097)	(48,330)	(56,804)	(7,800)
Impairment—loan receivables from joint venture	—	(45,105)	(45,105)	—
Operating loss	(129,972)	(127,125)	(145,566)	(34,703)
Impairment of loan notes	(8,000)	(2,754)	(2,754)	(3,208)
Finance costs	(17,214)	(14,453)	(14,017)	(5,213)
Finance income	4,849	4,917	4,353	1,010
Loss before tax	(150,337)	(139,415)	(157,984)	(42,114)
Tax	7,083	8,390	8,390	(530)
Loss for the year from continuing operations⁽³⁾	(143,254)	(131,025)	(149,594)	(42,644)

Notes:

- (1) The comparative results for the year ended 29 February 2020 included in the consolidated income statement of the FY21 Financial Statements have been restated where required due to IFRS 5 Discontinued Operations in connection with the preparation of the FY21 Financial Statements. Refer to note 5 of the FY21 Financial Statements for more details. The Group's audited consolidated FY20 Financial Statements have not been restated or reissued.
- (2) Adjusted EBITDA is referred to as EBITDA in the FY20 Financial Statements and FY21 Financial Statements.
- (3) For the avoidance of doubt, the results of Stobart Air are included in the Group's continuing operations for FY19, FY20 and FY21 as the decision to liquidate Stobart Air did not take place until after the end of FY21.

Results of operations for the year ended 28 February 2021 compared to the year ended 29 February 2020

As described in "Key factors affecting comparability" above, the comparative results for the year ended 29 February 2020 included in the FY21 Financial Statements have been restated. The discussion below is based on the unaudited comparative financial statements for the year ended 29 February 2020 included in the FY21 Financial Statements.

Revenue

Revenue decreased by £31.4 million, or 22.1 per cent., to £110.7 million in the year ended 28 February 2021 from £142.1 million in the year ended 29 February 2020.

The following table sets forth the Group's total revenue by operating division.

	Year ended 28 February 2021	Year ended 29 February 2020 ⁽¹⁾	Change	
		(£'000)	£'000	%
Aviation	24,742	56,786	(32,044)	(56.4)
Energy	75,019	76,339	(1,320)	(1.7)
Investments	9,034	2,127	6,907	324.7
Non-strategic infrastructure	1,059	2,777	(1,718)	(61.9)
Group central and eliminations ⁽²⁾	870	4,069	(3,199)	(78.6)
Total revenue	110,724	142,098	(31,374)	(22.1)

Notes:

- (1) The comparative results for the year ended 29 February 2020 included in the consolidated income statement of the FY21 Financial Statements have been restated where required due to IFRS 5 Discontinued Operations in connection with the preparation of the FY21 Financial Statements. Refer to note 5 of the FY21 Financial Statements for more details. The Group's audited consolidated FY20 Financial Statements have not been restated or reissued.
- (2) Group central and eliminations revenue comprises rental income, brand licence income and merchandising income.

Aviation

Total revenue in the Aviation operating division decreased by £32.0 million, or 56.4 per cent., to £24.7 million in the year ended 28 February 2021 from £56.8 million in the year ended 29 February 2020. Revenue in the Aviation operating division was significantly impacted by the COVID-19 pandemic, with passengers numbers at London Southend Airport down 93.1 per cent. in FY21.

Energy

Total revenue in the Energy operating division decreased by £1.3 million, or 1.7 per cent., to £75.0 million in the year ended 28 February 2021 from £76.3 million in the year ended 29 February 2020. Tonnes of waste wood fuel supplied decreased 6.7 per cent. to 1.4 million tonnes in FY21.

In November 2019, gate fees 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 UK national lockdown announced on 23 March 2020 in response to the COVID-19 pandemic initially resulted in the closure of household waste and recycling centres operated by local authorities and of the construction and demolition sectors. Without these key sources of supply, the Group's inbound waste wood supply decreased as much as 80 per cent. year-on-year and Stobart Energy entered FY21 at its lowest level of gate fees in recent years. The supply of waste wood has improved considerably since the time of the first lockdown and as a result gate fees are steadily returning toward pre-COVID-19 levels.

Investments

Total revenue from the Investments operating division increased to £9.0 million in the year ended 28 February 2021 from £2.1 million in the year ended 29 February 2020, primarily due to the acquisition of Stobart Air in FY21.

Other income

Other income was £5.8 million in the year ended 28 February 2021 (compared to £4.7 million in the year ended 29 February 2020), which primarily relates to public service obligation income in Stobart Air (£5.5 million) and profit on disposal of PPE.

Operating expenses—other

Operating expenses decreased by £8.7 million, or 6.1 per cent., to £134.3 million in the year ended 28 February 2021 from £142.9 million in the year ended 29 February 2020.

Aviation

Operating expenses in the Aviation operating division decreased by £26.7 million, or 46.4 per cent., to £30.8 million in the year ended 28 February 2021 from £57.5 million in the year ended 29 February 2020. This decrease was primarily due to the steps taken by Stobart Aviation to manage costs. Stobart Aviation suspended all recruitment, modified employment contracts to improve flexibility and cut both bonus and any annual cost of living increases, as well as made some roles redundant. In addition, Stobart Aviation took advantage of government support packages, for example putting numbers of staff on furlough and applying to the Airport and Ground Operations Support Scheme. The Group also reduced costs within Stobart Aviation Services by closing its operations at Edinburgh and Glasgow Airports, placing a number of staff on furlough and making some roles redundant. This allowed the business to manage costs and focus operations at London Southend Airport, London Stansted Airport and Manchester Airport.

Energy

Operating expenses in the Energy operating division decreased by £1.0 million, or 1.5 per cent., to £65.1 million in the year ended 28 February 2021 from £66.1 million in the year ended 29 February 2020. This decrease was primarily due to reduced staff costs following a review of the business where some roles were made redundant and the furlough scheme was utilised as a result of the COVID-19 pandemic.

Share of post-tax profits of associates and joint ventures

Share of post-tax profits of associates and joint ventures was a loss of £0.2 million in the year ended 28 February 2021, compared to a loss of £9.8 million in the year ended 29 February 2020. Share of post-tax profits of associates and joint ventures in the year ended 29 February 2020 related to the equity accounted losses of Connect Airways up to the value of its investment (£9.1 million). Connect Airways, and its subsidiary Flybe, entered Administration in FY21 and the Group impaired all outstanding balances to nil.

Loss on swaps

Loss on swaps was £0.0 million in the year ended 28 February 2021, compared to £0.3 million in the year ended 29 February 2020.

Adjusted EBITDA

Adjusted EBITDA was a loss of £17.9 million in the year ended 28 February 2021, compared to a loss of £6.2 million in the year ended 29 February 2020, 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. In addition, losses in the Investment operating division resulted from the inclusion of Stobart Air and Propius, which were acquired in FY21. Adjusted EBITDA as presented in this document is referred to as EBITDA in the FY20 Financial Statements and FY21 Financial Statements.

Depreciation

Depreciation increased by £11.8 million, or 58.9 per cent., to £31.8 million in the year ended 28 February 2021 from £20.0 million in the year ended 29 February 2020. This increase was primarily due to the right-of-use aircraft acquired as part of the purchase of Stobart Air and Propius in FY21.

Amortisation

Amortisation decreased to nil in the year ended 28 February 2021 from £7.5 million in the year ended 29 February 2020. There was no amortisation in FY21 due to the Stobart brands being reclassified to assets held for sale at year end FY21.

Loss on acquisition

Loss on acquisition increased to £58.2 million in the year ended 28 February 2021 from nil in the year ended 29 February 2020. The Group's acquisition of equity interests in Stobart Air and Propius from the administrators of Connect Airways led to the consolidation of both businesses as wholly-owned subsidiaries. A £58.2 million loss on acquisition was recorded, due to the settlement of pre-existing relationships.

Impairment—other

The Group's impairment—other in the year ended 28 February 2021 was £22.1 million, which primarily related to the impairment of all PPE in Stobart Air and the right-of-use aircraft in Propius (£22.9 million), offset in part by the impairment reversal related to three land and building and property inventory assets that were subject to external independent development valuations at the end of FY21 (£0.8 million).

The Group's impairment—other in the year ended 29 February 2020 was £48.3 million, primarily relating to a write down of Carlisle Lake District Airport (£21.0 million) and impairment of the Eddie Stobart and Stobart brands following the sale to Eddie Stobart (£19.9 million).

Impairments—Loan receivables from joint venture

The Group's impairments—loan receivables from joint ventures in the year ended 28 February 2021 were nil.

Operating loss

As a result of the above, the Group's operating loss was £130.0 million in the year ended 28 February 2021, compared to a loss of £127.1 million in the year ended 29 February 2020.

Impairment of loan notes

The Group's impairment of loan notes in the year ended 28 February 2021 were £8.0 million, relating to an impairment charge (from £8.0 million to nil) in relation to the shareholder loan notes relating to Mersey Bioenergy Holdings Limited, the Widnes biomass energy plant owner. The impairment was based on discounted forecast future cash flows provided, which had deteriorated over the period with the awaited refinancing still not complete.

Finance costs (net)

Finance costs (net) increased by £2.8 million, or 29.7 per cent., to £12.4 million in the year ended 28 February 2021 from £9.5 million in the year ended 29 February 2020. This increase was primarily due to higher interest charges on the Existing Facility and interest on IFRS 16 leases in the Stobart Air and Propius businesses. Finance income decreased by £0.1 million in FY21 primarily due to no interest being received on the loans to Connect Airways after it entered administration in March 2020, partially offset by the revaluation of financial liabilities in FY21.

Tax

Tax was a credit of £7.1 million in the year ended 28 February 2021, compared to a credit of £8.4 million in the year ended 29 February 2020. The credit reflects an effective tax rate of 4.4 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 19 per cent., being the rate enacted at 28 February 2021.

Loss for the year from continuing operations

As a result of the above, the Group's loss for the year from continuing operations was £143.3 million in the year ended 28 February 2021, compared to a loss of £131.0 million in the year ended 29 February 2020.

Results of operations for the year ended 29 February 2020 compared to the year ended 28 February 2019

As described in "Key factors affecting comparability" above, the discussion below is based on the audited financial statements for the year ended 29 February 2020 included in the FY20 Financial Statements.

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
Group central and eliminations ⁽¹⁾	(9,335)	(14,854)	5,519	37.2
Total revenue	170,175	146,889	23,286	15.9

Note:

(1) Group central and eliminations revenue comprises rental income, brand licence income and merchandising 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 FY20, primarily driven by new relationships with Ryanair, Wizz Air, Loganair and FlyOne, each of which began operating flights at London Southend Airport in FY20. In addition, the Group entered into a strategic partnership with the TVCA to provide management services in respect of the Teesside International Airport, which has subsequently been terminated as detailed in paragraph 15.11 of Part XI—Additional Information.

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 FY20 and provided services to 16 airlines across five airports in the United Kingdom at the end of that financial year.

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 FY20, primarily due to the maturing state of the biomass energy plants the Group supplies, with all of the Group's biomass energy plant customers having successfully completed commissioning and being fully operational as at the end of FY20.

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. During FY21, a settlement of £3.5 million was reached with Tilbury Green Power over the contractual 'take or pay' amounts due. As part of this one-off settlement, £2.4 million was recognised within revenue under IFRS 15 by applying contract modification accounting.

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 FY20 is £13.4 million of internal revenue (FY19: £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 was 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 FY19 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 £39.2 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 FY20 year end and the Group has impaired all outstanding balances to nil.

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 FY19 Financial Statements and FY20 Financial Statements.

Loss on swaps

Loss 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 FY20, 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 was affected by the failure of Flybe, and so the Group recognised 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 15.9 of Part XI—Additional Information);
- 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 were 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.

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 FY19 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.

LIQUIDITY AND CAPITAL RESOURCES

During FY19, FY20 and FY21, the Group's primary sources of liquidity were the revenues generated from its operations, disposals of assets, the Exchangeable Bonds, the Existing Facility and the 2020 Capital Raise. 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.

	As at 28 February 2021	As at 29 February 2020	As at 28 February 2019
		(£'000)	
Net cash outflow from operating activities	(29,443)	(22,221)	(12,796)
Net cash inflow/(outflow) from investing activities	4,979	(9,751)	9,863
Net cash inflow/(outflow) from financing activities	27,070	27,342	(25,743)
Increase/(decrease) in cash and cash equivalents	2,606	(4,630)	(28,676)
Cash and cash equivalents at the beginning of the year	9,802	14,432	43,108
Cash and cash equivalents at the end of the year	12,408	9,802	14,432

Net cash from operating activities

The Group's net cash outflow from operating activities was £29.4 million in the year ended 28 February 2021 compared to £22.2 million in the year ended 29 February 2020. Within the Aviation operating division, net cash outflow from operating activities decreased to £4.1 million in the year ended 28 February 2021 from £8.0 million in the year ended 29 February 2020, primarily due to the cost cutting measures implemented by the Group to mitigate the impact on profitability resulting from the COVID-19 pandemic. Within the Energy operating division, net cash inflow from operating activities increased to £15.4 million in the year ended 28 February 2021 from £9.9 million in the year ended 29 February 2020, primarily due the strong cash conversion in the Energy business and strict financial discipline and working capital management throughout the COVID-19 pandemic.

The Group's net cash outflow from operating activities was £22.2 million for the year ended 29 February 2020 compared to £12.8 million for the year ended 28 February 2019. Operating cash

flow in FY20 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 was expected to complete in 2021. The significant debtor balances for this project are considered recoverable and negotiations with the customers are ongoing.

Net cash from investing activities

The Group's net cash inflow from investing activities was £5.0 million in the year ended 28 February 2021 compared to an outflow of £9.8 million in the year ended 29 February 2020. Net cash inflow from investing activities in FY21 included £8.5 million of the total £10.0 million consideration for the disposal of the Stobart brands, offset by a £3.1 million purchase of PPE.

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 FY20 includes purchase of PPE (£14.6 million), partly offset by proceeds from the sale of PPE and investment property.

Net cash from financing activities

The Group's net cash inflow from financing activities was £27.1 million in the year ended 28 February 2021 compared to £27.3 million in the year ended 29 February 2020. Net cash inflow from financing activities in FY21 included the net proceeds of the 2020 Capital Raise (£91.0 million), offset by a net repayment of the Existing Facility (£24.3 million), the repayment of capital elements of lease obligations (£24.0 million), interest payments (£9.4 million) and the repayment of loans to Virgin and Cyrus (£4.5 million).

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 FY20 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 FY19). 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.

Balance sheet

The following table sets out the Group's net assets as at the dates indicated.

	As at 28 February 2021	As at 29 February 2020	As at 28 February 2019
	(£ millions, unless otherwise indicated)		
Non-current assets	369,373	388,866	467,416
Current assets	55,444	75,270	79,736
Non-current liabilities	(172,600)	(221,979)	(137,722)
Current liabilities	(203,904)	(139,059)	(112,476)
Net assets	48,313	103,098	296,954

Net assets decreased in FY21 by £54.8 million, to £48.3 million as at 28 February 2021 from £103.1 million as at 29 February 2020, mainly due to the loss in FY21, partially offset by the net proceeds of the 2020 Capital Raise and the increase in the fair value of the investment in Logistics Development Group plc.

Net assets decreased in FY20 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).

Non-current assets

The overall value of PPE decreased by £21.0 million, to £285.6 million as at 28 February 2021 from £306.6 million as at 29 February 2020, primarily due to the disposal of Stobart Rail & Civils and the annual depreciation charge across the Group. The revaluation of, and further investment in, Logistics

Development Group plc led to an increase in other financial assets of £5.6 million. The impairment of the loans to Mersey Bioenergy Holdings reduced non-current other receivables by £8.0 million.

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 FY20 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 15.9 of Part XI—Additional Information) and amortisation of the Eddie Stobart brand (£7.4 million).

Current assets

Current assets decreased by £19.8 million, to £55.4 million as at 28 February 2021 from £75.3 million as at 29 February 2020, primarily due to an overall decrease in trade and other receivables across the Group of £12.8 million and the disposal of the Stobart brand (£10.0 million), which were held for sale at the end of FY20.

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.

Non-current liabilities

Non-current liabilities decreased by £49.4 million, to £172.6 million as at 28 February 2021 from £222.0 million as at 29 February 2020, primarily due to the Existing Facility liability of £52.3 million being presented as a current liability. This was offset in part by an increase in provisions of £15.2 million, mainly relating to maintenance reserves in Stobart Air and Propius, and reductions in the defined benefit pension and deferred tax 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 Existing Facility (£17.0 million).

Current liabilities

Current liabilities increased by £64.8 million, to £203.9 million as at 28 February 2021 from £139.1 million as at 29 February 2020, primarily due to the Existing Facility liability of £52.3 million being presented as a current liability and IFRS 16 leases being recognised following the acquisition of Propius in FY21. The Existing Facility liability decreased in FY21 by £22.4 million.

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.

Net Debt and Gearing

The following table sets forth the Group's Net Debt and Gearing as at the dates indicated.

	As at 28 February 2021	As at 29 February 2020	As at 28 February 2019
	(£ millions, unless otherwise indicated)		
Loans and borrowings—current	89.1	15.8	13.4
Loans and borrowings—non-current	122.1	177.8	84.1
Exchangeable bonds	52.0	51.7	—
Cash and cash equivalents	(12.4)	(9.8)	(14.4)
Net Debt	250.8	235.5	83.1
Group shareholders' equity	48.3	103.1	297.0
Gearing	519.2%	228.4%	28.0%

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 15.3(i) of Part XI—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 FY20 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 15.3(ii) of Part XI—Additional Information. As at the Latest Practicable Date, the Group is drawn down under the Existing Facility as to £108 million, which is expected to increase to £113 million by 31 August 2021.

Existing Facility

The Company entered into the Existing Facility Agreement comprising Facility A, the £80.0 million revolving credit facility under which the Group is fully drawn, and Facility B, the £40.0 million revolving credit facility, on 4 June 2020, of which £28 million is drawn as at the Latest Practicable Date. The Company has agreed with the Existing Lenders that it may draw up to £5 million under Facility B (in addition to the £28 million already drawn under Facility B) up to and including the date on which the Transaction completes, subject to certain conditions. Upon completion of the Transaction, the Company shall apply the proceeds of the Investment and the Capital Raise in repayment of all outstanding amounts under the Existing Facility.

New Facility

As announced on 27 July 2021, the Company has agreed the New Facility with the Existing Lenders. The Company and Stobart Energy Limited will be borrowers under the New Facility and shall be able to draw under the New Facility from the date on which the Transaction completes until one month before the New Facility terminates on 1 February 2023, subject to certain conditions. The borrowers' obligations under the New Facility will be guaranteed by members of the Wider Group and security will be granted by the borrowers and the guarantors as detailed in Part XI—Additional information of this document. The terms of the New Facility will be substantially similar to those of the Existing Facility.

The New Facility is conditional upon completion of the Transaction. In the event that the Transaction does not complete, the New Facility will not be available and the terms of the Existing Facility shall remain in force, and any further drawings under the Existing Facility beyond 31 August 2021 shall be subject to the conditions outlined in Part XI—Additional Information.

Further details on the New Facility are set out in paragraph 15.7 of Part XI—Additional information.

Capital Expenditure

In FY21, the Group's Capital Expenditure was £5.1 million, of which £2.0 million was financed. This primarily comprised £3.1 million related to the development of London Southend Airport, including a new hold baggage screening area, and £1.1 million in the Energy operating division principally relating to the development of processing facilities.

In FY20, 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 FY19, 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.

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 £27.9 million, which was sufficient to cover 82 per cent. of the value of benefits that had accrued to members, measured on the continuing basis. Total contributions payable for FY21 amounted to £1.2 million (compared to £1.2 million in FY20) with no contributions due to the plan at 28 February 2021 (compared to £97,000 at 29 February 2020).

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 Group also operates a defined contribution plan. The charge in FY21 to the consolidated income statement was £1.0 million (FY20: £1.3 million). The value of contributions outstanding as at 28 February 2021 and included in other payables was £187,000 (£97,000 at 29 February 2020).

For further detail, please see note 26 to the FY21 Financial Statements.

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 Esken Limited's consolidated financial information, as well as the rest of the information in this Part VI. The tables below are prepared for illustrative purposes only.

Capitalisation

The table below sets out the Company's capitalisation as at 28 February 2021. This information has been extracted without material adjustment from the Company's historical financial information set out in Part VII—Financial Information of the Group of this document.

	As at 28 February 2021 (£'000)
Shareholders' equity	
Share capital	62,492
Share premium	390,336
Other reserves	(3,654)
Total capitalisation	<u>449,174</u>

There has been no material change in the Company's capitalisation since 28 February 2021.

The following table sets out the Company's indebtedness as at 31 May 2021.

	As at 31 May 2021 (£'000)
Total current debt	
Guaranteed	—
Secured	177,400
Unguaranteed/Unsecured	—
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	—
Secured	104,963
Unguaranteed/Unsecured	—

Net Financial Indebtedness

The following table sets out the Company's net financial indebtedness as at 31 May 2021.

	As at 31 May 2021 (£'000)
A. Cash	11,093
B. Cash equivalents	—
C. Financial assets held at fair value	—
D. Liquidity (A) + (B) + (C)	11,093
E. Current financial receivables	—
F. Current bank debt	(84,233)
G. Bonds issued	(52,104)
H. Current portion of non-current debt	—
I. Other current financial debt	(41,063)
J. Current financial debt (F) + (G) + (H) + (I)	(177,400)
K. Net current financial indebtedness (D) + (E) + (I)	(166,307)
L. Non-current bank debt	—
M. Bonds issued	—
N. Non-current other financial debt	(104,963)
O. Non-current financial indebtedness (L) + (M) + (N)	(104,963)
P. Net financial indebtedness (K) + (O)	(271,270)

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 28 February 2021, the Group had capital commitments of £1.2 million related to development works at LSA in the Aviation division.

At 29 February 2020, the Group had no capital commitments.

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 28 February 2021 was approximately £54.9 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 £4.6 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.

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 XI—Additional Information. The Lands Tribunal have found in favour of the claimants to an extent which would lead to the Company making payments in an amount of approximately £1.2 million, plus certain costs of the claimants which are yet to be assessed. The Group has agreed to make a payment of £500,000 on account of such costs. On 10 July 2021, the Upper Tribunal (Lands Chamber) refused the claimants' application for permission to appeal its decision. The claimants may apply to the Court of Appeal for permission to appeal, which must be filed within 28 days of the 10 July 2021 decision of the Upper Tribunal (Lands Chamber).

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 implemented several measures to strengthen its accounting systems and processes in order to enable the Group to cater more efficiently 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.

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 25 to the FY21 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 Logistics Development Group 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 28 February 2021 is £46,000 liability (2020: £416,000 liability) and the gross swap coverage was £333,000 (2020: £1,877,000). 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 2021.

Foreign exchange risk

As at 28 February 2021, 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 28 February 2021 was £48,000 liability (2020: £195,000 asset) and the gross swap coverage was £10,052,000 (2020: £13,305,000). The fair value of the swaps was calculated by Lloyds Bank plc based on mid-market levels as of the close of business on 28 February 2021.

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 FY21 Financial Statements for further discussion on the basis of preparation. The Company's auditor has included a paragraph in the independent auditor's reports in respect of the FY20 Financial Statements and the FY21 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 28 February 2021.

	Less than one year	One to five years	More than five years	Total
	(£'000)			
Loans and borrowings	55,882	—	—	55,882
Obligations under leases	39,821	68,571	92,684	201,076
Trade payables	19,558	—	—	19,558
Swaps	404	—	—	404
Total	115,665	68,571	92,684	276,920

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 28 February 2021			
Increase in fair value of financial instruments	767	30	6
Impact on profit: (loss)/gain	(731)	30	6
At 29 February 2020			
Increase in fair value of financial instruments	799	146	134
Impact on profit: (loss)/gain	(770)	146	134

Jet fuel price risk

Prior to the liquidation of Stobart Air, announced on 12 June 2021, the Group was exposed to jet fuel price risk as jet fuel is a key supply to the fleet of aircraft in Stobart Air. If jet fuel prices rose there would have been increases in the base costs that could not be fully passed on to customers. In order to mitigate this risk the Group historically took out jet fuel swap contracts to manage its exposure. Due to the Group's intention to dispose of Stobart Air, the jet fuel swap contracts were not renewed and ceased before the end of FY21.

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 FY21 Financial Statements.

PART VII—FINANCIAL INFORMATION OF THE GROUP

FY21 FINANCIAL STATEMENTS

The FY21 Financial Statements, including the independent auditor's audit report, are incorporated into this document by reference to the 2021 Annual Report, as described in Part XII—Documentation Incorporated by Reference. The independent auditor's audit report in respect of the FY21 Financial Statements is unqualified.

FY20 FINANCIAL STATEMENTS

The FY20 Financial Statements, including the independent auditor's audit report, are incorporated into this document by reference to the 2020 Annual Report, as described in Part XII—Documentation Incorporated by Reference. The independent auditor's audit report in respect of the FY20 Financial Statements is unqualified.

FY19 FINANCIAL STATEMENTS

The FY19 Financial Statements, including the independent auditor's audit report, are incorporated into this document by reference to the 2019 Annual Report, as described in Part XII—Documentation Incorporated by Reference. The independent auditor's audit report in respect of the FY19 Financial Statements is unqualified.

PART VIII—FINANCIAL INFORMATION OF THE BORROWER GROUP

The following sets out financial information in respect of the Borrower Group as required by Rules 13.4 and 13.5 of the Listing Rules. This information is available free of charge on the Company's website at www.esken.com.

Shareholders should read the whole of this document and not rely solely on the summarised financial information in this Part VIII.

1. Basis of preparation

The historical financial information relating to the Borrower Group in this Part VIII for FY21, FY20 and FY19 has been extracted without material adjustment from the consolidation schedules used in preparing the Group's audited consolidated financial statements for FY21, FY20 and FY19.

It represents the historical financial information of London Southend Airport Company Limited, Thames Gateway Airport Limited, Stobart Solar Limited and Stobart Jet Centre Limited on a combined basis net of intra-group eliminations for the Borrower Group.

The historical financial information of the Borrower Group in this Part VIII has been prepared applying the IFRS accounting policies used to prepare the Group's audited consolidated financial statements for each of the periods represented.

For the purposes of this Part VIII, the presentation of historical financial information is consistent with the Group's historical presentation of financial information, which differs from the standalone historical financial information for the individual entities that form the Borrower Group.

It is not possible to present a meaningful allocation of tax as this item is managed centrally by the Company and not on a subsidiary by subsidiary basis. Therefore, the financial information presented has only been prepared to a profit before tax level. The historical financial information of the Borrower Group does not include acquisition fair value adjustment net of depreciation and unrealised profit on construction of land and buildings of £24.8 million and the corresponding deferred tax liability of £20.0 million as at 28 February 2021, recorded in the Group's consolidated financial statements.

Shareholders should read the whole of this document and not rely solely on the financial information contained in this Part VIII.

2. Unaudited income statement of the Borrower Group for FY21, FY20 and FY19

	2021	2020	2019
	(£'000)	(£'000)	(£'000)
Revenue	15,569	43,755	33,559
Operating profit / (loss)	(13,062)	(6,129)	(4,886)
Finance income	—	—	—
Finance costs	(1,099)	(1,123)	(219)
Profit / (loss) before tax	(14,161)	(7,252)	(5,105)

Notes:

(1) The income statements presented above are unaudited.

(2) The income statements above do not include an allocation of tax as it is not possible to provide a meaningful allocation to the Borrower Group.

3. **Unaudited statement of net assets/(liabilities) of the Borrower Group as at 28 February 2021**

	As at 28 February 2021 <u>(£'000)</u>
Non-current assets	
Property, plant and equipment	158,332
Investments in associates and joint ventures	2
	158,334
Current assets	
Inventories	100
Trade and other receivables	3,158
Cash and cash equivalents	648
	3,906
Total assets	162,240
Current liabilities	
Trade and other payables	(8,880)
Loans and borrowings	(1,772)
Provisions	(2,300)
Net intercompany balances	(200,514)
	(213,466)
Net current liabilities	(209,560)
Non-current liabilities	
Loans and borrowings	(22,679)
Other liabilities	(2,472)
Deferred tax	(4,500)
	(29,651)
Total liabilities	(243,117)
Net liabilities	(80,877)

Notes:

(1) The net asset statement presented above is unaudited.

(2) The net asset statement above does not include the final tax assets or liabilities as it is not possible to provide a meaningful allocation to the Borrower Group.

PART IX—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 IX has been prepared to show the effect of the Transaction and the repayment of the Existing Facility on the Group's net assets as at 28 February 2021 as if the Transaction had been undertaken at that date.

The Pro forma financial information has been prepared in accordance with Annex 20 of the UK 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 28 February 2021. 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 IX.

KPMG LLP's report on the Pro forma financial information is set out in Section B of this Part IX.

Unaudited pro forma statement of net assets

	Statement of net assets as at 28 February 2021	Proceeds from the Investment	Proceeds from the Capital Raise	Repayment of the Existing Facility	Pro forma statement of net assets as at 28 February 2021
	Note 1 (£'000)	Note 2 (£'000)	Note 3 (£'000)	Note 4 (£'000)	Note 5 and Note 6 (£'000)
Non-current assets					
Property, plant and equipment . . .	285,621	—	—	—	285,621
Investment in associates and joint ventures	1,372	—	—	—	1,372
Other financial assets	10,392	—	—	—	10,392
Intangible assets	54,669	—	—	—	54,669
Net investment in lease	15,824	—	—	—	15,824
Trade and other receivables . . .	1,495	—	—	—	1,495
	369,373	—	—	—	369,373
Current assets					
Inventories	15,334	—	—	—	15,334
Trade and other receivables . . .	27,378	—	—	—	27,378
Cash and cash equivalents	12,408	120,000	50,583	(52,329)	130,662
Corporation tax	324	—	—	—	324
	55,444	120,000	50,583	(52,329)	173,698
Total assets	424,817	120,000	50,583	(52,329)	543,071
Non-current liabilities					
Loans and borrowings	(122,116)	(120,000)	—	—	(242,116)
Defined benefit pension obligation	(2,418)	—	—	—	(2,418)
Other liabilities	(8,271)	—	—	—	(8,271)
Deferred tax	(261)	—	—	—	(261)
Provisions	(39,534)	—	—	—	(39,534)
	(172,600)	(120,000)	—	—	(292,600)
Current liabilities					
Trade and other payables	(52,735)	—	—	—	(52,735)
Financial liabilities	(1,581)	—	—	—	(1,581)
Loans and borrowings	(89,121)	—	—	52,329	(36,792)
Exchangeable bonds	(52,010)	—	—	—	(52,010)
Provisions	(8,457)	—	—	—	(8,457)
	(203,904)	—	—	52,329	(151,575)
Total liabilities	(376,504)	(120,000)	—	52,329	(444,175)
Net assets	48,313	—	50,583	—	98,896

Notes:

- (1) The net assets of Esken Limited as at 28 February 2021 have been extracted without material adjustment from Part VII—Financial Information of the Group.
- (2) The adjustment in Note 2 comprises the gross proceeds of the Investment of £125 million, net of Lender costs of £5 million.
- (3) The adjustment in Note 3 reflects the gross proceeds of £55.0 million from the Capital Raise, net of costs of £4.4 million.
- (4) The adjustment in Note 4 shows the effect of the repayment of the Existing Facility balance as recorded in the Group financial statements as at 28 February 2021, as if the Transaction had been undertaken at that date, rather than on completion of the Transaction. The actual amount to be repaid will differ from this amount as it will be based on the Existing Facility balance drawn down as at the actual repayment date. As at the Latest Practicable Date, the Group is drawn down under the Existing Facility as to £108 million.
- (5) No adjustment has been made to reflect the trading results of the Group since 28 February 2021 or any other change in its financial position in this period.
- (6) No adjustment has been made to reflect the New Facility as it will not be drawn down on completion of the Transaction.

The Pro forma financial information does not reflect any changes in the trading position of the Group, other than those outlined in the notes to the statement above, since 28 February 2021.

Section B—ACCOUNTANTS' REPORT ON THE PRO FORMA FINANCIAL INFORMATION



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The Directors
Esken Limited
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28 July 2021

Ladies and Gentlemen

Esken Limited

We report on the pro forma financial information (the 'Pro forma financial information') set out in Part IX of the combined class 1 circular and prospectus dated 28 July 2021. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and Section 3 of Annex 20 of the UK version of Commission Delegated Regulation (EU) 2019/980 (the 'PR Regulation') and is given for the purpose of complying with those requirements and for no other purpose.

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 Esken Limited.

Responsibilities

It is the responsibility of the directors of Esken Limited to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and Annex 20 of the PR Regulation.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the PR 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 Listing Rule 13.4.1R(6) and Item 1.3 of Annex 1 of the PR Regulation, consenting to its inclusion in the combined class 1 circular and prospectus.

Basis of Preparation

The pro forma financial information has been prepared on the basis described in Section A, for illustrative purposes only, to provide information about how the proposed Investment by Carlyle Global Infrastructure Opportunity Fund L.P into London Southend Airport Company Limited, the Capital Raise

and the repayment of the Existing Facility might have affected the financial information presented on the basis of the accounting policies adopted by Esken Limited in preparing the financial statements for the period ended 28 February 2021.

Basis of Opinion

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

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 Esken 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 Esken 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 and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

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 PR Regulation.

Yours faithfully

KPMG LLP

PART X—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, who hold their Shares as an investment (other than where a tax exemption applies, for example where the Shares are held 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 is not considered and it should be noted that they may incur liabilities to UK tax on a different basis to that described below. This includes persons acquiring their New Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes, charities, exempt pension funds, temporary non-residents, non-residents carrying on a trade, profession or vocation in the UK and shareholders who hold more than 10 per cent. of the Shares. The tax treatment of the payment or receipt of any commitment commission 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 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 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 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 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 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 New Shares acquired pursuant to the Placing

The issue of New Shares under the Placing will not constitute a reorganisation of share capital for CGT purposes and, accordingly, any New Shares acquired pursuant to the Placing will be treated as acquired separately from any Existing Shares held, as described above.

1.1.1.4 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.

1.2 Taxation of Dividends

The Company will not be required to withhold UK 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 non-exempt 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 non-exempt 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 non-exempt 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 non-exempt 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.

1.3 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.

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 XI—ADDITIONAL INFORMATION

1 RESPONSIBILITY

The Company and the Directors, whose names and principal functions appear on page 47 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 and then to Esken Limited on 3 February 2021. 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).

3 SHARE CAPITAL OF ESKEN AND THE BORROWER

3.1 Immediately prior to the publication of this document, the share capital of the Company was £63,092,612.30, comprised of 630,926,123 Existing Shares of 10 pence each, all of which were fully paid or credited as fully paid, and 1,000 non-voting Deferred Shares of 0.1 pence each (none of which have been issued). 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 2018 to the Latest Practicable Date:

	Issued Share Capital	Shares held as treasury shares	Shares with Voting Rights
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
At 29 June 2020	624,926,123	0	624,926,123
At 7 May 2021	630,926,123	0	630,926,123

3.3 As at the Latest Practicable Date, the issued and fully paid share capital of the Company was as follows:

	Number	Aggregate nominal value (£)
Shares	630,926,123	63,092,612.30

The issued and fully paid share capital of the Company immediately following completion of the Transaction, assuming full take up by the Directors and the members of the Management Board of the total investment for which they have committed to subscribe (including under the Open Offer) and that no Shares are issued as a result of the exercise of any options between the Latest Practicable Date and the completion of the Transaction, is expected to be as follows:

	Number	Aggregate nominal value (£)
Shares	1,025,336,741	102,533,674

The Company remains subject to the continuing obligations of the listing rules of the FCA (the **Listing Rules**) with regard to the issue of securities for cash and the provisions of article 5(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 Immediately prior to the publication of this document, the share capital of the Borrower was £24,000, comprised of 24,000 ordinary shares of £1 each, all of which were fully paid or credited as fully paid. The Reorganisation, when implemented, will see the issue of a further two ordinary shares by the Borrower. The ordinary shares in the share capital of the Borrower have a nominal value of £1 each and are not listed on any exchange.

3.5 Subject to Admission and pursuant to the Capital Raise, 392,857,142 New Shares will be issued at a price of 14 pence per New Share. This will result in the issued ordinary share capital of the Company increasing by approximately 62.5 per cent. Qualifying Shareholders who take up their *pro rata* Open Offer Entitlements in full will be diluted by 30.8 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 38.5 per cent. following the Capital Raise (assuming full take up by the Directors and the members of the Management Board of the total investment for which they have committed to subscribe (including under the Open Offer), no options granted under the Share Schemes are exercised between the Latest Practicable Date and the completion of the Capital Raise).

3.6 As described in paragraph 11 of Part I—Letter from the Executive Chairman of Esken Limited of this document, at the General Meeting, Shareholders will be asked to consider and vote on the Resolutions. Five of the Resolutions are ordinary resolutions to: (i) increase the Company's share capital to £102,533,676 divided into 1,025,336,741 Shares and 1,000 Deferred Shares; (ii) authorise the Board to implement the Capital Raise and the Subscription Letters and to issue new Shares; (iii) approve the issue of the New Shares on the terms set out in this document at a price of 14 pence per New Share (which represents a discount of greater than 10 per cent. to the middle market price of the Shares as at 27 July 2021); (iv) approve the issue of Shares to Toscafund; and (v) authorise the Directors to implement the Investment. 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.

3.7 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).

3.8 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 Class rights

Ordinary Shares

Subject to paragraph 4.2 below, and to any special rights or restrictions as to voting upon which any shares may for the time being be held, on a show of hands every holder of Ordinary Shares who is present in person or by proxy shall have one vote. On a poll every holder of Ordinary Shares present in person or by proxy shall have one vote for every Ordinary Share held by him. A proxy need not be a member of the Company. A holder of Ordinary Shares of the Company shall not be entitled, in respect of any shares held by him, to vote (either personally or by proxy) at any general meeting of the Company unless all amounts payable by him in respect of that share in the Company have been paid or credited as having been paid.

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of Ordinary Shares are entitled to share in any surplus assets pro rata to their holdings of Ordinary Shares.

Otherwise, only Ordinary Shares are entitled to distributions.

Deferred Shares

Subject to paragraph 4.2 below, the Deferred Shares shall not have any voting rights and no right to receive notice of or attend general meetings of the Company.

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of Deferred Shares are entitled only to the repayment of the amounts paid up on such shares after payment in respect of each Ordinary Share of the capital paid upon such share and £1,000,000.

Otherwise, Deferred Shares are not entitled to any distributions.

An 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 (and/or an agreement to transfer the same) 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 any further sanction or consent of the holder or holders thereof and pending such transfer and/or purchase to retain the certificate for such Deferred Shares.

4.2 Variation of rights

All or any of the rights, privileges or conditions attached to any class of shares in issue may only be varied either with the consent in writing of the holders of seventy five per cent. in value of the issued shares of that class (excluding treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

4.3 Alteration of capital

The Company may by ordinary resolution, inter alia, consolidate and divide all or any of its share capital into shares of a larger amounts and sub-divide all or any of its shares into shares of a smaller amounts.

4.4 Transfer of shares

A member may transfer all or any of his shares (1) in the case of certificated shares by transfer in writing in any usual or common form or in any other form acceptable to the Directors and (2) in the case of uncertificated shares, in the manner provided for in the rules and procedures of the operator of the relevant system and in accordance with and subject to the CREST Regulations. The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. The Board may, in its absolute discretion and without assigning any reason, decline to register any transfer of any certificated share unless it is: (i) in respect of a share which is fully paid up; (ii) in respect of a share in which the Company has no lien; (iii) in respect of only one class of share; (iv) in favour of a single transferee or not more than four joint transferees; (v) duly stamped (if so required); and (vi) delivered for registration to the registered office of the Company (or such other place as the Board may from time to time determine) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer. The Board shall not refuse to register any transfer or renunciation of partly paid shares which are listed on the London Stock Exchange on the grounds that they are partly paid shares in circumstances where that refusal would prevent dealings in any such shares from taking place on an open and proper basis.

4.5 Dividends and Distributions

Subject to the Law, the Directors may authorise dividends and distributions to be paid to Shareholders. If any share is issued on terms providing that it shall rank for dividend or distribution as from a particular date, such share shall rank for dividend or distribution accordingly.

Subject to the Law, the Directors may, if authorised by an ordinary resolution, offer Shareholders the option of receiving any dividend in the form of a scrip dividend, in the form of fully paid bonus shares, or in any other form as the Directors may determine.

All dividends or distribution unclaimed for a period of 6 years from the date on which such dividend or distribution was declared shall, if the Directors so resolve, be forfeited and shall revert to the Company.

There is no fixed date on which an entitlement to dividend arises.

There are no dividend restrictions attaching to the Ordinary Shares, provided they are fully paid up. Payments of dividends may be made by electronic transfer or by cheque or warrant.

4.6 Suspension of rights

The Directors may by notice in writing require a Shareholder to disclose to the Company the identity of any person other than the Shareholder (an "Interested Party") who has, or has had at any time during the three years immediately preceding the date on which the notice is issued, any interest (whether direct or indirect) in the shares held by the Shareholder. If a Shareholder, or any other person appearing to be interested in shares held by that Shareholder, has been issued with such a notice and has failed in relation to any shares (the "default shares") to give the Company the information thereby required within the prescribed period from the service of the notice, the following sanctions shall apply unless the Board otherwise determines:

- (i) the Shareholder shall not be entitled in respect of the default shares to be present or to vote (either in person or by proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and
- (ii) where the default shares represent at least 0.25 per cent of the number of shares in issue of the class concerned:
 - (A) any dividend, distribution or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it, and the Shareholder shall not be entitled to elect, in the case of a scrip dividend, to receive shares instead of that dividend; and
 - (B) no transfer, other than an excepted transfer, of any shares held by the member shall be registered unless (i) the Shareholder is not himself in default as regards supplying the information required; and (ii) the Shareholder proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

4.7 Return of capital

A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Law, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether or not the assets shall consist of property of one kind or shall consist of property of different kinds), those assets to be set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members as the liquidator shall think fit.

4.8 Issue of shares

The Directors have the authority to issue, or grant rights to subscribe for or to convert any security into, shares from time to time. The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the Shareholders. Subject to the provisions of the Law and the rights of holders of any class of shares, the Company may purchase its own shares, including redeemable shares, and the board may determine the terms, conditions and manner of such redemption.

4.9 Pre-emption rights

There are no rights of pre-emption under the Articles in respect of transfers of issued Ordinary Shares. Unless the Company has by extraordinary resolution or special resolution resolved otherwise (and subject to certain exceptions set out in the Articles of Incorporation), the Company may not issue equity securities for cash to any person unless: 1. it has made an offer to each person who holds Ordinary Shares in the Company to issue to him on the same or more favourable terms a proportion

of those securities which is as nearly as practicable equal to the proportion of the total issued Ordinary Shares represented by the Ordinary Shares held by such holder; and 2. the period during which any such offer may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer so made.

4.10 General meetings

An annual general meeting of the Company shall be held in each calendar year (provided that no more than fifteen months may elapse between one annual general meeting and the next) at such time and place as may be determined by the Directors. The Directors may convene a general meeting whenever they think fit. General meetings shall also be convened on a requisition of the members of the Company as provided for by the Law or, if the Directors fail to convene a general meeting within twenty one days from the date of the deposit of the requisition, a meeting may be convened by such requisitionists as provided by the Law. Twenty one clear days' notice in respect of an annual general meeting and fourteen clear days' notice in respect of every other general meeting shall be given to all members (other than those who, under the provisions of the Articles or otherwise, are not entitled to receive notices from the Company) and to the Directors and the auditors for the time being of the Company, but the accidental omission to give such notice to, or the non-receipt of such notice by, any member or Director or the auditors shall not invalidate any resolution passed or any proceeding at such meeting. Every notice shall specify the place, the day and the time of the meeting and the general nature of the business of the meeting. In the case of a meeting convened for passing a special resolution, waiver resolution or unanimous resolution the notice shall also specify the intention to propose the resolution as a special resolution, waiver resolution or unanimous resolution as the case may be, and specify the text of any proposed special resolution, waiver resolution or unanimous resolution. The notice shall also state with reasonable prominence that a member entitled to attend and vote at the meeting, may appoint a proxy to attend, speak and vote on a poll instead of him and that the proxy need not also be a member. For the purpose of determining which persons are entitled to attend and vote at any general meeting and how many votes such persons may cast, the Company may specify in the relevant notice of general meeting a time, not more than forty eight hours (excluding any days which are not business days) before the time fixed for the meeting, by which a person must be entered on the register of members in order to have the right to attend and vote at the meeting. No business shall be transacted unless the requisite quorum is present when the meeting proceeds to business. Two members present in person or by proxy shall be a quorum, save where the Company has only one member. If within half an hour from the time appointed for the general meeting a quorum is not present, if convened on the requisition of the members the meeting shall be dissolved. In any other case the meeting shall be adjourned to the same day in the next week at the same time and place and no notice of such adjournment need be given. At any such adjourned meeting, those members present in person or by proxy shall be a quorum. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place. In addition to physical meetings, the Company may also convene hybrid meetings, which are general meetings held and conducted by both physical attendance by members and/or proxies at a particular place and by members and/or proxies also being able to attend and participate by electronic means without needing to be in physical attendance at that place.

4.11 Directors

The business and affairs of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not by any statute or by the Articles of Incorporation required to be exercised by the Company in general meeting and for such purposes the Directors may establish any local board or agency for managing any of the affairs of the Company, either in the United Kingdom or elsewhere, and may appoint any persons to be members of such local boards, or to be managers or agents. Subject to the Articles, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. The quorum necessary for the transaction of the business is two unless otherwise resolved by the Directors. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors. A Director shall not vote or be counted in the quorum on any resolution of the Board or any committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. A director who is in any

way, directly or indirectly, interested in a proposed transaction or arrangement with the Company, or in a transaction or arrangement that has been entered into by the Company, must declare the nature and extent of his interest to the Directors. The declaration must be made at a meeting of the Board, or by written notice, or by general notice, in accordance with the Law and the Articles of Incorporation. A Director who has, or can have, an interest, direct or indirect, that conflicts, or may possibly conflict, with the interests of the Company (including, without limitation, in relation to the exploitation of property, information or opportunity, whether or not the Company could take advantage of it) must declare the nature and extent of his interest to the Board as soon as reasonably practicable. The Board may resolve to authorise the potential conflict situation on such terms as it may determine. A director shall not be liable, by reason of his office, to account to the Company for any benefit resulting from such conflict situation. Save as provided in the Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any other proposal whatsoever 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 interests in shares or debentures or other securities of or otherwise in or through the Company, unless the resolution concerns any of the following matters: (i) a contract or arrangement for giving to the Director security or a guarantee or indemnity in respect of: (ii) money lent by him or obligations undertaken by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries; or (iii) a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or part under a guarantee or indemnity or by the giving of security; (iv) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is, or may be, entitled to participate as a holder of securities or in the underwriting or sub underwriting of which the director is to participate; (v) relating to another company in which he and any persons connected to him do not to his knowledge hold an interest in shares representing one per cent or more of any class of the equity share capital or of the voting rights in that company; (vi) relating to a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which does not award him any privilege or benefit not awarded to the employees to whom the scheme relates; or (vii) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or the benefit of persons including Directors. The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Company in general meeting may by ordinary resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director, and may remove any Director. Subject to the provisions of the Articles of Incorporation, at every annual general meeting of the Company each Director shall retire and be eligible for re-election by the members. The Directors of the Company (other than alternate Directors) shall be paid such remuneration (by way of fee) for their services as may be determined by the Directors or any committee of the Directors formed for the purpose of determining Directors' fees and remuneration, provided that the aggregate of all fees payable to the Directors (other than amounts payable under any other provision of the Articles) must not exceed £650,000 a year or such higher amount as may from time to time be decided by ordinary resolution of the Company. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses of travelling to and from board meetings, committee meetings, general meetings, or otherwise incurred while engaged on the business of the Company. Subject to the provisions of the Law, every Director, secretary or other officer of the Company (other than an auditor) is entitled to be indemnified against all costs, charges, losses, damages and liabilities incurred by him in the actual purported exercise or discharge of his/her duties or exercise of his/her powers or otherwise in relation to them. Unless and until otherwise determined by ordinary resolution of the Company, the number of Directors shall be not less than two nor more than ten. There is no age limit nor any share qualification for Directors.

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 2020 AGM, the Company was authorised to make market acquisitions of up to 62,492,612 Shares, which authority will expire at the conclusion of the 2021 AGM, or on 30 October 2021 (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	62	Executive Chairman
Lewis Girdwood	54	Chief Financial Officer
Nick Dilworth	48	Chief Operating Officer
David Blackwood	62	Senior Independent Director
John Coombs	62	Non-Executive Director
Ginny Pulbrook	63	Non-Executive Director
Clive Condie	61	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, Executive Chairman

David Shearer joined the Board on 1 June 2019. He became the Non-Executive Chairman following the Stobart Group AGM on 23 July 2019 and became the Executive Chairman on an interim basis on 9 February 2021. David is an experienced independent director, corporate financier and turnaround specialist. He is currently Non-Executive Chairman of Speedy Hire Plc, Socium Group (Holdings) Limited and the Scottish Edge Fund CIC.

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 subsequently held the positions of co-Chair of Martin Currie (Holdings) Limited, 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; Senior Independent Director of Renold plc, STV Group plc and Superglass Holdings plc; and a 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.

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 1 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, Senior Independent Director

David Blackwood was appointed to the Board on 1 March 2019 and became the Senior Independent Director on 1 November 2020. He is currently Non-Executive Chairman of Smiths News plc and has previously held non-executive director positions at Dignity plc and Scapa Group plc where he was also Chair of the Audit Committee and Senior Independent Director. He was also the Non-Executive Chairman 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 Chairman 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 was appointed to the Board on 1 October 2018. She 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 and became the designated Non-Executive Director for People Engagement within Esken in December 2020. 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.

Clive Condie, Non-Executive Director

Clive Condie was appointed to the Board on 1 July 2020. He was the Chair of London Luton Airport until June 2018, a position he held since November 2013 when Ardian and AENA (the world's largest airport operator) acquired the business. Besides being Chairman, Clive was interim Chief Executive during 2014. Clive was also a Director of Exolum Pipeline System Ltd (formerly CLH-PS), the largest fuel pipeline and storage facility in the UK. Clive has more than 35 years' experience in the aviation industry having worked for, amongst others, Manchester Airport and British Airways. Clive has also previously served on the boards of a number of airports including London Luton some 17 years ago, Lima in Peru and Curaçao in the Dutch Antilles. Clive is a Fellow of the Royal Aeronautical Society.

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 IAG Cargo Limited Zenda Group Limited Dunwoody Airline Services Limited Matched Finance Limited
Lewis Girdwood . .	—	
Nick Dilworth . . .	Connect Airways Limited Everdeal 2019 Limited PortR Limited	
David Blackwood .	Smiths New PLC	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

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
Clive Condie . . .	Condie Management Services Limited	CLH(PS) Ltd (renamed to Exolum Pipeline System Limited) London Luton Airport Holdings I Limited London Luton Airport Holdings II Limited London Luton Airport Holdings III Limited London Luton Airport Group Limited London Luton Airport Operations Limited

6.2 Management Board

The members of the Management Board are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
David Shearer	62	Executive Chairman
Lewis Girdwood	54	Chief Financial Officer
Nick Dilworth	48	Chief Operating Officer
Matthew Joy	55	Group General Counsel and Company Secretary
John Cawrey	54	Group IT Director
Charlie Geller	42	Group Communications Director
Angela Smith	48	Group People Director

Each member of the Management Board's business address is the Company's head office at Viking House, Mathiseon Road, Widnes WA8 0NS.

See "—Directors" above for biographies of David Shearer, 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.

Matthew Joy, Group General Counsel and Company Secretary

Matthew Joy is a corporate commercial lawyer with over 30 years of experience. He spent his first years in practice with Linklaters, the magic circle law firm, specialising in international finance. He then had a spell in private equity investment through Nomura International's Private Finance Group, before spending 10 years as a corporate lawyer in the entertainment industry. Prior to joining Esken, Matthew was Group General Counsel and Company Secretary for Low & Bonar, the international performance materials business,

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
Matthew Joy	—	Bonar Offshore Canada Inc
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 (i) Nick Dilworth, who was a director of Connect Airways Limited at the time it went into Administration on 10 March 2020 and was a director of Stobart Air Services (UK) Limited (which went into liquidation on 2 July 2021) in the last five years, and (ii) 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. 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, and appointed Clive Condie as Non-Executive Director with effect from 1 July 2020 and David Blackwood, who joined the Board as Non-Executive Director on 1 March 2019, as Senior Independent Director

with effect from 1 November 2020. The Board plans to continue the process of identifying a second new Non-Executive Director 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 at least three times a year.

The Audit Committee is chaired by David Blackwood and its other members are John Coombs, Ginny Pulbrook and Clive Condie. 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, David Blackwood and Clive Condie. 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, David Blackwood and Clive Condie. 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 the Latest Practicable Date 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 the total investment for which they have committed to subscribe (including under the Open Offer) and no options granted under

the Share Schemes between the Latest Practicable Date and the completion of the Transaction), are as follows:

Name	Existing Shares beneficially held		Shares expected to be beneficially held immediately following the Capital Raise	
	No.	%	No.	%
Directors				
David Shearer	512,500	0.08	1,226,786	0.12
Lewis Girdwood	300,000	0.05	585,714	0.06
Nick Dilworth ⁽¹⁾	163,593	0.03	220,736	0.02
David Blackwood	169,534	0.03	383,820	0.04
John Coombs ⁽²⁾	170,006	0.03	348,577	0.03
Ginny Pulbrook	17,500	0.00	53,214	0.01
Clive Condie	185,000	0.03	327,857	0.03
Management Board				
Matthew Joy	—	—	—	—
John Cawrey	18,750	0.00	43,750	0.00
Charlie Geller	—	—	—	—
Angela Smith	5,339	0.00	76,768	0.01

Notes:

(1) Includes 81,795 Shares held by Nick Dilworth's spouse.

(2) Includes 83,439 Shares held by John Coombs' spouse.

For a description of the Directors' intentions in respect of their participation in the Open Offer and the Firm Placing, please see paragraph 7 of Part I—Letter from the Executive Chairman of Esken 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 the Latest Practicable Date are set out below:

Name	Type of award	Number of Shares subject to award ⁽¹⁾⁽²⁾	Exercise price	Grant date	Vest/exercise date	Holding period
David Shearer	—	—	—	—	—	—
Lewis Girdwood	LTIP	225,858	—	03/07/19	03/07/22	Up to 2 years from vest date
Nick Dilworth	SAYE	18,971	94.88p	02/08/19	31/08/22	None
	LTIP	52,563	—	20/06/18	20/06/21	None
	LTIP	127,660	—	03/07/19	20/06/21	None
David Blackwood	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
John Coombs	—	—	—	—	—	—
Ginny Pulbrook	—	—	—	—	—	—
Clive Condie	—	—	—	—	—	—
John Cawrey	LTIP	19,176	—	03/07/19	03/07/22	None
Charlie Geller	SAYE	18,971	94.88p	02/08/19	31/08/22	None
	LTIP	21,946	—	03/07/19	03/07/22	None
Angela Smith	SAYE	11,382	94.88p	02/08/19	31/08/22	None
	LTIP	95,883	—	03/07/19	03/07/22	None
Matthew Joy	SAYE	18,971	94.88p	02/08/19	31/08/22	None
Matthew Joy	—	—	—	—	—	—

Note:

(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) The number of Shares comprised in awards may be changed in response to certain events, such as an issue of Shares by the Company, including in the 2020 Capital Raise and the Capital Raise. It is likely that the Company will make such adjustments in due course.

The Non-Executive Directors (including the Executive Chairman) 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 XI, it is not expected that any Director will have any interest in the share or loan capital of the Company following the Transaction, 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. The Company intends to issue further awards to the Executive Directors and members of the Management Board under the 2020 LTIP during FY22 in accordance with its policy on executive remuneration and in line with past practice.

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 the Latest Practicable Date are as follows:

Name	Shares	
	No.	%
Toscafund	180,835,223	28.66
Strategic Value Partners	57,991,789	9.19
Harwood Capital Mgt Group	55,000,000	8.72
Invesco	41,778,906	6.62
Mr Richard Griffiths	28,314,347	4.49
Royal London Mutual Assurance Society	26,882,032	4.26
Hargreaves Lansdown PLC	22,816,784	3.62
Mr Allan W Jenkinson	19,549,647	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 the Latest Practicable Date and the completion of the Capital Raise), will be as follows:

Name	Shares	
	No.	%
Toscafund	285,077,384	27.80
Strategic Value Partners	94,101,387	9.18
Harwood Capital Mgt Group	90,845,210	8.86
Schroders Investment Management	56,371,707	5.50
Cyrus Capital	52,727,627	5.14
Invesco	47,001,269	4.58
Royal London Mutual Assurance Society	40,093,052	3.91
Mr Richard Griffiths	31,853,640	3.11

9 DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

9.1 Executive Directors

The principal terms of David Shearer's, Lewis Girdwood's and Nick Dilworth's appointments are as follows:

9.1.1 General terms

Mr Girdwood and Mr Dilworth 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)).

Their current salaries are £265,000 for the Chief Financial Officer and £272,500 for the Chief Operating Officer.

Executive Directors are eligible to participate in an annual bonus plan. The Remuneration Committee determined that it was not appropriate to approve a bonus scheme for the Executive Directors for FY22 at this time in light of the Company's continued receipt of Government support via the furlough scheme. It is expected that support will end over the next few months and the Committee will then put in place a bonus plan for the Executive Directors for the second half of FY22, based on key performance targets of the Group for the second half of FY22. The Executive Chairman receives no benefits from the Company other than his annual fee (as set out below) and does not participate in its incentive schemes or its pension scheme.

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. No bonus scheme was put in place for FY21 or FY22 as the Company was in receipt of Government support under The Coronavirus Job Retention Scheme and the Remuneration Committee felt it would be inappropriate to put in place a bonus scheme.

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 Operating Officer, 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 Operating Officer and 10 per cent. of salary for the Chief Financial Officer.

David Shearer became Executive Chairman after the resignation of Warwick Brady as Chief Executive Officer on 9 February 2021. The Executive Chairman is paid an annual fee of £350,000 for his role as Chairman of the Company for as long as he undertakes these duties. He receives no other benefits from the Company and does not participate in its incentive schemes or its pension scheme. In addition, a fee at the rate of £150,000 per annum plus Value Added Tax is payable to Buchanan Shearer Associates LLP in which Mr Shearer is a partner for advisory services in connection with the restructuring and refinancing of the Group.

9.1.2 Long-Term Incentive Plan

The Group operates a Long-Term Incentive Plan (the **2020 LTIP**).

Under the 2020 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 200 per cent. of base salary.

No awards have yet been made under the 2020 LTIP as a result of the uncertainty and the impact of the COVID-19 pandemic on the Group.

A summary of the principal terms of the 2020 LTIP is set out in paragraph 11.1 of this Part XI.

The 2020 LTIP was adopted by the Company in 2020 and prior to that awards were made under a previous long-term incentive plan, known as the 2014 LTIP. The Executive Directors hold awards made under the 2014 LTIP in the amounts shown in paragraph 7.2 of this Part XI.

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 11.4 of this Part XI.

(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 the annual bonus, the 2014 LTIP and the 2020 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 and 2020 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 which 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.

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 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 Blackwood	Senior Independent Director	1 March 2019
John Coombs	Non-Executive Director	1 July 2014
Ginny Pulbrook	Non-Executive Director	1 October 2018
Clive Condie	Non-Executive Director	1 July 2020

The FY21 and FY20 fees for the Executive Chairman and the Non-Executive Directors are set out in the following table.

Name	FY21 Fees	FY20 Fees
David Blackwood	£57,300 ⁽¹⁾	£58,300 ⁽¹⁾
John Coombs	£57,200 ⁽²⁾	£62,500
Ginny Pulbrook	£49,300 ⁽³⁾	£52,500
Clive Condie	£35,000 ⁽⁴⁾	—

Notes:

- (1) David Blackwood's FY20 and FY21 fees include base fee of £52,500 plus additional fees of £10,000 for chairing the Audit Committee and fulfilling the role of Senior Independent Director with effect from 1 November 2020.
- (2) John Coombs's FY21 fee includes base fee of £52,500 plus additional fees of £10,000 for chairing the Remuneration Committee.
- (3) Ginny Pulbrook's FY21 fee includes base fee of £52,500 plus additional fees of £5,000 for acting as Designated Non-Executive Director with effect from 1 October 2020.
- (4) Clive Condie's FY21 fee is based on his commencement date of 1 July 2020.

In addition, each Non-Executive Director and the Executive Chairman 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.

9.2.2 Termination provisions

The appointment of the Executive Chairman and of each Non-Executive Director is terminable by either party on three months' notice.

The appointment of the Executive Chairman 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.

The agreement by which the Executive Chairman provides advisory services in connection with the restructuring and refinancing of the Group through Buchanan Shearer Associates LLP (in which he is a partner) may be terminated at any time by either party on one month's prior written notice. Notwithstanding the foregoing, the agreement will terminate automatically on 8 February 2022 without the need for notice, unless the parties mutually agree in writing that the engagement will continue.

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'S REMUNERATION

10.1 In addition to the options and awards under the Share Schemes disclosed in paragraph 11 of this Part XI, 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 FY21 was as follows:

Name	Position	Salary and fees	Taxable Benefits	Pension	Bonus (£'000)	Long-term incentives vesting	Total Variable Pay	Total pay
David Shearer	Executive Chairman	180.0	—	—	—	—	—	180.0
Lewis Girdwood	Chief Financial Officer	238.5	20.0	26.5	—	—	—	285.5
Nick Dilworth	Chief Operating Officer	245.3	20.6	54.5	—	—	—	320.4
David Blackwood	Senior Independent Director	57.3	—	—	—	—	—	57.3
John Coombs	Non-Executive Director	57.2	—	—	—	—	—	57.2
Ginny Pulbrook	Non-Executive Director	49.3	—	—	—	—	—	49.3
Clive Condie	Non-Executive Director	35.0	—	—	—	—	—	35.0

10.2 In addition to the options and awards under the Share Schemes disclosed in paragraph 11 of this Part XI, 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 David Shearer, Lewis Girdwood or Nick Dilworth) by the Company and its subsidiaries during FY21 for services in all capacities was £317,608. 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 XI, 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 2020 Long Term Incentive Plan (the **2020 LTIP**) and previously granted awards under the Stobart Group Limited Long Term Incentive Plan 2014 (the **2014 LTIP**).

The Group operates three Save As You Earn schemes, introduced on 1 September 2015, 1 February 2019 and 1 September 2019, respectively (together, the **SAYE Plans**). The SAYE Plans are available to all qualifying employees and Directors.

The Company operates a discretionary share plan under which the deferred part of any annual bonus may be delivered (the **2020 DBP**).

The 2020 LTIP, the SAYE Plans and the 2020 DBP are, together, the **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 2014 LTIP are set out in paragraph 11.4 below.

The Company has also awarded options to acquire Shares to an independent contractor engaged to support the Company's leadership team, subject to certain performance conditions. As the date of this Prospectus, the engagement has terminated and the aggregate options granted correspond to less than 0.1 per cent. of the issued share capital of the Company.

References in this section to the Board include any designated committee of the Board.

11.1 2020 Long-Term Incentive Plan

The 2020 LTIP is a discretionary share plan which is administered by the Board or a committee appointed by the Board, and references in this paragraph 11.1 should be read accordingly. Decisions

in relation to participation in the 2020 LTIP by Executive Directors of the Company are taken by the Remuneration Committee.

Eligibility

Any employee (including an Executive Director) of the Company or any of its subsidiaries is 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 11.1, references to Shares include notional Shares to which a Cash Award relates.

Grant of Awards

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 LTIP 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 a 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.

11.2 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 (together, the **SAYE Plans**). The Group is also considering introduction of an additional SAYE Plan in 2021, 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 or her 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 or she 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 or her 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.

11.3 2020 Deferred Bonus Plan

The 2020 DBP is a discretionary share plan under which the deferred part of any annual bonus may be delivered. The 2020 DBP is administered by the Board or a committee appointed by the Board, and references in this paragraph 11.3 should be read accordingly. Decisions in relation to the

participation in the 2020 DBP by Executive Directors of the Company are 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 is 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.

11.4 2014 Long-Term Incentive Plan

The Group has previously granted awards under the Stobart Group Limited Long Term Incentive Plan 2014 (the **2014 LTIP**). Following Shareholder approval of the 2020 Long Term Incentive Plan

described in paragraph 11.1 on 30 July 2020, 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 provided that, in any period of 10 calendar years, not more than 10 per cent. of the Company's issued ordinary share capital could 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. could 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 counted towards these limits for so long as it was required under institutional shareholder guidelines. New shares issued or shares issued out of treasury to satisfy Awards granted prior to the Company's listing were not counted for the purposes of these limits.

Grant of Awards

The maximum value of Shares over which an eligible employee could be granted Awards in respect of any financial year was 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. 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 vested subject to the achievement of the applicable performance conditions subject, ordinarily, to continued service. If or insofar as shares subject to an Award did not vest in consequence of a performance condition not being satisfied in full, the Award lapsed in respect of the balance of such Shares.

Holding period

Awards could 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.

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
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
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
AirPortR Technologies Ltd.	United Kingdom	19.3%	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 30 March 2144
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, offices 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
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

Name and location	Type of facility	Tenure
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 FY19 Financial Statements, the FY20 Financial Statements and the FY21 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 incorporated herein by reference. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales.

14 CAPITAL RAISE ARRANGEMENTS

14.1 Placing Agreement

On 27 July 2021, 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.

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). 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), such Firm Placees to comprise existing Shareholders and new investors. The Underwriters have agreed, subject to the completion of the Transaction, including the approval of the Resolutions, 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).

The underwriting commission payable to the Underwriters is equal to 3 per cent. of the Offer Price multiplied by the aggregate number of New Shares to be issued under the Capital Raise (other than the New Shares for which the Directors have committed to subscribe) (plus any applicable VAT).

Irrespective of whether Admission occurs, the Company shall bear all expenses of or incidental to the Capital Raise, 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 Investment and the Capital Raise, the Registrar's fees any charges by CREST, the fees of the FCA and the London Stock Exchange.

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 26 August 2021 (or such later time and/or date as the Joint Global Co-ordinators and the Company may agree) 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 17 August 2021 (or such later date as the Joint Global Co-ordinators and the Company may agree) and such Capital Raise 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 the UK Prospectus Regulation and/or Listing Rule 10.5.4R arising in the period between the time of publication of this document and the time of Admission

and no supplementary circular and/or supplementary prospectus being published by or on behalf of the Company which, in either case, the Joint Global Co-ordinators consider (acting in good faith) to be material in the context of the Capital Raise, the Investment or Admission; and

- (d) the Company not being in breach 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 except for any breaches which the Joint Global Co-ordinators consider (acting in good faith) not to be material in the context of the Capital Raise or 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 has agreed that, between the date of the Placing Agreement 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:

- (a) directly or indirectly 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 (i) any incentive plan or employee share schemes existing on the date of the Placing Agreement and (ii) the 2021 SAYE Scheme (see paragraph 11 of this Part XI).

15 MATERIAL CONTRACTS

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 Capital Raise arrangements

On 27 July 2021, the Company and the Underwriters entered into the Placing Agreement. For a description of the principal terms of the Placing Agreement, see paragraph 14.1 of this Part XI.

Certain of the Directors and members of the Management Board have subscribed for, in aggregate, 1,553,476 Shares at the Offer Price by way of direct subscription letters dated 27 July 2021 and made between the Company and each of David Shearer, Lewis Girdwood, Nick Dilworth, Clive Condie, David Blackwood, John Coombs, Ginny Pulbrook, John Cawrey and Angela Smith. The Subscription

Letters are conditional upon, inter alia, Admission occurring on or before 8.00 a.m. on 26 August 2021.

15.2 Key Investment documents

(i) Loan Agreement and security arrangements

On 2 July 2021, the Borrower, Stobart Aviation Limited and the Lender entered into the Loan Agreement. For a description of the principal terms of the Loan Agreement and the related security arrangements, see Part A of Part IV—Summary of the Key Terms Relating to the Investment.

(ii) Shareholders' Agreement

Stobart Aviation Limited, the Lender and LSA are expected to enter into the Shareholders' Agreement on 26 August 2021, being the Closing Date under the Loan Agreement. For a description of the principal terms of the Shareholders' Agreement, see Part B of Part IV—Summary of the Key Terms Relating to the Investment.

(iii) Implementation Agreement

On 2 July 2021, Stobart Aviation Limited, the Lender and the Company entered into the Implementation Agreement. For a description of the principal terms of the Implementation Agreement, see Part C of Part IV—Summary of the Key Terms Relating to the Investment.

(iv) Indemnity Deed

On the Closing Date, the Borrower Group together with, among others, the Company, Stobart Aviation Limited and the Lender will enter into the Indemnity Deed. For a description of the principal terms of the Indemnity Deed, see Part D of Part IV—Summary of the Key Terms Relating to the Investment.

(v) Pari Passu Loan Agreement

On the Closing Date, Stobart Aviation Limited and LSA will enter into the Pari Passu Loan Agreement. For a description of the principal terms of the Pari Passu Loan Agreement, see Part E of Part IV—Summary of the Key Terms Relating to the Investment.

(vi) Intercreditor Agreement

On the Closing Date, each member of the Borrower Group, the Lender, the Pari Passu Lender and the Security Agent, amongst others, will enter into the Intercreditor Agreement. For a description of the principal terms of the Intercreditor Agreement, see Part F of Part IV—Summary of the Key Terms Relating to the Investment.

15.3 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 **RCF Obligors**) entered into a multicurrency revolving facility agreement with Lloyds as arranger and Lloyds 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 **Existing Facility Agreement**).

The Existing Facility provides for borrowings up to an aggregate principal amount of £120,000,000 on a committed basis, comprising Facility A, an original £80,000,000 revolving credit facility, and Facility B, a £40,000,000 revolving credit facility, which became effective on 4 June 2020 pursuant to the amendment and restatement agreement in respect of the Existing Facility Agreement dated 4 June 2020. The funds under Facility A and Facility B may be applied towards the general corporate purposes of the Group provided that the Existing Facility shall not be used towards acquisitions of companies, businesses or undertaking or funding of certain entities, including paying 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 (the **GOAL Lessors**).

Conditions to utilisation

The Group is entitled to utilise the Facility A provided that no default, or, in the case of a rollover loan, no event of default is continuing and certain representations are true in all material respects as at the date of the proposed utilisation.

As at the Latest Practicable Date, Facility A is fully drawn and the Company has drawn £28 million under Facility B.

Pursuant to consents provided as part of the 2021 Amendment Agreement (as defined below) (the **July Consents**), the Existing Lenders agreed with the Company to allow further drawings under Facility B provided that the maximum aggregate amount of all Facility B loans drawn in the period between 29 July 2021 and 31 August 2021 shall not exceed £5 million.

As a condition to such access to Facility B, it was agreed, *inter alia*, that:

- the Company would deliver weekly short-term cashflow forecasts and, alongside any utilisation request (i) a weekly schedule of forecast expenditures providing details of any individual payments in excess of £100,000 in such form acceptable to the Existing Lenders and (ii) a certificate from the CFO evidencing the cashflow requirements for the following week, including a reconciliation against the previous short-term cashflow forecast delivered;
- the Chairman, CFO, and financial advisors will provide weekly telephone updates to the Existing Lenders and their advisors on the progress of the Capital Raise and the Investment; and
- the key steps towards implementation of the Capital Raise and the Investment occur such that the Transaction will be implemented before 31 August 2021.

Maturity and repayment

The Facility Agreement terminates on 31 January 2022. Subject to the rollover provisions in the Existing Facility Agreement (detailed below), each loan under the Existing Facility must be repaid on the last day of the interest period relating thereto. The interest period in respect of a loan under 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 Existing Facility may be borrowed, repaid and re-borrowed at any time during the availability period under the Existing Facility Agreement. Any amounts prepaid will be applied in prepayment of Facility B in priority to Facility A. All outstanding amounts under the Existing Facility Agreement must be repaid in full on or prior to the termination date.

With respect to Facility B, a cash sweep mechanic shall apply following the cash settlement date. As evidenced by the most recent cashflow forecast, to the extent that cash in the Group is forecast to be above the permitted utilisation amount for the duration of the next two months, the amount by which the cash amount exceeds the permitted utilisation amount shall be applied in prepayment of Facility B.

Interest rates and fees

The loans under the Existing 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 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 Facility A and Facility B at the rate of 35 per cent. of the then applicable margin, being 5.25 per cent. (subject, with respect to Facility B, to ratchet increases by 0.5 per cent. per financial quarter after February 2021) payable on the unused and uncanceled 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 Existing Facility Agreement. Customary fees will also be payable to the agent and the Security Trustee during the term of the Existing Facility Agreement.

Guarantees

Each RCF Obligor has provided a continuing guarantee of punctual performance and payment of each RCF Obligor's obligations under the Existing Facility Agreement and related finance documents.

Security

The obligations of the RCF Obligors under the Existing Facility Agreement and related finance documents are secured by the security granted under an English-law governed debenture originally dated 26 January 2015 (as supplemented and amended by deeds of accession or release from time to time) creating fixed and floating security as applicable over all of the assets of the following chargors:

- Esken Limited
- Westlink Group Limited
- Westlink Holdings Limited
- Stobart Air (UK) Limited
- London Southend Airport Company Limited
- Stobart Properties Limited
- Stobart Realisations Limited (formerly known as 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
- SPD1 Limited
- WADI Properties Limited
- Moneypenny Limited
- Stobart Aviation Limited
- Stobart Aviation Services Limited
- Stobart Jet Centre Limited
- Stobart Solar Limited
- Thames Gateway Airport Limited

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 Existing Facility Agreement requires the RCF 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 defined in the Existing Facility Agreement) shall not be forecast to be less than £10,000,000:
 - as at the end of each Month for the duration of the relevant Forecast Period; and
 - as at close of business on each business day during the two months immediately following each utilisation of Facility B.

(the **Existing Facility Minimum Liquidity Covenant**).

- Minimum EBITDA, minimum cash flow, net leverage, net interest cover and minimum asset cover tests.
- A look-forward compliance test with respect to the financial covenants other than the Existing Facility Minimum Liquidity covenant.

Under the July Consents, the testing date for certain of these covenants was deferred to 31 August 2021.

Under the terms of the Existing Facility Agreement the Company is unable to pay or declare any dividends until 30 November 2021, and between 1 December 2021 and the Existing 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 Existing 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 Existing 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. The occurrence of an event of default which is continuing would allow the lenders under the Existing 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.

(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 Logistics Development Group plc (formerly 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 a stock lending agreement entered into in connection with the Exchange Property and the custody agreement entered into in relation to the custody accounts.

15.4 2020 Placing Agreement for 2020 Capital Raise

On 4 June 2020, the Company and the Underwriters entered into the 2020 Placing Agreement pursuant to which the Company appointed Canaccord and UBS as joint sponsors, joint global co-ordinators, joint bookrunners and underwriters in connection with the 2020 Capital Raise and admission of 250,273,461 Shares to the premium listing segment of the Official List and to trading on London Stock Exchange's main market for listed securities.

Subject to and pursuant to the terms and conditions of the 2020 Placing Agreement, the Underwriters agreed to fully underwrite the 2020 Capital Raise (other than shares for which the Directors had committed to subscribe under the firm placing forming part of the 2020 Capital Raise). The Underwriters (as agents of the Company) agreed to use reasonable endeavours to procure conditional

subscribers for the Shares in the open offer at the relevant offer price, subject to clawback to satisfy valid applications by certain qualifying shareholders under the open offer. The Underwriters also agreed to procure conditional subscribers for certain firm placed Shares at the offer price (other than the Shares for which the Directors had committed to subscribe under the firm placing), such firm placees to comprise of existing Shareholders and new investors. The Underwriters also agreed to acquire (a) any open offer Shares which were not taken up under the open offer forming part of the 2020 Capital Raise by qualifying shareholders and which were not subscribed for under the placing forming part of the 2020 Capital Raise and (b) any firm placed shares that were not subscribed for by firm placees under the firm placing forming part of the 2020 Capital Raise (other than the Shares for which the Directors had committed to subscribe under the firm placing). The underwriting commission payable to the Underwriters was equal to 3.0 per cent. of the offer price multiplied by the aggregate number of new Shares issued under the 2020 Capital Raise (plus any applicable VAT). The Company also agreed to meet certain expenses in connection with the 2020 Capital Raise. The Company gave 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 2020 Capital Raise.

The 2020 Capital Raise was successfully completed as contemplated by the 2020 Placing Agreement.

15.5 Sale of Stobart Rail

On 14 July 2020, Stobart Holdings and the Company entered into a sale and purchase agreement with Signal BidCo Limited (the **Rail SPA**) to dispose of Stobart Rail (which owned the Group's Rail & Civils division) to Signal BidCo Limited, a subsidiary of Bavaria Industries Group AG, for an initial cash consideration of £1,000. An additional cash consideration of up to £2.9 million may be received based on certain outcomes with regard to a commercial contract of Stobart Rail. Stobart Holdings and the purchaser entered into an escrow arrangement as part of the sale to deal with certain moneys associated with the calculation and payment of the additional consideration. Stobart Holdings was also granted certain security over receivables arising under the commercial contract related to the additional consideration.

The Rail SPA encompassed a sale on a debt-free basis including the waiver of intercompany balances involving Stobart Rail and also included the transfer of specialist plant and equipment in addition to a three-month transitional service agreement for certain back office services to support Rail & Civils in the period following completion of the sale. The Rail SPA contained customary warranties from Stobart Holdings Limited to the purchaser. The total aggregate amount of the liability for any claim for breach of the warranties is £500,000. Claims under the warranties must be brought within six years after the date of sale.

15.6 Aborted disposal of interest in Stobart Air and Carlisle Lake District Airport to Ettyl

On 20 April 2021, the Group entered into:

- (a) an agreement between Stobart Aviation Limited, Stobart Air Unlimited Company, the Company, Propius Limited and Ettyl for the sale and purchase of shares in Everdeal 2021 Limited and Everdeal Employees 2019 Limited and the novation of certain loans; and
- (b) an agreement between Stobart Holdings Limited and Ettyl for the sale and purchase of the entire issued share capital of Stobart Air (UK) Limited.

On 28 May 2021, Ettyl advised that its original funding package to support the transactions was no longer available and that it was in discussions on alternative funding options. On 12 June 2021, the Company announced that it was clear that Ettyl was unable to conclude the transactions on the original terms or to obtain an alternative funding package within the required timescale and exercised its right to terminate the contracts for the transactions with immediate effect. Customary surviving provisions have survived termination of the agreements.

15.7 New Facility

The Existing Facility Agreement provides for borrowings up to an aggregate of 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 Existing Facility Agreement dated 4 June

2020. Under an amendment and restatement agreement in respect of the Facility Agreement dated 27 July 2021 (the **2021 Amendment Agreement**), the Existing Facility Agreement will be amended with effect from the effective date (the **Effective Date**) so as to provide for borrowings up to an aggregate principal amount of £20,000,000 on a committed basis (the **New Facility**) (the Existing Facility Agreement, as so amended by the 2021 Amendment Agreement, the **Amended Facility Agreement**).

The Effective Date will occur on the date on which certain conditions have been satisfied, including (i) completion of the Transaction, (ii) receipt of the net proceeds of the equity raise and (iii) repayment of all outstanding borrowings under Facility A and Facility B (totalling £108 million as at the Latest Practicable Date and anticipated to total £113 million prior to repayment on the Effective Date).

On the Effective Date (i) Stobart Energy Limited shall accede as a borrower to the Amended Facility Agreement (together with the Company, the **Esken Borrowers**) and (ii) each member of the Borrower Group shall be released from the guarantee and security granted under the Existing Facility and shall cease to be an RCF Obligor. The remaining RCF Obligors shall be the **2021 RCF Obligors**.

From the Effective Date, the funds under the New Facility may be applied towards the general corporate purposes of the Wider Group and in accordance with the Wider Group's short-term cash flow forecasts. Up to £10 million of the New Facility may be drawn by way of standby letter of credit facility. The following terms shall apply under the Amended Facility Agreement from the Effective Date.

Conditions to Utilisation

The Esken Borrowers are entitled to utilise the New Facility 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.

Maturity and repayment

The Amended Facility Agreement will terminate on 1 February 2023 (the **New Facility Termination Date**). Subject to the rollover provisions in the Amended Facility Agreement (detailed below), each loan under the New Facility must be repaid on the last day of the interest period relating thereto. The interest period in respect of a loan under the New Facility is one, two, three or six months at the election of the relevant Esken Borrower upon utilisation.

Subject to certain conditions and exceptions, loans under the New Facility may be borrowed, repaid and re-borrowed at any time during the availability period under the Amended Facility Agreement (which runs until the date falling one month prior to the New Facility Termination Date). All outstanding amounts under the Amended Facility Agreement must be repaid in full on or prior to the New Facility Termination Date.

Mandatory Repayment upon asset disposals

The Amended Facility Agreement requires that, within 5 business days of receipt of the net proceeds of any disposal of non-core assets as contemplated in the Company's business plan, the Esken Borrowers must:

1. prepay any outstanding loans under the Facility in an amount equal to the lower of: (i) 100 per cent. of such net proceeds and (ii) the then amount outstanding under all loans (but excluding the principal amount of any outstanding standby letter of credit); and
2. permanently cancel the available commitments under the New Facility in an amount equal to 25 per cent. of such net proceeds but provided always that the available commitments shall not be reduced to below £14 million.

Mandatory Repayment upon change of control

The Amended Facility Agreement requires that upon a change of control of the Company, the Company must notify the Agent. Within 30 days of such notification, the Existing Lenders shall have the right to require repayment of all outstanding loans under the Facility.

Interest rates and fees

The loans under the Amended Facility Agreement accrue interest at the percentage rate per annum equal to the aggregate of 5.25 per cent. (with ratchet increases by 0.5 per cent. per financial quarter after May 2022) in respect of the New Facility (the **Margin**) and SONIA.

A commitment fee applies to the New Facility at the rate of 35 per cent. of the then applicable Margin payable on the unused and uncanceled 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 Amended Facility Agreement. Customary fees will also be payable to the agent and the security agent during the term of the Amended Facility Agreement.

An arrangement fee applies to the New Facility and is payable on the earlier of (i) the last day of the availability period (1 January 2023); (ii) the completion of a refinancing in full of the New Facility; and (iii) acceleration of the New Facility (the **Arrangement Fee Payment Date**). The arrangement fee is a percentage of total commitments under the New Facility, depending on when the Arrangement Fee Payment Date occurs, and ranging from 1 per cent. of total commitments if the Arrangement Fee Payment Date occurs on or before 31 December 2021 to 4.5 per cent. of total commitments if the Arrangement Fee Payment Date occurs after 31 December 2022.

Guarantees

Each 2021 RCF Obligor has provided a continuing guarantee of punctual performance and payment of each 2021 RCF Obligor's obligations under the Amended Facility Agreement and related finance documents.

Security

The obligations of the 2021 RCF Obligors under the Existing 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:

- Esken Limited
- Westlink Group Limited
- Westlink Holdings Limited
- Stobart Air (UK) Limited
- London Southend Airport Company Limited
- Stobart Properties Limited
- Stobart Realisations Limited (formerly known as 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
- SPD1 Limited
- Wadi Properties Limited
- Moneypenny Limited
- Stobart Aviation Limited
- Stobart Aviation Services Limited

- Stobart Jet Centre Limited
- Stobart Solar Limited
- Thames Gateway Airport Limited

In connection with the New Facility, a supplemental English law governed debenture will be granted by the 2021 RCF Obligors on the Effective Date and each member of the Borrower Group shall be released from the security granted in respect of the Existing Facility Agreement on the Effective Date.

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 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.

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 Esera 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 as security trustee, Lloyds and AIB as lenders, Lloyds as facilities lenders, Lloyds Bank Corporate Markets plc as hedge counterparty and the other parties listed therein, entered into an intercreditor agreement (the **2020 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 an Esken 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 Amended Facility Agreement requires the 2021 RCF Obligors to comply, and to ensure the compliance by each other member of the Wider 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:

- Consolidated EBITDA (as defined in the Amended Facility Agreement), in respect of any period specified in column 1 below shall not be less than the amount set out in column 2 below opposite that period:

Column 1 Period	Column 2 Consolidated EBITDA
Period of 9 months ending 30 November 2021	2,900,000
Period of 12 months ending 28 February 2022	4,700,000
Period of 12 months ending 31 May 2022	7,100,000
Period of 12 months ending 31 August 2022	8,200,000
Period of 12 months ending 30 November 2022	9,000,000

(the **Minimum EBITDA covenant**); and

- Group Liquidity (as defined in the Amended Facility Agreement) shall not be, and shall not be forecast to be, less than (i) £10,000,000 for the period up to and including 31 December 2022; and (ii) £8,700,000 for the period on and from 1 January 2023:
 - as at the end of each Month for the duration of the relevant Forecast Period; and
 - as at close of business on each business day during the two months immediately following each utilisation of the New Facility,

(the **Minimum Liquidity covenant**).

The Amended Facility Agreement also imposes a restriction on payment of any distributions or dividends by the Company whilst the New Facility remains in place.

The Amended Facility Agreement includes restrictions on the ability of the Wider Group to inject or advance any funding or cash support to the Borrower Group whilst the New Facility remains in place, other than the Pari Passu Loan. It is however expected that the Pari Passu Loan will cover the first three years of operating and capital expenditure of the Borrower Group following the completion of the Investment.

Repeating representations

A number of standard representations and warranties have been given in the Amended Facility Agreement, most of which are repeated on the date of each utilisation request and the first day of each interest period.

The Amended Facility Agreement also includes certain representations reflecting the ring-fencing of the Borrower Group and include representations relating to the transactions or arrangements between the Wider Group and the Borrower Group, indebtedness owing by the Wider Group to the Borrower Group and guarantees granted by the Wider Group in respect of obligations of the Borrower Group.

Customary materiality tests, carve-outs and grace periods apply in respect of these representations.

Events of defaults

The Amended 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 Wider Group. The occurrence of an event of default which is continuing would allow the lenders under the Amended 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. If the Company is unable to pay all outstanding loans upon such demand, the lenders shall have the right to direct the security agent to enforce the transaction security and thereby take control of the assets of the 2021 RCF Obligors.

15.8 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 was 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.

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, was 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.

15.9 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).

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 consideration for the sale was £10.0 million, of which £6.0 million was received on completion, £2.5 million was payable on or before 1 December 2020 and £1.5 million is payable 36 months following completion of the sale.

The Company changed its name to Esken Limited on 3 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.

15.10 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. Following termination of the Aer Lingus franchise agreement in June 2021, on 27 July 2021 Propius served notice pursuant to the early break option under each of its lease agreements with the GOAL Lessors such that the lease agreements will now terminate in April 2023, upon payment of a break fee of approximately \$21.2 million plus associated break fee finance costs.

15.11 Teesside SPA

On 26 July 2021, Stobart Holdings Limited (**SHL**) entered into a sale and purchase agreement with the TVCA and Goosepool 2019 Limited (**Goosepool**) relating to the sale of 24,999 B ordinary shares of £0.01 each in the capital of Goosepool, comprising approximately 25% of the share capital of Goosepool for a total consideration of £1 (the **Teesside SPA**). Goosepool is the owner of Teesside International Airport. Pursuant to the Teesside SPA, LSA and Teesside International Airport entered into a settlement agreement pursuant to which the parties agreed to terminate LSA's management of Teesside International Airport in return for the payment of certain fees that would otherwise have been payable to LSA pursuant to that agreement. SHL and TVCA also entered into a put and call option pursuant to which SHL may put one B ordinary share in Goosepool to TVCA for a further deferred consideration calculated as being 25% of the net proceeds from any subsequent sale, listing or liquidation of Goosepool and/or Teesside International Airport in the period of 18 months after the date of the Teesside SPA, up to a maximum sum of £31.3 million. TVCA may call for the one ordinary B share to be transferred to it for the sum of £1 if SHL does not exercise the put option.

16 RELATED PARTY TRANSACTIONS

Save as disclosed in note 36 to the FY20 Financial Statements and note 35 to the FY21 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 2019 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, the Group's and/or the Borrower 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 were heard in the Upper Tribunal (Lands Chamber) in October 2020. The aggregate amount claimed by the claimants was approximately £9 million. However, the Lands Tribunal have found in favour of the claimants to an extent which would lead to the Company making payments in an amount of approximately £1.2 million, plus certain costs of the claimants which are yet to be assessed. The Group has agreed to make a payment of

£500,000 on account of such costs. On 10 July 2021, the Upper Tribunal (Lands Chamber) refused the claimants' application for permission to appeal its decision. The claimants may apply to the Court of Appeal for permission to appeal, which must be filed within 28 days of the 10 July 2021 decision of the Upper Tribunal (Lands Chamber).

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. A number of these actions have either run their course in the courts or been the subject of an agreed confidential settlement. As at the date of this document, there remain the three outstanding matters relating to Mr Tinkler:

- (a) firstly, 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. It is expected that a trial in relation to this matter will take place in January 2022;
- (b) secondly, on 17 November 2020, Mr Tinkler served proceedings against the Company seeking to set aside the judgment of HHJ Russen QC dated 15 February 2019 for fraud by the Company; and
- (c) thirdly, on 19 November 2020, Mr Tinkler served further proceedings against the Company, Mr Ian Soanes, Mr Warwick Brady (a former Chief Executive Officer of the Company) and Mr Iain Ferguson (a former Chairman of the Company) alleging an unlawful means conspiracy against him.

This third claim has been stayed pending resolution of the claim to set aside the judgment. A trial in regard to the claim to set aside the judgment has been listed in a trial window in February 2022. The Company believes these allegations are entirely without merit and will be vigorously defended.

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, 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 the ongoing disputes. 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 approximately £1 million.

18 WORKING CAPITAL

The Company is of the opinion that, taking into account the net proceeds of the Transaction and the New Facility, 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. Whilst considerable progress has been made globally in seeking to mitigate the effects of the virus, notably the global vaccination, monitoring and prevention programmes, the Directors note the seemingly unpredictability of new strains and outbreaks and consequential impact on national and international governments' guidelines and policies, plus their respective public's response to the continually evolving situation. Consequently, there remains significant uncertainty as to the continued magnitude and duration of this disruption, particularly for the aviation sector. In preparing its working capital statement, the Company has prepared a 'reasonable worst case scenario' to reflect the continuing impact and outlook 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:

- (a) between September 2021 and February 2022, there will be a gradual resumption of passenger travel, with an average of 38,000 passengers per month, compared to pre-COVID-19 levels of 159,000 in the corresponding period in FY20;
- (b) the phased recovery will continue, with an average of 107,000 passengers per month at London Southend Airport during FY23 and passenger numbers at pre-COVID-19 average run rate by April 2023, compared to pre-COVID-19 levels of 178,000 for the full year FY20;
- (c) as a result of the Aviation-related assumptions discussed above, for the period March 2021 to February 2022, Stobart Aviation revenues will be 53 per cent. of the corresponding period in FY20; and
- (d) within Stobart Energy, there will be no further lockdowns due to COVID-19 that would impact the construction and recycling sectors.

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 paragraphs 19.1, 19.2 and 19.3 below, there has been no significant change in the financial position or financial performance of the Group since 28 February 2021, being the end of the last financial period for which the latest financial information on the Group was published.

Other than as described in paragraph 19.3 below, there has been no significant change in the financial position or financial performance of the Borrower Group since 28 February 2021, being the date to which the historical financial information relating to the Borrower Group in Part VIII—Financial Information of the Borrower Group was prepared.

19.1 On 20 April 2021, the Group announced it had entered into agreements for the sale of its entire shareholdings in Stobart Air Unlimited Company (which operated regional flights under a franchise agreement for Aer Lingus) and Stobart Air (UK) Limited, the owner of Carlisle Lake District Airport to Ettyl Limited.

On 28 May 2021, Ettyl advised that its original funding package to support the transactions was no longer available and that it was in discussions on alternative funding options. On 12 June 2021, the Company announced that it was clear that Ettyl was unable to conclude the transactions on the original terms or to obtain an alternative funding package within the required timescale and exercised its right to terminate the contracts for the transactions with immediate effect. Further, in the absence of any alternative purchasers or sources of funding for the Stobart Air business within the timescales required, the Company advised the board of Stobart Air that it would not continue to provide financial support to the Stobart Air business going forward. As a result of this, the board of Stobart Air terminated its franchise agreement with Aer Lingus and ceased trading and appointed a liquidator on 14 June 2021.

In the announcement on 20 April 2021, the Company set out the cash flow impact on the Group on the assumption that the transactions concluded. As announced on 12 June 2021, the following table reflects the amended position over the period to the end of the leases assuming that the Group is unable to sublease the eight ATR aircraft. It also includes the termination of the sale of Carlisle Lake District Airport which had been set to be concluded for consideration of £15 million.

	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>
Cash outflow reported previously (£ millions)	(16)	(9)	(24)
Additional cash impact arising from liquidation	(18) ⁽¹⁾	(13)	(2)
Total cash impact	(34)	(22)	(26)

Note:

- (1) Cash impact reflects that the Group will retain ownership of Carlisle Lake District Airport rather than receive sale proceeds of £15 million.

19.2 On 26 July 2021, the Company announced the conclusion of its role as strategic partner and operator of Teesside International Airport and transferred its 25% ownership of Teesside International Airport to a new Teesside Airport Foundation for a nominal consideration, the terms of which are detailed in paragraph 15.11 of this Part XI. If there were to be a future sale of Teesside International Airport before 25 January 2023, the Company has agreed with TVCA that Esken would be entitled to share in the proceeds of that sale up to an amount not exceeding £31.3 million, which would be used for general corporate purposes.

19.3 The Board announced on 2 July 2021 that they had reached agreement with the Lender, a special purpose vehicle controlled by CGI, on the terms of a proposed investment by CGI through a £125 million (minus transaction costs) senior loan facility provided by the Lender to, and which is convertible into 29.999 per cent. of the ordinary shares in, the Borrower (which shall be increased to 30 per cent. following receipt of certain approvals from the Office of Rail and Road).

20 CONSENTS

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 XI in connection with the publication of this document:

- (a) KPMG LLP has given and has not withdrawn its written consent to the inclusion in this document of the report set out in Part IX—Unaudited Pro Forma Financial Information and has authorised the contents of its report for the purposes of Rule 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 LLP has not filed and will not file a consent under the Securities Act.
- (b) In addition, each of the Underwriters has given and has not withdrawn its consent to the issue of this document with the inclusion herein of the references to its name in the form and 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 FY20 and FY21. Their reports were unqualified and did not contain a statement under Section 263(2) or 263(3) of the Companies Law. Their reports did include references to matters by way of emphasis without qualifying their reports.

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 £4.4 million (including VAT).

22.2 Each New Share is expected to be issued at a premium of £0.04 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.esken.com/investors for a period of 12 months following Admission.

- (a) the articles of incorporation of the Company;
- (b) the Loan Agreement;
- (c) the Implementation Agreement;
- (d) the FY19 Financial Statements, incorporated herein by reference to the 2019 Annual Report;
- (e) the FY20 Financial Statements, incorporated herein by reference to the 2020 Annual Report;
- (f) the FY21 Financial Statements, incorporated herein by reference to the 2021 Annual Report;
- (g) the consent letters referred to in paragraph 20 of this Part XI above;

- (h) the report from KPMG LLP which is set out in Part IX—Unaudited Pro Forma Financial Information;
- (i) the Application Form; and
- (j) this document.

Dated: 28 July 2021

Part XII—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 for inspection on the Company's website at www.esken.com/investors and is incorporated by reference into this document, so as to provide information required pursuant to Annex 1 and Annex 11 to the UK 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.

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Information that is itself incorporated by reference in the above documents is not incorporated by reference into this document. It should be noted that, except as set forth above, no other portion of the above documents are incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for prospective investors or the relevant information is included elsewhere in this document.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

Part XIII—DEFINITIONS AND GLOSSARY

“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 FY19
“2020 Annual Report” . . .	the annual report prepared by the Company for FY20
“2021 Annual Report” . . .	the annual report prepared by the Company for FY21
“2020 DBP”	the 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 Capital Raise” . . .	the 2020 conditional placing, open offer and firm placing on the terms and subject to the conditions contained in the 2020 Placing Agreement
“2020 LTIP”	the 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
“2020 Placing Agreement”	the placing agreement entered into between the Company and the Underwriters on 4 June 2020 in connection with the 2020 Capital Raise
“2021 Amendment Agreement”	has the meaning given to it in paragraph 15.7 of Part XI—Additional Information
“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 depreciation, amortisation, impairments, finance costs (net) and tax. These items are set out on the face of the consolidated income statement of the FY20 Financial Statements and FY21 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
“AIB”	AIB Group (UK) plc
“Amended Facility Agreement”	has the meaning given to it in paragraph 15.7 of Part XI—Additional Information
“Annual Budget”	means the Initial Annual Budget or any Subsequent Annual Budget
“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 XI—Additional Information
“Audit Committee”	the committee described in paragraph 6.5 of Part XI—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
“Board Matters”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Borrower”	LSA
“Borrower Group”	the Borrower and each of Thames Gateway Airport Limited, Stobart Solar Limited and Stobart Jet Centre Limited
“Brexit”	the United Kingdom’s exit from the European Union
“Business”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for general business in London
“Business Plan”	the Initial Business Plan or any Subsequent Business Plan
“CAA”	the Civil Aviation Authority
“Canaccord”	Canaccord Genuity Limited
“Capital Expenditure”	additions to property, plant and equipment
“Capital Raise”	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, the Open Offer and the Firm Placing
“Capital Raise Resolutions”	Resolutions 1 to 4 to be proposed at the General Meeting in respect of the Capital Raise
“Carlyle Fund”	a fund or funds which, individually or together, majority-own (directly or indirectly) the CGI Shareholder
“Cash Award”	a right to a cash amount related to the value of a number of Shares under the 2020 LTIP
“Cash Interest”	has the meaning given to it in paragraph 4 of Part I—Letter from the Executive Chairman of Esken Limited
“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)
“CGI”	Carlyle Global Infrastructure Opportunity Fund, L.P.
“CGI Directors”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“CGI PAT Fund”	a fund which is managed and advised by Carlyle Investment Management L.L.C. (or its affiliates)
“CGI Shareholder”	CGIOF River S.à r.l.

“CGT”	UK taxation of chargeable gains
“Chair”	the chairperson of the Company
“City Code”	The City Code on Takeovers and Mergers
“Closing”	the occurrence of the Closing Date under the Loan Agreement
“Closing Date”	26 August 2021
“Code”	US Internal Revenue Code of 1986 (as amended)
“Commitment Fee”	a commitment fee of £1,649,871.80, which the CGI Shareholder will be entitled to receive under the Implementation Agreement, which shall become payable on the earlier of: (i) the Closing Date and (ii) the date on which the Implementation Agreement terminates as a result of the conditions to Closing having not been satisfied by 30 September 2021.
“Companies Law”	Companies (Guernsey) Law 2008
“Company” or “Esken”	Esken Limited, a non-cellular company limited by shares incorporated under the Companies (Guernsey) Law, 1994 to 1996 (as amended)
“Connect Airways”	Connect Airways Limited
“Conversion”	the conversion of the Loan into ordinary shares in the Borrower, details of which are set out in Part IV—Summary of the Key Terms relating to the Investment
“Convertible Facility Liabilities”	has the meaning given to it in Part F of Part IV—Summary of the Key Terms relating to the Investment
“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
“C(WUMP)O”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong) of Hong Kong
“Deadlock”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“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 4.4 of Part XI—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
“Draw-Stop Date”	31 August 2021
“EASA”	European Aviation Safety Agency
“Eddie Stobart”	Logistics Development Group plc (formerly Eddie Stobart Logistics plc)
“EEA”	the European Economic Area
“EEA State”	a member state of the EEA
“Effective Date”	has the meaning given to it in paragraph 15.7 of Part XI—Additional Information
“Emergency Funding Notice”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Emergency Funding Situation”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Enforcement Instruction Notice”	has the meaning given to it in Part F of Part IV—Summary of the Key Terms relating to the Investment
“Enlarged Issued Share Capital”	the ordinary issued share capital of the Company immediately following completion of the Capital Raise
“Esken Directors”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms Relating to the Investment
“Esken Shareholder”	has the meaning given to it in paragraph 4 of Part I—Letter from the Executive Chairman of Esken Limited
“Ettyl”	Ettyl Limited
“EU”	European Union
“Euroclear”	Euroclear & Ireland Limited
“Everdeal”	Everdeal 2019 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 of 1934, as amended
“Exchange Property”	has the meaning given to it in 15.3(ii) of Part XI—Additional Information
“Exchange Right”	has the meaning given to it in 15.3(ii) of Part XI—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” . . .	the United States of America, 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 Facility”	the £120 million revolving credit facility with the Existing Lenders
“Existing Facility Agreement”	has the meaning given to it in paragraph 15.3(i) of Part XI—Additional Information
“Existing Facility Termination Date”	31 January 2022
“Existing Lenders”	Lloyds and AIB
“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 28 July 2021
“Facility A”	the existing £80.0 million revolving credit facility under the Facility Agreement, as described in more detail in paragraph 15.3(i) of Part XI—Additional Information
“Facility B”	the existing £40.0 million revolving credit facility under the Facility Agreement, which is described in more detail in paragraph 15.3(i) of Part XI—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, 313,991,377 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
“Forward-Looking Statements”	forward-looking statements, forecasts, estimates, projections and opinions
“FSMA”	the Financial Services and Markets Act 2000, as amended
“FY19”	the year ended 28 February 2019
“FY20”	the year ended 29 February 2020
“FY21”	the year ended 28 February 2021
“FY22”	the year ended 28 February 2022
“FY23”	the year ended 28 February 2023
“FY24”	the year ended 29 February 2024
“FY19 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

“FY20 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
“FY21 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 2021 and the comparative financial information for the year ended 29 February 2020
“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 11.00 a.m. on 17 August 2021, notice of which is set out at the back of this document. The Company will hold its Annual General Meeting immediately prior to the General Meeting. The Annual General Meeting is expected to have concluded by 11.00 a.m. If the Annual General Meeting has not concluded by 11.00 a.m. then the General Meeting will commence immediately after its conclusion. If the Annual General Meeting concludes before 11.00 a.m. then the General Meeting will commence at 11.00 a.m.
“GOAL Lessors”	has the meaning given to it in paragraph 15.10(i) of Part XI—Additional Information
“Goosepool”	Goosepool 2019 Limited
“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
“Implementation Agreement”	has the meaning given to it in paragraph 4 of Part I—Letter from the Executive Chairman of Esken Limited
“Indemnity Deed”	has the meaning given to it in paragraph 4 of Part I—Letter from the Executive Chairman of Esken Limited
“Initial Annual Budget”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Initial Business Plan”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Insolvency Event”	the appointment of an insolvency officeholder in respect of any of the Company, the Esken Shareholder and any intermediate holding company between the Company and the Esken Shareholder

“Intercreditor Agreement”	has the meaning given to it in Part F of Part IV—Summary of the Key Terms relating to the Investment
“Invesco”	Invesco Asset Management Limited
“Investment”	senior loan facility convertible into ordinary shares of London Southend Airport Company Limited
“Investment Resolution”	Resolution 5 to be proposed at the General Meeting in respect of the Investment
“Investor Matters”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“IRR”	internal rate of return
“IRS”	US Internal Revenue Service
“ISIN”	International Securities Identification Number
“Jet Centre”	Stobart Jet Centre Limited
“Joint Bookrunners”	Canaccord and UBS
“Joint Global Co-ordinators”	Canaccord and UBS
“Joint Sponsors”	Canaccord and UBS
“July Consents”	has the meaning given to it in paragraph 15.3(i) of Part XI—Additional Information
“Latest Practicable Date”	23 July 2021
“LCCs”	low-cost carriers
“Lender”	CGIOF River S.à r.l.
“Link Group”	Link Market Services (Guernsey) Limited, as Registrar, or Link Group, as the context requires
“Listing Rules”	the listing rules of the FCA
“Lloyds”	Lloyds Bank plc
“Loan”	a senior loan of £125 million the terms of which are set out in the Loan Agreement
“Loan Agreement”	the loan agreement described in Part IV—Summary of the Key Terms relating to the Investment
“London Stock Exchange”	London Stock Exchange plc
“LSA”	London Southend Airport Company Limited, a wholly-owned subsidiary of the Company
“Management Board”	the Company’s senior leadership team comprising those individuals identified in paragraph 6.2 of Part XI—Additional Information
“Material Assets”	means: (i) London Southend Airport; (ii) Holiday Inn Southend Hotel; (iii) Southend Airport train station; and/or (iv) any related infrastructure or other assets required for the operation of London Southend Airport which has a market value in excess of £1,000,000 and which is not otherwise being replaced
“Material Default”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Material Person”	any of the Company, the Esken Shareholder and any intermediate holding company between the Company and the Esken Shareholder
“Material Person Insolvency Event”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment

“Material Person Insolvency Event Cessation Event”	in relation to a Material Person, the Material Person Insolvency Event in respect of such Material Person has ceased or is no longer continuing; or a certain event has occurred such that LSA is controlled by a person or persons who is not subject to an insolvency event
“Memorandum”	the memorandum of incorporation of the Company
“Mexico”	United Mexican States
“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 Leverage”	the ratio of Net Debt to Consolidated EBITDA (as those terms are defined in the Existing Facility Agreement)
“Network Rail”	Network Rail Limited
“New Annual Budget” . . .	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“New Facility”	has the meaning given to it in the Introduction to Part I—Letter from the Executive Chairman of Esken Limited
“New Facility Termination Date”	has the meaning given to it in paragraph 15.7 of Part XI—Additional Information
“New Shareholder Instrument”	any additional shareholder instruments issued by any member of the Borrower Group after Closing
“New Shares”	the 78,865,765 new Shares which the Company will issue pursuant to the Placing and Open Offer and the 313,991,377 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 XI—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 Part A of Part IV—Summary of the Key Terms relating to the Investment
“Offer Price”	14 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 78,865,765 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
“Operational Committee” .	has the meaning given to it in Part A of Part IV—Summary of the Key Terms relating to the Investment

“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
“Pari Passu Lender”	Stobart Aviation Limited
“Pari Passu Liabilities”	has the meaning given to it in Part F of Part IV—Summary of the Key Terms relating to the Investment
“Pari Passu Loan”	has the meaning given to it in paragraph 4 of Part I—Letter from the Executive Chairman of Esken Limited)
“Pari Passu Loan Agreement”	has the meaning given to it in paragraph 4 of Part I—Letter from the Executive Chairman of Esken Limited)
“Permitted Transferee”	has the meaning given to it in paragraph 41 of the Risk Factors
“PFIC”	passive foreign investment company
“PIK Interest”	has the meaning given to it in paragraph 4 of Part I—Letter from the Executive Chairman of Esken Limited
“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 and sponsor agreement entered into between the Company and the Underwriters on 27 July 2021
“PP Cash Interest”	has the meaning given to it in Part E of Part IV—Summary of the Key Terms Relating to the Investment
“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 IX—Unaudited Pro Forma Financial Information prepared to show the effect of the Capital Raise on the Group’s net assets as at 28 February 2021 as if the Capital Raise had been undertaken at that date
“Propius”	Propius Limited
“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
“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
“Rail & Civils”	the Rail & Civils business

“Rail SPA”	has the meaning given to it in paragraph 15.6 of Part XI—Additional Information
“RCF Obligors”	has the meaning given to it in paragraph 15.3(i) of Part XI—Additional Information
“Receiving Agent”	Link Group
“Record Date”	close of business on 26 July 2021
“RDF”	refuse derived fuel
“Registrar”	Link Market Services (Guernsey) Limited
“Regulation S”	Regulation S under the Securities Act
“Related Third Party”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Related Transaction”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Remuneration Committee”	the committee described in paragraph 6.5 of Part XI—Additional Information
“Reorganisation”	has the meaning given to it in paragraph 4 of Part I—Letter from the Executive Chairman of Esken Limited
“Repayment Price”	has the meaning given to it in paragraph 40 of the Risk Factors
“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 XI—Additional Information
“Restricted Customer”	has the meaning given to it in paragraph 9.1.3 of Part XI—Additional Information
“Restricted Person”	has the meaning given to it in paragraph 9.1.3 of Part XI—Additional Information
“Restrictive Covenant Side Letter”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“ROC”	renewables obligation certificate
“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
“Securities Act”	United States Securities Act of 1933, as amended
“Security Agent”	GLAS Trust Corporate Limited
“SEDOL”	Stock Exchange Daily Official List
“Senior Creditors”	has the meaning given to it in Part F of Part IV—Summary of the Key Terms relating to the Investment
“Senior Employee”	any person employed by any member of the Borrower Group or any member of the Group and who is paid an annual salary of £70,000 or more
“Senior Liabilities”	has the meaning given to it in Part F of Part IV—Summary of the Key Terms relating to the Investment
“September 2019 Scheme”	the Group’s Save As You Earn scheme introduced on 1 September 2019

“SFO”	the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) of Hong Kong
“Shareholder Instrument”	any shares in the Borrower; any instrument granting a right of subscription for, or conversion into shares in the Borrower; any loan stock or any other instrument evidencing indebtedness issued by LSA to any investor; and any other form of unsecured or subordinated shareholder loan
“Shareholders”	holders of Shares
“Shareholders’ Agreement”	the Shareholders’ Agreement to be entered into between the CGI Shareholder, Stobart Aviation and LSA, the material terms of which are described in Part IV—Summary of the Key Terms relating to the Investment
“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 4.4 of Part XI—Additional Information
“Share Schemes”	the 2020 LTIP, SAYE Plans and 2020 DBP
“SHL”	Stobart Holdings Limited
“SIX”	SIX Swiss Exchange
“SRF”	solid recovered fuel
“Stobart Air”	Stobart Air Unlimited Company
“Stobart Aviation”	Stobart Aviation Limited
“Stobart Aviation Services”	Stobart Aviation Services Limited
“Stobart Holdings”	Stobart Holdings Limited
“Stobart Rail”	Stobart Rail Limited
“Strategic Committee”	the committee which shall be appointed and its business conducted in accordance with the Shareholders’ Agreement and which shall be the body for investor-level discussions
“Subscription Letters”	the direct subscription letters pursuant to which certain of the Directors and members of the Management Board have subscribed for new Shares at the Offer Price
“Subsequent Annual Budget”	a draft annual budget for the Borrower Group relating to the Borrower’s financial year which shall be approved by the LSA board not later than 15 days before the 28 February 2022, and, in the case of any subsequent financial years, 15 days before the expiry of the subsequent financial year
“Subsequent Business Plan”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Tag Along Offer”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Teeside SPA”	the sale and purchase agreement with the TVCA and Goosepool
“Third Party Purchaser”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Third Party Transaction”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“Toscafund”	Toscafund Asset Management LLP, a limited liability partnership registered in England and Wales with number OC320318

“Toscafund Resolution” . . .	Resolution 4 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 102,142,857 New Shares in the Firm Placing and Placing
“Transaction”	the Investment and the Capital Raise
“Trigger Event”	has the meaning given to it in Part B of Part IV—Summary of the Key Terms relating to the Investment
“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
“TVCA”	Tees Valley Combined Authority
“UBS”	UBS AG London Branch
“UK GDPR”	the UK General Data Protection Regulation as defined by the United Kingdom’s Data Protection Act 2018, as amended by the Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019
“UK Prospectus Regulation”	the Prospectus Regulation (EU) 2017/1129 and amendments thereto, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018
“uncertificated” or “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
“Underwriters”	Canaccord and UBS
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US” . . .	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“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
“Wider Group”	the Group, except for the Borrower Group

All times referred to are London time unless otherwise stated.

All references to “GBP”, “pence”, “sterling”, “£” or “p” are to the lawful currency of the United Kingdom.

All references to “EUR”, “Euro” or “€” are to the single currency established for members of the European Economic and Monetary Union from 1 January 1999.

All references to “US dollar”, “USD”, “\$” or “cents”, are to the lawful currency of the United States.

All references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom.

NOTICE OF GENERAL MEETING

Notice of General Meeting of Esken Limited

(incorporated under the laws of Guernsey with registered number 39117)

NOTICE IS HEREBY GIVEN that a general meeting of Esken Limited (the **Company**) will be held at Esken Limited, 3rd Floor, 15 Stratford Place, London W1C 1BE on 17 August 2021 at 11.00 a.m. (London time) (the **General Meeting**) for the purpose of considering and, if thought fit, passing the following resolutions. 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. The Company will hold its Annual General Meeting immediately prior to the General Meeting. The Annual General Meeting is expected to have concluded by 11.00 a.m. If the Annual General Meeting has not concluded by 11.00 am then the General Meeting will commence immediately after its conclusion. If the Annual General Meeting concludes before 11.00 a.m. then the General Meeting will commence at 11.00 a.m.

Resolutions 1, 3, 4 and 5 will be proposed as ordinary resolutions and Resolution 2 will be proposed as a special resolution.

Capitalised terms have the meanings ascribed to them in Part XIII—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:

- (a) the terms of the Capital Raise and the Subscription Letters be and are hereby approved and the Directors of the Company (or any duly constituted committee thereof) be and are hereby directed to implement the Capital Raise and the Subscription Letters 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 the Subscription Letters; and*
- (b) for the purposes of article 4.4 of the Articles and in addition to all existing authorities, the Directors of the Company (or any duly constituted committee thereof) 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 £39,441,062 pursuant to or in connection with the Capital Raise and the Subscription Letters, 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 (or any duly constituted committee thereof) may, before the expiry of such period, make an offer or agreement in connection with the Capital Raise and the Subscription Letters 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 (or any duly constituted committee thereof) 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 2

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, 3, 4 and 5, and in addition to all existing authorities, the Directors of the Company (or any duly constituted committee thereof) 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 1, as if article 5.2 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 1 up to an aggregate nominal amount of £39,441,062, 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 (or any duly constituted committee thereof) may, before the expiry of such period, make an offer or agreement in connection with the Capital Raise and the Subscription Letters which would or might require equity securities to be issued after the expiry of such period and the Directors of the Company (or any duly constituted committee thereof) may issue equity securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired."

ORDINARY RESOLUTION 3

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, 4 and 5, the issue of up to 394,410,618 Shares for cash at a price of 14 pence per share (which represents a discount of greater than 10 per cent. to the middle market price of the Shares as at 27 July 2021, 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 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 to Toscafund Asset Management of up to 102,142,857 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."

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,

- (a) the entry into the recommended investment by the Lender into the Borrower on the terms and subject to the conditions of the relevant transaction agreements (including any ancillary or associated agreements contemplated by those agreements) described in the combined circular and prospectus published by the Company on the date hereof (the **Investment**), substantially on the terms and subject to the conditions as described in the combined circular and prospectus published by the Company on the date hereof, of which this Notice of General Meeting forms part be and is hereby approved; and*
- (b) the Directors of the Company (or any duly constituted committee thereof) be and are hereby authorised to take all necessary or appropriate steps and to do all necessary or appropriate things to implement, complete or procure the implementation or completion of the Investment and give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications, variations, revisions, waivers or amendments of a material nature) as the Directors (or any duly authorised committee thereof) may deem necessary, expedient or appropriate in connection with the Investment."*

By order of the Board

Matthew Joy
Company Secretary
28 July 2021

Registered office:
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

The Company is continuing to monitor public health guidance and legislation issued by the UK Government. Considering the continued unpredictability of UK Government guidance due to COVID-19, the General Meeting will be held in the first instance as a hybrid meeting which will enable Shareholders to participate and attend electronically in the safest manner possible, without leaving their homes and will permit Shareholders to be heard and to vote. We strongly encourage you to make full use of the electronic meeting facilities available to you.

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 or by way of the electronic meeting facilities. The Board strongly encourages Shareholders to appoint the Chair 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 as you or your proxy may not attend the meeting in person other than by way of the electronic meeting facilities.

For the avoidance of doubt, it will not be possible to attend in person at the General Meeting unless circumstances change before the date of the General Meeting other than by way of the electronic meeting facilities.

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.

Asking questions at the General Meeting

The Company recognises the importance of being able to answer Shareholders' questions. Shareholders are invited to email Matthew Joy, Company Secretary (matthew.joy@esken.com) including their Shareholder Reference Number (shown on their share certificate as Investor Code or IVC), with any questions relating to the business of the General Meeting which they would like to have considered. The Company requests that questions be submitted by 7 August 2021 at the latest. The Company will attempt to answer as many of Shareholders' questions as it can via the Company's website (www.esken.com) in advance of the General Meeting. If the Company receives a large number of questions on similar topics, it may group those questions and respond to them generally. Shareholders may also ask questions through the electronic meeting facilities.

Electronic meeting

Shareholders may attend the meeting electronically by accessing the Lumi AGM website at <https://web.lumiagm.com>.

Accessing the Lumi website

Lumi can 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

In order to join the General Meeting electronically and ask questions via the platform, Shareholders will need to connect to the following site <https://web.lumiagm.com>. Lumi is available as a mobile web client, compatible with the latest browser versions of Chrome, Firefox, Internet Explorer 11 (Internet Explorer V10 and lower are not supported), Edge and Safari and can be accessed using any web browser, on a PC or smartphone device.

Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will be asked to enter the Lumi Meeting ID, which is 155-493-987. You will then be prompted to enter your unique 11 digit Investor Code (IVC) including any leading zeros and 'PIN'. Your PIN is the last 4 digits of your IVC. This will authenticate you as a Shareholder.

Your IVC can be found on your share certificate, or Signal Shares users (www.signalshares.com) will find this under 'Manage your account' when logged in to the Signal Shares portal. You can also obtain this by contacting Link, our Registrar, by calling +44 (0) 371 277 0321. Lines are open from 9.00 a.m.

to 5.30 p.m. Monday to Friday, calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate.

Access to the General Meeting will be available from 30 minutes before meeting start time, although the voting functionality will not be enabled until the Chairman of the meeting declares the poll open. During the General Meeting, you must ensure you are connected to the internet at all times in order to vote when the Chairman commences polling on the Resolutions. Therefore, it is your responsibility to ensure connectivity for the duration of the General Meeting. A user guide to the Lumi website is available on our website at: <https://www.esken.com/investors/shareholder-centre/documents-circulars/?year=2021>.

If you wish to appoint a proxy other than the Chair of the meeting and for them to attend the virtual meeting on your behalf, please submit your proxy appointment in the usual way before contacting Link Group on +44 (0) 371 277 0321 in order to obtain their IVC and PIN. It is suggested that you do this as soon as possible and at least 48 hours (excluding non-business days) before the meeting.

If your Shares are held within a nominee and you wish to attend the electronic meeting, you will need to contact your nominee as soon as possible. Your nominee will need to present a corporate letter of representation to Link Group, our registrar, as soon as possible and at least 72 hours (excluding non-business days) before the meeting, in order that they can obtain for you your unique IVC and PIN to enable you to attend the electronic meeting.

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 and to ask questions via the text function on the meeting platform.

Explanatory Notes Relating to the Notice of the Meeting

1. The meeting will take place at Esken Limited, 3rd Floor, 15 Stratford Place, London W1C 1BE. At the date of this Notice, we anticipate that Shareholders will not be permitted to attend the General Meeting in person, and you are discouraged from travelling to the physical location of the meeting to do so. The electronic facilities provided to allow Shareholders to attend the General Meeting will constitute a 'hybrid' meeting for the purposes of the Articles of Incorporation of the Company and will permit Shareholders to be heard and to vote. If changes to Government regulation concerning travel or attendance at public gatherings change and/or are relaxed or the COVID-19 pandemic's impact on life changes in such a way that we feel that it would be prudent to encourage shareholders to attend the General Meeting in person, then changes to the arrangements for the General Meeting may be made and Shareholders will be notified via a Regulatory News Service and details will also be posted at the Company's website at www.esken.com. In such case, the electronic systems in place for the meeting may be adjusted to allow members not to ask questions via the text function at the meeting or to vote electronically.
2. A member of the Company entitled to attend, ask questions via the text function on the meeting platform 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, ask questions via the text function on the meeting platform 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. The Board strongly encourages Shareholders to appoint the Chair of the General Meeting, rather than any other person, as their proxy to exercise their right to vote at the General Meeting in accordance with their instructions as Shareholders should not attend the General Meeting in person.
3. You can vote by lodging a proxy either:
 - by logging on to www.signalshares.com and following the instructions;
 - by requesting a hard copy form of proxy directly from the registrar, Link Group by email at shareholderenquiries@linkgroup.co.uk, or you may call Link Group on 0371 664 0321. 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. Submission of a proxy vote shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
4. Proxy votes should be submitted as early as possible and in any event must be received by Link Group, no later than 11.00 a.m. on 13 August 2021 (being 48 hours (excluding non-business days) before the time appointed for the holding of the General Meeting excluding any non-working days).
5. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. To appoint more than one proxy, please contact Link Group, on 0371 664 0321. 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. You will need to state clearly on each Form of Proxy the number of shares in relation to which the proxy is appointed. Failure to specify the number of shares to which each proxy appointment relates or specifying a number in excess of those held by the shareholder will result in the proxy appointment being invalid. If you wish your proxy to ask questions on your behalf at the meeting you will need to appoint your own choice of proxy (not the chair) and give your instructions directly to them.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion.

Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

7. 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 Link Group, PXS 1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by 11.00 a.m. on 13 August 2021. 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.
8. 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 Link Group (whose CREST ID is RA10) by the latest time for receipt of proxy appointments specified in Note 4 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 (Guernsey) Regulations, 2009.
9. 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.
10. In the case of a shareholder which is a company, a hard copy Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
11. Any power of attorney or any other authority under which a hard copy Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.
12. The Company will be offering Shareholders who cannot attend the meeting the opportunity to submit questions in advance of the meeting by following the process set out on page 235 of this document. The question facility will not constitute attendance or participation on the part of the shareholder in the legal proceedings of the meeting. Questions may also be posed during the meeting by a Shareholder present at the meeting.
13. If multiple questions on the same topic are received in advance, the Executive Chairman may choose to provide a single answer to address shareholder queries on the same topic. The Company must answer any question you ask relating to the business being dealt with at the meeting unless:
 - Answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information.
 - The answer has already been given on a website in the form of an answer to a question.
 - It is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

14. If you attend the meeting in person you may be included in the recording of the meeting. Please note that this recording is solely for the purposes of creating a transcript of the meeting and will not be publicly available.
15. As at the Latest Practicable Date, the Company's issued share capital consists of 630,926,123 ordinary shares, carrying one vote each, with no treasury shares. Therefore, the total voting rights in the Company as at the Latest Practicable Date are 630,926,123.
16. Neither Toscafund nor any of its associates will be entitled to vote on Resolution 4.
17. 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, ask questions via the text function on the meeting platform 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, prior to the commencement of the meeting. However, Shareholders should note that the Board therefore strongly encourages Shareholders to appoint the chairman of the General Meeting, rather than any other person, as their proxy to exercise their right to vote at the General Meeting in accordance with their instructions in light of the fact that Shareholders and their proxies will not be able to attend the meeting due to the COVID-19 pandemic other than by electronic means.
18. 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 15 August 2021 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.
19. 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 matthew.joy@esken.com on or before the close of business on 7 August 2021.
20. 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.esken.com.
21. The following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) at the Company's registered office, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY, from the date of this Notice until the conclusion of the General Meeting and will be available for inspection at the place of the General Meeting for at least 15 minutes prior to and during the General Meeting: copies of the Directors' service contracts.
22. A copy of this Notice will also be placed on the Company's website at www.esken.com/investors.
23. Except as provided above, Shareholders who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted): by e-mailing us at matthew.joy@esken.com.
24. You may not use any electronic address provided either:
 - in this notice; or
 - any related documents (including the annual report for the year ended 28 February 2021 and Form of Proxy),to communicate with the Company for any purposes other than those expressly stated.
25. The Company may process personal data of attendees at the meeting. This may include webcasts, photos, recordings and audio and video links, as well as other forms of personal data, including your name, contact details and the votes you cast. The Company shall process such personal data in accordance with its privacy policy, which can be found at <https://www.esken.com/services/cookie-privacy-policy>.

26. Any shareholder who has not otherwise received confirmation that his or her vote on the polls at the General Meeting has been validly recorded and counted (for example, by receiving electronic notification that a vote cast electronically has been recorded and counted) and has no other reasonable means of confirming this, may, within 30 days from the date of the meeting, request information from the Company allowing him or her to confirm that his or her vote on the polls at the meeting has been validly recorded and counted, by using the contact details of Link Group, on 0371 664 0321. 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.

