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The Lead Manager is acting exclusively for the Issuer and no one else in connection with the offer. It will not regard any other person (whether or not a recipient of this document) as its client in relation to the offer and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

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# Stobart Group

## Stobart Group Limited

(incorporated in Guernsey with limited liability; registered number 39117)

### Sterling 5.50 per cent. Senior Notes due 2018

Issue Price 100 per cent.

The Sterling 5.50 per cent. Senior Notes due 2018 (the "**Notes**") will be issued by Stobart Group Limited (the "**Issuer**") and, together with its subsidiaries and affiliates taken as a whole the "**Group**"). The date on which the Notes are issued (the "**Issue Date**"), which is expected to be on or about 4 December 2012, will be set forth in an announcement which will be published by a Regulatory Information Service (expected to be the Regulatory News Service operated by the London Stock Exchange plc (the "**London Stock Exchange**")) by the Issuer on or about 27 November 2012 (the "**Sizing Announcement**"). The Notes bear interest from and including the Issue Date. Interest on the Notes is payable semi-annually in arrear on 4 June and 4 December in each year at the rate of 5.50 per cent. per annum. Payments on the Notes will be made without deduction for or on account of taxes of each Relevant Jurisdiction (as defined in the terms and conditions of the Notes (the "**Terms and Conditions**")) to the extent described under "*Terms and Conditions of the Notes — Condition 9 — Taxation*". The total principal amount of the Notes to be issued will be determined following a process of bookbuilding by the Lead Manager as described under "*Subscription and Sale*", and will be set forth in the Sizing Announcement.

The Notes mature on 4 December 2018 (the "**Maturity Date**") unless previously purchased, redeemed or cancelled. The Notes are subject to redemption in whole, at their principal amount together with accrued interest, at the option of the Issuer at any time in the event of certain tax changes. The Notes may also be redeemed in whole by the Issuer, at its option, at any time at a price of 100 per cent. of the principal amount of the Notes, together with accrued but unpaid interest, *plus* the "Applicable Premium" each as described under "*Terms and Conditions of the Notes — Condition 4(b) — Final Redemption, Optional Redemption and Purchase — Redemption at the option of the Issuer*".

Upon the occurrence of certain change of control events relating to the Issuer, each Noteholder shall have the option to require the Issuer to redeem or (at the option of the Issuer) purchase the Notes of such Noteholder at 101 per cent. of their principal amount *plus* accrued interest.

The Notes will constitute unsecured and unsubordinated obligations of the Issuer. See "*Terms and Conditions of the Notes — Condition 2 — Status of the Notes*".

Application has been made to the Financial Services Authority (the "**FSA**") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**FSMA**") (the "**UK Listing Authority**") for the Notes to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**") and through the electronic order book for retail bonds (the "**ORB**") of the London Stock Exchange. References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List of the UK Listing Authority and have been admitted to trading on the Market and through the ORB. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments ("**MiFID**").

The denomination of the Notes shall be £100. The Notes will initially be represented by a Permanent Global Note, without interest coupons, which will be deposited with a common depository on behalf of Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") on or about the Issue Date. The Permanent Global Note will be exchangeable for definitive Notes in bearer form in the denomination of £100 not less than 60 days following the request of the Issuer or the holder in the limited circumstances set out in it. See "*Summary of provisions relating to the Notes while in Global Form*".

**AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE RISK FACTORS DESCRIBED UNDER THE SECTION HEADED "RISK FACTORS" IN THIS PROSPECTUS.**

*Lead Manager*

**CANACCORD GENUITY LIMITED**

## IMPORTANT NOTICES

This Prospectus (the "**Prospectus**") comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive (as defined below), which requires a prospectus to be published when securities are offered to the public or admitted to listing, and for the purpose of giving information with regard the Issuer, the Group and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer. This Prospectus is to be read in conjunction with all the documents which are incorporated by reference into this Prospectus. See "*Documents Incorporated by Reference*".

The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

In addition, in the context of any offer of securities that is not within an exemption from the requirement to publish a prospectus under the Prospectus Directive, as amended, (a "**Public Offer**"), the Issuer accepts responsibility, in each Member State for which it has given its consent referred to herein, for the content of this Prospectus in relation to any person (an "**Investor**") to whom an offer of any Notes is made by any financial intermediary to whom they have given its consent to use this Prospectus (an "**Authorised Offeror**"), where the offer is made during the period for which that consent is given and where the offer is made in the Member State for which that consent was given and is in compliance with all other conditions attached to the giving of the consent, all as mentioned in this Prospectus. However, neither the Issuer nor the Lead Manager (as defined in "*Subscription and Sale*") has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

The Issuer consents to the use of this Prospectus in connection with a Public Offer of any Notes during the period commencing from, and including, 13 November 2012 until 12 noon (London time) on 27 November 2012 (the "**Offer Period**") in United Kingdom by any Authorised Offeror which satisfies the following conditions:

- (a) is authorised to make such offers under MiFID;
- (b) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**"), including the Rules published by the FSA (including its guidance for distributors in "*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential investor;
- (c) complies with the restrictions set out under "*Subscription and Sale*" in this Prospectus which would apply as if it were the Lead Manager;
- (d) ensures that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and is fully and clearly disclosed to investors or potential investors;
- (e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the FSMA;
- (f) complies with applicable anti-money laundering, anti-bribery and "know your client" Rules, and does not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (g) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the Lead Manager and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the Lead Manager in order to enable the Issuer and/or the Lead Manager to comply with anti-money

laundrying, anti-bribery and "know your client" Rules applying to the Issuer and/or the Lead Managers; and

- (h) does not, directly or indirectly, cause the Issuer or the Lead Manager to breach any Rule or subject the Issuer or the Lead Manager to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction.

For the Public Offer Jurisdictions (as defined in "*Subscription and Sale*") outside the United Kingdom (being Jersey, Guernsey and the Isle of Man) the Issuer consents to the use of this Prospectus in connection with an offer of any Notes by any financial intermediary that satisfies the equivalent of conditions (a) – (h) applicable in those jurisdictions.

**Any Authorised Offeror who wishes to use this Prospectus in connection with a Public Offer is required, for the duration of the Offer Period, to publish on its website that it is using this Prospectus for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto.**

A Public Offer may be made, subject to the conditions set out above, during the Offer Period by any of the Issuer, the Lead Manager or any Authorised Offeror.

Other than as set out above, neither the Issuer nor the Lead Manager has authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this Prospectus in connection with its offer of any Notes. Any such offers are not made on behalf of the Issuer or by any of the Lead Manager or Authorised Offerors and neither the Issuer nor any of the Lead Manager or Authorised Offerors has any responsibility or liability for the actions of the persons making such offers.

**An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements (the "Terms and Conditions of the Public Offer"). The Issuer will not be a party to any such arrangements with Investors in connection with the offer or sale of the Notes and, accordingly, this Prospectus will not contain such information. The Terms and Conditions of the Public Offer shall be provided by the relevant Authorised Offeror to the Investor at the relevant time. Neither the Issuer nor any of the Lead Manager or other Authorised Offerors has any responsibility or liability for such information.**

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") other than offers (the "**Permitted Public Offers**") which are made prior to the Issue Date, and which are contemplated in the Prospectus in the United Kingdom once the Prospectus has been approved by the competent authority in the United Kingdom and published in accordance with the Prospectus Directive, and in respect of which the Issuer has consented in writing to the use of the Prospectus, will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make an offer, in that Relevant Member State, of Notes which are the subject of the offering contemplated in this Prospectus, other than the Permitted Public Offers, may only do so in circumstances in which no obligation arises for the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Lead Manager have authorised, nor do they authorise, the making of any offer (other than Permitted Public Offers) of Notes in circumstances in which an obligation arises for the Issuer or the Lead Manager to publish or supplement a prospectus for such offer. Unless otherwise specified, all references in this document to the "**Prospectus Directive**" refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and all references to the "**2010 PD Amending Directive**" refer to Directive 2010/73/EU.

As noted under "*Terms and Conditions of the Public Offer*" in "*Subscription and Sale*" below, the issue of the Notes is conditional upon various matters, including the Subscription Agreement being signed by the Issuer and the Lead Manager and receipt of customary conditions precedent contained therein.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Lead Manager to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see "*Subscription and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Lead Manager. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Neither the Issuer nor the Lead Manager expressly undertakes to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any Investor in the Notes of any information coming to its attention.

To the fullest extent permitted by law, the Lead Manager accepts no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by it or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

Neither this Offering nor the Notes have been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of any offering of Notes or the adequacy of the Prospectus. Any representation to the contrary is a criminal offence in the United States.

Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction where it is unlawful to do so. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons as defined in Regulation S under the Securities Act except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.

The Prospectus Rules, 2008 do not apply to this offer. This Prospectus is being circulated to a restricted group of persons in the Bailiwick of Guernsey. Only persons to whom this Prospectus has been directly communicated by the Issuer or its appointed agent may accept the offer contained herein. The consent or approval of the Guernsey Financial Services Commission is not required for the restricted circulation of this Prospectus within the Bailiwick of Guernsey.

Investors may hold interests in the Notes through Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) ("**CREST**") through the issuance of dematerialised depository interests ("**CREST Depository Interests**" or "**CDIs**") issued, held, settled and transferred through CREST, representing interests in the Notes underlying the CDIs (the "**Underlying Notes**"). CREST Depository Interests are independent securities distinct from the Notes constituted under, and governed by English law and transferred through CREST and will be issued by CREST Depository Limited (the "**CREST Depository**") pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) the ("**CREST Deed Poll**").

Each potential investor in the Notes must determine (either alone or with the help of a financial adviser) the suitability of any investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Unless otherwise specified or the context requires, references to "**GBP**", "**Pounds Sterling**", "**sterling**", "**Sterling**" and "**£**" are to the lawful currency of the United Kingdom (the "**UK**" or the "**United Kingdom**") and all references to "**€**" and "**Euro**" are to the lawful currency introduced at the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities, as amended from time to time.

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "continue", "assume", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings "*Risk Factors*" and "*Description of Stobart Group Limited*" regarding the Group's strategy and other future events or prospects are forward-looking statements. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Issuer's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Recipients of this Prospectus are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. This cautionary statement should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer, or persons acting on its behalf, may issue. Factors that may cause the Group's actual results to differ materially from those expressed or implied by the forward-looking statements in this Prospectus include, but are not limited to, the risks described under "*Risk Factors*".

These forward-looking statements reflect the Issuer's judgement at the date of this Prospectus and are not intended to give any assurances as to future results. Save for those forward-looking statements required by the Listing Rules, Disclosure Rules and Transparency Rules and/or the Prospectus Rules, in each case, of the UK Listing Authority, the Issuer undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions they may make to these forward-looking statements that may result from events or circumstances arising after the date of this Prospectus. The Issuer will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information.

## **DOCUMENTS INCORPORATED BY REFERENCE**

This Prospectus should be read and construed in conjunction with:

- (i) the following sections of the interim report and unaudited but reviewed accounts of the Stobart Group for the period ended 31 August 2012:
  - (a) Independent Review Report of KPMG Audit plc on page 24;
  - (b) Condensed Consolidated Income Statement on page 8;
  - (c) Condensed Consolidated Statement of Comprehensive Income on page 9;
  - (d) Condensed Consolidated Statement of Financial Position on page 10;
  - (e) Condensed Consolidated Statement of Changes in Equity on pages 11 and 12;
  - (f) Condensed Consolidated Cash Flow Statement on page 13; and
  - (g) Notes to the Condensed Consolidated Financial Statement (including basis of preparation) on pages 14 to 23.
- (ii) the following sections of the annual report and audited accounts of the Stobart Group for the financial year ended 29 February 2012:
  - (a) Independent Auditor's Report on page 54;
  - (b) Consolidated Income Statement on page 55;
  - (c) Consolidated Statement of Comprehensive Income on page 56;
  - (d) Consolidated Statement of Financial Position on page 57;
  - (e) Consolidated Statement of Changes in Equity on page 58;
  - (f) Consolidated Cash Flow Statement on page 59; and
  - (g) Notes to the Consolidated Financial Statements on pages 60 to 80;
- (iii) the following sections of the annual report and audited accounts of the Stobart Group for the financial year ended 28 February 2011:
  - (a) Independent Auditor's Report on page 48;
  - (b) Consolidated Income Statement on page 49;
  - (c) Consolidated Statement of Comprehensive Income on page 50;
  - (d) Consolidated Statement of Financial Position on page 51;
  - (e) Consolidated Statement of Changes in Equity on page 52;
  - (f) Consolidated Cash Flow Statement on page 53; and
  - (g) Notes to the Consolidated Financial Statements on pages 54 to 72;

each of which has been previously published and filed with the Financial Services Authority. Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents



themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Information contained in the documents incorporated by reference into this Prospectus, which is not itself incorporated by reference, is either not relevant for investors or else is covered elsewhere in this Prospectus.

Copies of the Prospectus and all of the documents incorporated by reference in this Prospectus will be available for inspection upon request (without charge) during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer and copies of the documents in respect of the Issuer, as listed in paragraphs (i) and (ii) above, can also be obtained on the Issuer's website at [www.stobartgroup.co.uk](http://www.stobartgroup.co.uk). The contents of the Issuer's website shall not form part of the Prospectus.

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## SUMMARY

*Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of security and Issuer. As some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of security and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.*

<b>A.1</b>	<p style="text-align: center;"><b>Introduction and warnings</b></p> <ul style="list-style-type: none"> <li>• <i>This summary must be read as an introduction to this Prospectus.</i></li> <li>• <i>Any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole including any documents incorporated by reference by the Investor.</i></li> <li>• <i>Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff Investor might, under the national legislation of the Member States where the claim is being brought, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</i></li> <li>• <i>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in such securities.</i></li> </ul>
<b>A.2</b>	<p style="text-align: center;"><b>Consent to use this Prospectus</b></p> <p>The Issuer consents to the use of this Prospectus in connection with a Public Offer of any Notes during the period commencing from, and including, 13 November 2012 until 12 noon (London time) on 27 November 2012 in the United Kingdom by any financial intermediary which satisfies the following conditions:</p> <ul style="list-style-type: none"> <li>(a) is authorised to make such offers under MiFID;</li> <li>(b) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "<b>Rules</b>"), including the Rules published by the FSA (including its guidance for distributors in "<i>The Responsibilities of Providers and Distributors for the Fair Treatment of Customers</i>") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential investor;</li> <li>(c) complies with the restrictions set out under "<i>Subscription and Sale</i>" in this Prospectus which would apply as if it were the Lead Manager;</li> <li>(d) ensures that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and is fully and clearly disclosed to investors or potential investors;</li> <li>(e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the FSMA;</li> </ul>

	<p>(f) complies with applicable anti-money laundering, anti-bribery and "know your client" Rules, and does not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;</p> <p>(g) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the Lead Manager and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the Lead Manager in order to enable the Issuer and/or the Lead Manager to comply with anti-money laundering, anti-bribery and "know your client" Rules applying to the Issuer and/or the Lead Managers; and</p> <p>(h) does not, directly or indirectly, cause the Issuer or the Lead Manager to breach any Rule or subject the Issuer or the Lead Manager to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction.</p> <p>For the Public Offer Jurisdictions outside the United Kingdom (being Jersey, Guernsey and the Isle of Man) the Issuer consents to the use of this Prospectus in connection with an offer of any Notes by any financial intermediary that satisfies the equivalent of conditions (a) – (h) applicable in those jurisdictions.</p> <p>Any Authorised Offeror who wishes to use this Prospectus in connection with a Public Offer is required, for the duration of the Offer Period, to publish on its website that it is using this Prospectus for such Public Offer in accordance with the consent of the Issuer and the conditions attached thereto.</p> <p><b>An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements (the "Terms and Conditions of the Public Offer"). The Issuer will not be a party to any such arrangements with Investors in connection with the offer or sale of the Notes and, accordingly, this Prospectus will not contain such information. The Terms and Conditions of the Public Offer shall be provided by the relevant Authorised Offeror to the Investor at the relevant time. Neither the Issuer nor any of the Lead Manager or other Authorised Offerors has any responsibility or liability for such information.</b></p>
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Summary information on the Issuer		
<b>B.1</b>	<b>Legal and commercial name of the Issuer:</b>	Stobart Group Limited.
<b>B.2</b>	<b>The domicile and legal form of the Issuer and the legislation number under which the Issuer operates and its country of incorporation:</b>	The Company was incorporated and registered in the Island of Guernsey on 10 January 2002 as a non-cellular company limited by shares under the Companies (Guernsey) Laws, 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. The Company is now registered pursuant to Companies (Guernsey) Law 2008 (as amended).
<b>B.4b</b>	<b>A description of any known trends affecting the Issuer and the Group and the industries in</b>	Not applicable: there are no known trends affecting the Issuer and the industries in which it operates.

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<b>B.5</b>	<b>Description of the Group and the Issuer's position within the Group:</b>	The Issuer is the parent company of a group of companies which operates in the multimodal logistics, warehousing, biomass fuel, property development, port, airport, civil engineering and automotive logistics sectors.																																																						
<b>B.9</b>	<b>Where a profit forecast or estimate is made state the figure:</b>	Not applicable: the Issuer has made no profit forecasts or estimates in this Prospectus.																																																						
<b>B.10</b>	<b>Qualifications in the Auditor's report on the historical financial information:</b>	There are no qualifications contained within the Auditor's reports for the Issuer.																																																						
<b>B.12</b>	<b>Selected financial information in relation to the Issuer for the last two financial years:</b>	<p><b>Consolidated Income Statement</b></p> <table> <tr> <th></th><th><b>Year to 29.02.2012 (Audited) £'000</b></th><th><b>Restated Year to 28.02.2011 (Audited) £'000</b></th></tr> <tr> <td><b>Revenue</b>.....</td><td><b>551,921</b></td><td><b>500,395</b></td></tr> <tr> <td>Underlying operating profit.....</td><td>39,954</td><td>39,585</td></tr> <tr> <td>Profit before interest and tax .....</td><td>34,943</td><td>34,096</td></tr> <tr> <td>Profit before tax .....</td><td>30,546</td><td>29,467</td></tr> <tr> <td>Profit for the year attributable to equity holders of the Issuer .....</td><td>29,202</td><td>23,238</td></tr> </table> <p><b>Consolidated Statement of Comprehensive Income</b></p> <table> <tr> <th></th><th><b>Year to 29.02.2012 (Audited) £'000</b></th><th><b>Year to 28.02.2011 (Audited) £'000</b></th></tr> <tr> <td>Profit for the year.....</td><td>29,202</td><td>23,238</td></tr> <tr> <td>Other comprehensive (expense)/income for the year, net of tax .....</td><td>(635)</td><td>67</td></tr> <tr> <td>Total comprehensive income for the year attributable to equity shareholders of the parent .....</td><td>28,567</td><td>23,305</td></tr> </table> <p><b>Consolidated Statement of Financial Position</b></p> <table> <tr> <th></th><th><b>Year to 29.02.2012 (Audited) £'000</b></th><th><b>Year to 28.02.2011 (Audited) £'000</b></th></tr> <tr> <td>Non-current Assets .....</td><td>666,976</td><td>503,947</td></tr> <tr> <td>Current Assets.....</td><td>147,029</td><td>117,060</td></tr> <tr> <td>Total Assets .....</td><td>814,005</td><td>621,007</td></tr> <tr> <td>Non-current Liabilities .....</td><td>224,159</td><td>146,121</td></tr> <tr> <td>Current Liabilities.....</td><td>117,140</td><td>143,177</td></tr> <tr> <td>Total Liabilities.....</td><td>341,299</td><td>289,298</td></tr> <tr> <td>Net Assets .....</td><td>472,706</td><td>331,709</td></tr> </table>		<b>Year to 29.02.2012 (Audited) £'000</b>	<b>Restated Year to 28.02.2011 (Audited) £'000</b>	<b>Revenue</b> .....	<b>551,921</b>	<b>500,395</b>	Underlying operating profit.....	39,954	39,585	Profit before interest and tax .....	34,943	34,096	Profit before tax .....	30,546	29,467	Profit for the year attributable to equity holders of the Issuer .....	29,202	23,238		<b>Year to 29.02.2012 (Audited) £'000</b>	<b>Year to 28.02.2011 (Audited) £'000</b>	Profit for the year.....	29,202	23,238	Other comprehensive (expense)/income for the year, net of tax .....	(635)	67	Total comprehensive income for the year attributable to equity shareholders of the parent .....	28,567	23,305		<b>Year to 29.02.2012 (Audited) £'000</b>	<b>Year to 28.02.2011 (Audited) £'000</b>	Non-current Assets .....	666,976	503,947	Current Assets.....	147,029	117,060	Total Assets .....	814,005	621,007	Non-current Liabilities .....	224,159	146,121	Current Liabilities.....	117,140	143,177	Total Liabilities.....	341,299	289,298	Net Assets .....	472,706	331,709
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Selected financial information in relation to the Issuer for the last interim period:	<b>Consolidated Cash Flow Statement</b>			
		<b>Year to 29.02.2012 (Audited) £'000</b>	<b>Year to 28.02.2011 (Audited) £'000</b>	
	Cash generated from operations .....	57,634	27,671	
	Net cashflow from operating activities .....	55,443	25,330	
	Net cashflow from investing activities .....	(58,161)	(66,495)	
	Net cashflow from financing activities .....	61,065	22,342	
	Cash and cash equivalents at end of year .....	26,401	(31,946)	
	<b>Condensed Consolidated Income Statement for the six months ended 31 August 2012</b>			
		<b>Six months ended 31.08.12 (Unaudited) £'000</b>	<b>Six months ended 31.08.11 (Unaudited) £'000</b>	<b>Restated Year ended 29.02.12 (Audited) £'000</b>
	Revenue .....	278,496	281,145	551,921
	Underlying operating profit .....	19,841	19,059	39,954
	Profit before interest and tax .....	11,930	17,252	34,080
	Profit before tax .....	6,625	14,693	29,683
	Profit before the period attributable to equity holders of the parent .....	5,969	12,479	28,339
	Earnings per ordinary share .....			
Basic .....	1.74p	4.07p	8.72p	
Diluted .....	1.73p	4.06p	8.71p	
<b>Condensed Consolidated Statement of Comprehensive Income for the six months ended 31 August 2012</b>				
	<b>Six months ended 31.08.12 (Unaudited) £'0000</b>	<b>Six months ended 31.08.11 (Unaudited) £'000</b>	<b>Restated Year ended 29.02.12 (Audited) £'000</b>	
Profit for the period .....	5,969	12,479	28,339	
Other comprehensive loss for the period, net of tax .....	(381)	(499)	(635)	
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent .....	5,588	11,980	27,704	
<b>Condensed Consolidated Statement of Financial Position for the six months ended 31 August 2012</b>				
	<b>31.8.2012 (Unaudited) £'000</b>	<b>Restated 29.2.2012 (Audited) £'000</b>		
Non-current assets .....	691,184	665,826		
Current assets .....	182,108	147,029		
Total assets .....	873,292	812,855		
Non-current liabilities .....	261,085	223,872		
Current liabilities .....	156,925	117,140		
Total liabilities .....	418,010	341,012		
Net assets .....	455,282	471,843		
	<b>Condensed Consolidated Cash Flow Statement for the six months ended 31 August 2012</b>			

		<div> <div> <div>Six months ended</div> <div>31.08. 2012</div> <div>(Unaudited)</div> <div>£'000</div> </div> <div> <div>Six months ended</div> <div>31.08. 2011</div> <div>(Unaudited)</div> <div>£'000</div> </div> <div> <div>Restated Year ended</div> <div>29.02.2012</div> <div>(Audited)</div> <div>£'000</div> </div> </div>
		<div> <div>Cash generated from operations .....</div> <div>10,918</div> <div>27,835</div> <div>57,634</div> </div> <div> <div>Net cash flow from operating activities .....</div> <div>10,361</div> <div>27,595</div> <div>55,443</div> </div> <div> <div>Net cash flow from investing activities .....</div> <div>(19,209)</div> <div>(32,276)</div> <div>(58,161)</div> </div> <div> <div>Net cash flow from financing activities .....</div> <div>(16,252)</div> <div>79,667</div> <div>61,065</div> </div> <div> <div>Cash and cash equivalents at end of period .....</div> <div>1,301</div> <div>43,040</div> <div>26,401</div> </div> <p>There has been no significant change in the financial or trading position of the Issuer or the Group since 29 February 2012 and no material adverse change in the prospects of the Issuer or the Group since 31 August 2012.</p>
<b>B.13</b>	<b>A description of any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency:</b>	Not applicable. There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.
<b>B.14</b>	<b>Extent to which the Issuer is dependent on other members of the Group:</b>	Please see B.5 above. The Issuer is not a trading company. The Issuer wholly owns Stobart Holdings Limited (" <b>SHL</b> "). SHL in turn wholly owns the trading subsidiaries of the Group. Therefore the financial success of the Issuer is entirely dependent on other members of the Group and their financial performance will dictate its ability to satisfy its obligations in relation to the Notes.
<b>B.15</b>	<b>A description of the principal activities of the Issuer:</b>	The Issuer is the parent company of a group of companies which operates in the multimodal logistics, warehousing, biomass fuel, property development, port, airport, civil engineering and automotive logistics sectors, operating from six management locations across the UK; Carlisle Warrington, Daventry, Widnes, Southend and Northampton.
<b>B.16</b>	<b>To the extent known to the Issuer, state whether the Issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control:</b>	The Issuer is not directly or indirectly owned or controlled by any other corporation or individual.
<b>B.17</b>	<b>Ratings:</b>	Not applicable: the Issuer is not rated and the Notes to be issued will not be rated.

	<b>Summary information on the Notes</b>	
<b>C.1</b>	<b>Description of the Notes:</b>	<p>Sterling 5.50 per cent. Senior Notes due 2018 to be issued by the Issuer on the issue date (the "<b>Issue Date</b>") at an issue price of 100 per cent. (the "<b>Issue Price</b>").</p> <p>The Notes will be issued in bearer form in denominations of £100 and integral multiples thereof.</p> <p>The Issue Date is expected to be 4 December 2012. The total principal amount of the Notes to be issued will be determined following the end of the Offer Period and set forth in the Sizing Announcement.</p> <p>The Notes will initially be represented by a Permanent Global Note, without interest coupons, which will be deposited with a common depositary on behalf of Clearstream, Luxembourg and Euroclear on or about the Issue Date. Save in limited circumstances, Notes in definitive bearer form with coupons attached will not be issued in exchange for interests in the Permanent Global Note. Holders of CREST Depository interests ("<b>CDIs</b>") will hold CDIs constituted and issued by the CREST Depository representing indirect interests in the Notes. The CDIs will be issued and settled through CREST.</p> <p>The ISIN for the Notes is XS0852588937 and the Common Code is 085258893.</p>
<b>C.2</b>	<b>Currency of the Notes:</b>	Pounds Sterling ("£").
<b>C.5</b>	<b>A description of any restrictions on the free transferability of the Notes:</b>	<p>The Notes have not been and will not be registered under the United States Securities Act of 1933 or with any securities regulatory authority of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold or delivered within the United States. The Notes may be sold in the United Kingdom, Jersey, Guernsey and the Isle of Man only in compliance with applicable laws and regulations.</p> <p>The Prospectus Rules, 2008 do not apply to this offer. This Prospectus is being circulated to a restricted group of persons in the Bailiwick of Guernsey. Only persons to whom this Prospectus has been directly communicated by the Issuer or its appointed agent may accept the offer contained herein. The consent or approval of the Guernsey Financial Services Commission is not required for the restricted circulation of this Prospectus within the Bailiwick of Guernsey.</p>
<b>C.8</b>	<b>Description of rights attaching to the Notes:</b>	<b>Status of the Notes:</b> The Notes constitute direct, general, unconditional, senior unsubordinated and subject to the provisions of the negative pledge, obligations of the Issuer which shall be unsecured unless a guarantee event occurs, and will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.



		<p><b>Negative pledge:</b> The Conditions contain a negative pledge provision pursuant to which the Issuer may not create, assume or permit to subsist any security over its present or future undertaking, assets or revenues to secure any capital markets debt without securing the Notes equally and rateably therewith, subject to certain exceptions.</p> <p><b>Limitation on Financial Indebtedness:</b> Other than financial indebtedness permitted by the terms and conditions of the Notes, the Issuer will not, and will procure that none of the Subsidiaries will, after the date of closing, incur any additional financial indebtedness unless (x) on the date of the incurrence of such financial indebtedness the coverage ratio of the consolidated EBITDAR and the consolidated net finance charges is greater than 1.50 to 1.0, determined on a pro forma basis, assuming for these purposes that such additional financial indebtedness has been incurred, and the net proceeds thereof applied, on the first day of the Issuer's most recently ended four full consecutive fiscal quarters and (y) such Financial Indebtedness is incurred by the Issuer or a guarantor.</p> <p><b>Limitation on Sales of Assets:</b> The Issuer will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly, consummate an asset sale unless:</p> <ul style="list-style-type: none"> <li>(i) it (or a Subsidiary, as the case may be) receives consideration at the time of the asset sale at least equal to the fair market value of the assets or equity interests issued or sold or otherwise disposed of;</li> <li>(ii) at least 75 per cent. of the consideration received in the asset sale by the Issuer or such Subsidiary is in the form of cash or cash equivalents; and</li> <li>(iii) within 365 days after the receipt of any net proceeds from an asset sale, the Issuer (or the applicable Subsidiary, as the case may be) may apply such aggregate net proceeds in accordance with the procedure set forth in the terms and conditions of the Notes.</li> </ul> <p><b>Information and Reports:</b> So long as the Notes are outstanding and to the extent that the Issuer ceases to have equity securities listed on the London Stock Exchange plc, the Issuer shall provide the Trustee the following information (prepared in accordance with IFRS) certified by a director of the Issuer as fairly representing its consolidated financial condition and operations as at the end of and for the period:</p> <ul style="list-style-type: none"> <li>(i) as soon as the same become available, but in any event within 90 days after the end of each of its financial years, its audited consolidated financial statements for that financial year (including, without limitation, consolidated EBITDA and consolidated EBITDAR for such financial year);</li> </ul>
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		<p>(ii) as soon as the same become available, but in any event within 60 days after the end of each of the first half in each financial year, a report containing (a) its unaudited consolidated financial information for the year to date period ended such fiscal quarter, including (without limitation), an income statement and balance sheet for that period and the comparable prior year period and a cash flow statement for the first half of the financial year and the comparable prior year period and (b) an operating and financial review of the unaudited financial information and any material change between the current period and the corresponding period of the prior year; and</p> <p>(iii) promptly after the occurrence of a material acquisition, disposition, restructuring of the Issuer and its Subsidiaries taken as a whole or change in auditors or any other material event of the Issuer and its Subsidiaries taken as a whole, a copy of each notice provided to the London Stock Exchange plc in accordance with applicable regulation containing a description of such event.</p> <p><b>Events of default:</b> Events of default under the Notes include non-payment of principal, premium or interest for five days, breach of other obligations under the Notes or the Trust Deed (which breach is not remedied within 30 days), cross-default relating to financial indebtedness (other than Non-Recourse Debt) of the Issuer, or any Subsidiary, subject to an aggregate threshold.</p>
C.9	Interest and redemption provisions:	<p><b>Interest rate:</b> The Notes will bear interest from (and including) 4 December 2012 to (but excluding) the Maturity Date (as defined below) at the rate of 5.50 per cent. per annum, payable semi-annually in arrears on 4 June and 4 December in each year.</p> <p><b>Maturity:</b> Unless previously redeemed in accordance with the Conditions, the maturity date of the Notes is 4 December 2018 (the "Maturity Date").</p> <p><b>Redemption:</b> Notes will be redeemed at their principal amount on the Maturity Date.</p> <p><b>Redemption for taxation reasons:</b> The Notes will be redeemable at the option of the Issuer prior to maturity, at the principal amount thereof together with accrued interest to the date fixed for redemption, if the Issuer satisfies the Trustee that it has or will become obliged to pay additional amounts as a result of any change in, or amendment to the law or regulations in the United Kingdom or relevant jurisdiction and such obligation cannot be avoided by the Issuer using reasonable measures available to it.</p> <p><b>Redemption at the Option of the Issuer:</b> The Notes may be redeemed in whole or in part by the Issuer, at its option, at any time prior to maturity at a price equal to 100 per cent. of the principal amount of the Notes rendered, together with accrued but unpaid interest to the date fixed for redemption, <i>plus</i> the Applicable Premium.</p>

		<p><b>"Applicable Premium"</b> means the excess if any, of: the present value on the relevant Redemption Date of:</p> <p>(i) the principal amount of the Note, <i>plus</i></p> <p>(ii) all required interest payments due on the Note to and including the Final Maturity Date, discounted at the Benchmark Yield plus 0.5%, over the principal amount of such Note on such Redemption Date.</p> <p><b>Redemption at the Option of Noteholders:</b> Upon the occurrence of a put event, which will be deemed to occur if i) there a change of control in 50 per cent. of the Issuer's ordinary share capital or shares in the Issuer carrying more than 50 per cent. of the voting rights or, ii) a person or group of persons acting in concert acquires the ability, directly or indirectly, to appoint or dismiss all or the majority of the members of the board of directors or other governing body of the Issuer, iii) following the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its subsidiaries taken as a whole to any person or group of persons acting in concert; each Noteholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) the Notes of such Noteholder at the principal amount thereof together with accrued interest.</p> <p><b>Indication of Yield:</b> 5.50 per cent. The yield is calculated as at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.</p> <p><b>Trustee:</b> U.S. Bank Trustees Limited</p> <p><b>Paying Agent:</b> Elavon Financial Services Limited</p>
<b>C.10</b>	<b>Derivative component in interest payments:</b>	Not applicable: the Notes do not have a derivative component.
<b>C.11</b>	<b>Listing and Admission to Trading:</b>	Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the " <b>Market</b> ") and through the order book for retail bonds (the " <b>ORB</b> ").

Summary Risk Factors		
D.2	<p><b>Key Information on the key risks that are specific to the Issuer:</b></p>	<p>The Issuer believes that the following key risks that are specific to the Issuer may affect its ability to fulfil its obligations under the Notes:</p> <ul style="list-style-type: none"> <li>• The Issuer is not a trading company and therefore it is wholly reliant on the profitability and success of and receipt of funds from its subsidiaries which form the Group. The obligations of the Issuer under the Notes are unsecured obligations of the Issuer and therefore structurally subordinated to any liabilities of the Issuer's subsidiaries, which could have an adverse impact on the ability of the Issuer to fulfil its commitments under the Notes.</li> <li>• The Group has a number of key customers, including one which currently represents circa 23 per cent. of Group revenue. A change in the relationship with, or performance of any of these key customers, may have an adverse effect on the Group's overall profitability and therefore the ability of the Issuer to fulfil its commitments under the Notes.</li> <li>• The Group's revenues are seasonally linked with its customers. Severe weather and/or other natural disasters could disrupt the business and have an adverse impact on the Group's performance or financial position.</li> <li>• A downturn in the property market could adversely affect the capital value of, and/or weakening of rental yields from the Group's property investments.</li> <li>• Increases in rent are driven by property market conditions outside the Group's control (such as general economic, political and financial conditions) and therefore there is a risk that the Group's rental commitments increase significantly.</li> <li>• The Group may be exposed to uninsured losses and this risk could adversely affect the Group's business by impacting on the overall profits of the Group.</li> <li>• Environmental liabilities may arise from the ownership of properties, which may include remedial costs. Such liabilities could damage the Group's reputation and affect the Issuer's compliance costs, returns and financial condition.</li> <li>• If the Group lose key management and employees, this could affect the ability of the remaining management to fulfil their roles efficiently and this may impact on trade and therefore profitability of the Group.</li> <li>• Taxation regimes may change and adversely affect the Issuer's returns and financial condition.</li> <li>• Changes to the regulatory framework under which the Group operates or a breach of applicable regulations could damage the Group's reputation and affect the Issuer's compliance costs, returns and financial condition.</li> <li>• The Group's leverage and ability to service its debt may adversely affect its business and the financial condition and results of its operations.</li> </ul>

		<ul style="list-style-type: none"> <li>Poor performance of the Group's investment portfolio could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.</li> </ul>
<b>D.3</b>	<b>Key information on the key risks that are specific to the Notes:</b>	<p>The Issuer believes that the key risks that are specific to the Notes are as follows:</p> <ul style="list-style-type: none"> <li>The Notes bear interest at a fixed rate. Potential investors should note that if interest rates rise, then the income payable on the Notes might become less attractive and the price that investors could realise on the sale of the Notes may fall.</li> <li>The Issuer may not be able to redeem, or at its option, purchase the Notes with the prescribed time frame, should Noteholders elect to exercise the Change of Control Noteholder Put Option contained within the Terms and Conditions of the Notes which may cause the Issuer to default under the Terms and Conditions of the Notes.</li> <li>The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests, which permit defined majorities to bind all Noteholders including Noteholders who did not vote on the relevant resolution and Noteholders who voted in a manner contrary to the majority.</li> <li>There is the risk that the Notes may be redeemed prior to maturity and thus limit their market value.</li> <li>The terms and conditions are based on English law and no assurance can be given as to the impact of any judicial change to English law or practice after the date of issue of the Notes.</li> <li>Holders of Crest Depositary Interests ("CDI Holders") will hold or have an interest in a separate legal instrument and may not be the legal owners of the Underlying Notes. Accordingly the rights under the Notes cannot be enforced by CDI Holders except indirectly through intermediary depositaries and custodians.</li> <li>The Notes may have no established trading market when issued and there can be no assurance that an active public market will develop. If a market does develop, it may not be very liquid. Therefore, Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have developed a secondary market.</li> <li>The Issuer will pay principal and interest on the Notes in Sterling. This presents certain risks if an investor's financial activities are denominated principally in a currency or currency unit other than Sterling, as the value of the principal cash interest may, when converted to the Investor's functional currency, fluctuate in line with movements in exchange rates, affecting the value of the Notes as reported by the Investor. There is a risk that exchange rates may significantly change and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls.</li> </ul>

	<b>Summary information on the Offer:</b>	
<b>E.2b</b>	<b>Reasons for the Offer and Use of Proceeds when different from making profit and/or hedging certain risks:</b>	The reason for the offer of the Notes is to raise funds for general corporate purposes and to diversify the funding base of the Issuer.
<b>E.3</b>	<b>Terms and Conditions of the Offer:</b>	<p>An offer of the Notes may be made by the Lead Manager or the Authorised Offerors in the United Kingdom, Jersey, Guernsey and/or the Isle of Man during the period from 13 November 2012 until 27 November 2012 (the "<b>Offer Period</b>"). Investors will be notified by the Lead Manager or Authorised Offeror of their allocations of Notes and the settlement arrangement in respect thereof. Investors may not be allocated all of the Notes for which they apply.</p> <p>Notes will be issued at the Issue Price (being 100 per cent.) and the aggregate nominal amount of the Notes to be issued will be specified in a sizing announcement published by the Issuer on a Regulatory Information Service (expected to be the Regulatory News Service operated by the London Stock Exchange) (the "<b>Sizing Announcement</b>").</p> <p>The issue of the Notes is subject to the satisfaction of conditions precedent (including (i) the delivery of legal opinions, closing certificates and auditor comfort letters satisfactory to the Lead Manager; (ii) the execution of the issue documents by the parties thereto; (iii) there being no material or adverse change in the condition or general affairs of the Issuer or any of its subsidiaries that is material in the context of the issue of the Notes; and (iv) the UK Listing Authority having agreed to list the Notes and the London Stock Exchange having agreed to admit the Notes for trading on the Market and through ORB on or prior to closing) set out in a Subscription Agreement between the Issuer and the Lead Manager, which is expected to be dated on or about 30 November 2012.</p> <p>In the event that the issue of the Notes is oversubscribed there will be no refund as investors will not be required to pay for any Notes until any application for Notes has been accepted and the Notes allotted.</p> <p>The minimum subscription per Investor is for a principal amount of £2,000 of Notes.</p> <p>Canaccord Genuity Limited will be appointed as registered market makers through ORB in respect of the Notes from the date of admission of the Notes.</p>
<b>E.4</b>	<b>Interests of natural and legal persons involved in the issue of the Notes:</b>	So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.
<b>E.7</b>	<b>Estimated expenses charged to investors:</b>	The Issuer will not charge any expenses to any Investor. Expenses may be charged by an Authorised Offeror; these are beyond the control of the Issuer and are not set by the Issuer. They may vary depending on the size of the amount subscribed for and the Investor's arrangements with the Authorised Offeror.

		<p>The Issuer estimates that the expenses charged by an Authorised Offeror named in the Sizing Announcement in connection with the sale of Notes to an Investor will be on average 1.85 per cent. of the aggregate principal amount of the Notes sold to such Investor.</p>
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## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes, but the Issuer may be unable to pay interest, principal or other amounts on the Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Further risk factors that are currently not known, or that are currently not considered significant, could also affect the Group's future operations, results and financial position and therefore the Issuer's ability to meet its obligations under the Notes. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **RISKS RELATING TO THE ISSUER**

#### *Reliance on the Stobart Group and Structural Subordination*

The Issuer is not a trading company and therefore it is wholly reliant on the profitability and success of, and receipt of funds from, its subsidiaries which form the Group in order to fulfil its obligations under the Notes. For example, the Transport and Distribution division of the business represents over 90 per cent. of the Group's revenue. If this or any other division of the business failed, it may have an adverse material effect on the Group's overall financial performance and profitability and potentially the Issuer's ability to fulfil its commitments under the Notes. In addition, to the extent that the Notes are not guaranteed by any of the subsidiaries of the Issuer (see Condition 6 "Guarantees"), because the Notes are issued by the Issuer, the rights of the Noteholders are structurally subordinated to any unsecured creditors of the Issuer's subsidiaries, as unsecured creditors of the Issuer's subsidiaries rank ahead of the subsidiaries' shareholders in any liquidation of any of the subsidiaries. Such structural subordination reduces the likelihood of Noteholders making a full or even partial recovery in any liquidation of the Issuer.

The Notes are (subject to Condition 7(a) (*Covenants – Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer.

### **RISKS RELATING TO THE GROUP**

#### *Customer Retention*

The Group has a number of key customers, including one which currently represents circa 23 per cent. of Group revenue. A change in the relationship with, or performance of any of these key customers, may have an adverse effect on the Group's overall profitability and therefore the ability of the Issuer to fulfil its commitments under the Notes.

#### *The Group relies on certain key suppliers and a supply of fuel in operating its business*

Although the Group has confirmed that it is not overly reliant on any one supplier and is confident that it would be able to source alternative suppliers should the need arise, the Group relies on certain key suppliers to help provide its services to customers. Should these suppliers either cease trading or renegotiate contracts, the Group might be required to seek alternative suppliers, who could offer a different level of product or alternatively provide services at higher prices. In such circumstances, the effect on the Group's business may impact on the Group's profitability and therefore the Issuer's ability to fulfil its obligations under the Notes may be adversely affected.

The Group, like all other transport operators, relies heavily on suppliers of fuel to run their fleet of vehicles and trailers. A national or international problem with the supply of fuel would cause significant problems with operating the truck fleet and impact on the financial performance and profitability of the Group. This may in turn affect the Issuer's ability to fulfil its obligations under the Notes. However, the Group operates its own fuel tankers and picks up fuel from distilleries itself and it is therefore not heavily



reliant on third party fuel transporters. The Group maintains at any one time a minimum reserve of one week's consumption of fuel and as a consequence, is not materially affected by fuel strikes.

*Severe weather or other natural disasters could adversely affect the Group's business*

The weather is unpredictable. Extreme weather, such as heavy snow, ice and high winds, can be a risk to the Group's business as the vehicle and trailer fleet, rail terminals and airports can have difficulty operating. For example, the freezing conditions faced by the country during the winter of 2010/2011 caused the Group to suffer costs associated with delays in deliveries of circa £1,800,000. In addition, other natural or manmade disasters, including storms, floods and fires, may result in decreased revenue, as the Group's fixed costs remain the same but its ability to continue making deliveries while such severe weather conditions exist may well be compromised. Any such event affecting the Group's major facilities could have a material adverse effect on the Group's overall profitability and therefore the ability of the Issuer to fulfil its commitments under the Notes.

**Risks relating to transport and distribution**

*Fluctuations in revenue and expenditure*

The Group's revenues may be affected by general economic conditions and the effects of competition from other providers, in the same way that other businesses may be. However, as one of the main suppliers to UK retailers, the Group's revenues are not as sensitive to general economic and consumer spending conditions as some of its competitors. This is because a large proportion of loads carried are within the Fast Moving Consumer Goods (the "FMCG") sector. Where volumes decline, the Group operates a fleet financing and recruitment policy which allows it to flex its operations in response to both increases and decreases in demand.

Supplying UK retailers, the Group's revenue has been seasonally linked with its customers, with demand peaking in the summer months and the time period leading up to Christmas. January and February have typically been the slowest trading months. The Group has grown non-seasonal business to try to minimise these peaks and troughs, but revenues will still fluctuate in response to strong or weak retail trading, particularly in the build-up to Christmas. The ability to flex the fleet in response also mitigates this risk.

The operating and other expenses of the Group could increase without a corresponding increase in turnover. Such factors could include increases in: the rate of inflation; payroll expenses; interest rates; consultancy costs; unforeseen capital expenditure; and insurance costs. Such increases and/or the failure to effectively manage the same could have a material adverse effect on the Group's financial position and its profitability.

A large proportion of the Group's business relies and will rely on access to the road network both in the UK and abroad. Should governments increase the number of road tolls and amount of road charges, there is no guarantee that those costs could be passed on to customers and this could have an adverse effect on the Group's profitability.

A combination of one or more of the above matters occurring may impact on the Group's overall profitability and possibly the Issuer's ability to fulfil its obligations under the Notes.

*Environmental issues*

A significant part of the Group's operations including the transport and distribution business are subject to and regulated by environmental laws and regulations. The Group has materially complied with all environmental laws and regulations to which it is subject although it has incurred, and will continue to incur, expenses to comply with such laws and regulations. There can be no assurance that compliance with existing or future environmental legislation and regulations will not require further material expenditure by the Group or otherwise have an adverse effect on the Group's operations. If material expenditure was required, this might impact on the Groups profitability and possibly have an impact on the ability of the Issuer to fulfil its obligations under the Notes.

*Autologic is heavily relevant on the Automotive Industry*

The business of Autologic is heavily reliant on the activities of the automotive industry. If demand for new cars declined, this could affect Autologic's profitability and impact on the overall turnover of the

Group. If the Group's turnover reduced it may have an adverse effect on the Group's profitability and thereby the Issuer's ability to fulfil its commitments under the Notes.

### **Risks Relating to Intellectual Property and IT**

*The Group is dependent on and may incur costs in protecting against any misappropriation of its proprietary material.*

Stobart owns a number of trademarks and relies on its IT, vehicle tracking and scheduling systems to operate its business efficiently. Therefore it needs to protect its rights in relation to its intellectual property and proprietary technology. The steps that have been taken to protect intellectual property may be inadequate to prevent the misappropriation of its proprietary information or other intellectual property rights for example, the vehicle tracking systems have not been legally protected. Failure to protect the Group's intellectual property may result in someone else copying or otherwise obtaining and using its proprietary content and technology without its authorisation and any misappropriation of the Group's intellectual property could have a negative effect on the Group's business, the value of its brand and consequently its operating results. Should the Group ever need to litigate to protect its rights arising out of alleged infringement of third party rights, this might result in substantial costs and the diversion of resources and management attention.

Any failure by the Group to obtain or renew a licence for the General Transport System ("GTS") software it uses for planning may mean that the business of the Group could be left without a critical system, causing significant disruption to the business. If the Group did not have access to the GTS software source code, it would not be able to maintain and support the software in the event that the supplier of such software went into liquidation or ceased to trade. The Group would have to source a new supplier of such software which could cause serious operational problems for the business.

Any impact to the Group's profitability as a consequence of the above Intellectual Property risks outlined above crystallising may in turn have a significant impact on the Issuer's ability to fulfil its obligations under the Notes.

### **Risks relating to airports**

The Group is subject to the risks of owning and operating airports, including changes in local or national or governmental policy in relation to airports, aviation and associated services. The commercial viability of Carlisle Airport is dependent on the Group receiving the necessary consents for the proposed development on that site.

The commercial viability of London Southend Airport is currently linked to the ten year partnership with a single airline which makes up over 90 per cent. of scheduled passenger traffic. This partnership is in its first year. The success of both airports will also be driven by usage and the number of passengers who pass through the airports.

Key business risks for any airport include those related to safety and security. Notwithstanding the efforts the company makes to ensure these, a catastrophic failure in relation to either safety or security at an airport would pose a significant business risk and would have an impact on the profitability of the business going forward. This in turn may impact on the ability of the Issuer to perform its obligations in relation to the Notes.

### **Risks relating to the property interests of the Group**

#### *Return on Group property investments*

The financial performance of the Group could be adversely affected by a downturn in the property market in terms of the capital value of, and/or a weakening of rental yields from, the Group's property investments. Any impact on the profitability of the Group may create difficulties in allowing the Issuer to fulfil its obligations in relation to the Notes.

Property and property-related assets are inherently difficult to value, due to the individual nature of each property and the particular terms of the agreements pursuant to which interests in those ventures are held. As a result, valuations can be uncertain and there can be no assurance that the estimates resulting from the valuation process will reflect actual sale prices that could be realised by the Group in the future.

Returns from investment in property can depend upon the amount of rental income generated from the property and the expenses incurred in the repair, maintenance and management of the property, as well as upon changes in its market value. Refurbishment expenditure may be necessary in the future to preserve the rental income generated from and/or the value of the property, which may affect the overall profitability of the Group and possibly impact on the Issuer's ability to fulfil its obligations in relation to the Notes.

#### *Group property development*

The potential for the redevelopment and/or expansion of properties may be adversely affected by a number of factors, including constraints on location, planning legislation, the need to obtain other licences, consents and approvals and the existence of restrictive covenants affecting the title to the property. Investments in property, particularly those held in joint ventures, can be relatively illiquid and are usually more difficult to realise than listed equities, notes or other assets. Disposal of any of the properties or the interests in the ventures in which they are held could, therefore, take longer than may be commercially desirable or values obtained may be lower than anticipated.

Development of property is likely, to a certain extent, to be sub-contracted. Should the sub-contractors fail to deliver their services in time, the profitability of the Group could be adversely affected. Although the Group will seek to mitigate this by imposing financial penalties upon subcontractors for failure to deliver, should the subcontractors be suffering financial difficulties, such penalties may not be effective.

#### *Risks relating to rental income*

The ability of the Group to attract new tenants at its properties will depend on demand for space at the relevant property and on the regional economy in the relevant catchment area, which can be influenced by a number of factors: rental levels and the affordability of rents; the size and quality of the building; the amenities and facilities offered; the convenience, location and local environment of the relevant property; the amount of competing space available; the transport infrastructure; the other tenants renting adjacent and nearby properties; the age and facilities of the building in comparison with the alternatives; changing trends in the property market; and changes to the infrastructure, demographics, planning regulations and economic circumstances relating to the surrounding areas on which the relevant property depends for its tenant base. Furthermore, movements in interest rates may also affect the cost of financing for property investment companies and other debt driven investors.

There can be no assurance that the Group's tenants will renew their leases at the end of their current tenancies or, if they do not, that new tenants of equivalent standing (or any new tenants) will be found to take up replacement leases. This is particularly the case where a property requires refurbishment or redevelopment following the expiry of a tenancy. Tenants with the benefit of contractual break rights may also exercise these to bring the lease to an end before the contractual termination date. During void periods, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. Even if tenant renewals or replacements are affected, there can be no assurance that such renewals or replacements will be on terms (including rental levels and rent review terms) that are as favourable to the Group as before, or that new tenants will be as creditworthy as previous tenants.

#### *Risks relating to compulsory purchase*

A property or part of any property in the UK may, at any time, be compulsorily acquired by a government department or local authority in connection with proposed redevelopment or infrastructure projects. If a compulsory purchase order were made in respect of a property or part of a property, compensation would be payable on the basis of the value of all owners' and tenants' proprietary interests in that property at the time of the related purchase as determined by reference to a statutory compensation code, but the compensation could be less than the Group's assessment of the property's current market value (or the relevant apportionment of such market value where only part of a property is subject to a compulsory purchase order). In the case of an acquisition of the whole or any part of that property, the relevant freehold, heritable or long leasehold estate and any lease would both be acquired. If the amount received from the proceeds of purchase of the relevant freehold, heritable or long leasehold estate were less than the Group's assessment of the property's current market value, the operations, financial position and prospects of the Group may be adversely affected.

There may be a delay between the compulsory purchase of a property or part of any property and the payment of compensation, the length of which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the open market value. Should such a delay occur in the case of a property or part of any property of the Group, the operations, financial position and prospects of the Group may be adversely affected. If only part of a property is compulsorily purchased, the Group's financial position and prospects could be materially adversely affected if such part was of strategic importance to a Group development property or investment property.

#### *Group occupation of rental properties*

The Group currently operates from a number of properties which are occupied under leases. Leases normally contain provisions for the rent payable by the tenant to be reviewed and are normally drawn on terms such that the rent will either increase or remain static. Increases under such provisions are driven by property market conditions which will be outside the Group's control and there is therefore a risk that the Group's rental commitments increase significantly. Future strategy may dictate that further premises are acquired by way of lease which could exacerbate this risk.

#### *Uninsured losses*

The Group's properties could suffer physical damage caused by fire or other causes, resulting in losses (including loss of rent) which may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or are not economically insurable.

Inflation, changes in building codes and ordinances, environmental considerations, and other factors, including terrorism or acts of war, also might result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed.

Under such circumstances, the insurance proceeds may be inadequate to restore the Group's economic position with respect to the affected property. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Group could be liable to repair damage caused by uninsured risks. The Group would also remain liable for any debt or other financial obligation related to that property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future. In addition, whilst the Group will attempt to ensure that all of the Group's properties are adequately insured, changes in the cost, cover or availability of insurance could expose the Group to uninsured losses.

#### *Environmental liabilities may arise from the Group's properties or sites*

There is no guarantee that the Group's properties or sites (including Carlisle and Southend airport) are or will be free from contamination of hazardous waste, asbestos or other toxic substances. There may, in addition, be contamination at properties acquired by the Group. If the Group were to purchase any contaminated properties, or if there are contaminated properties within the current portfolio, the Group may have an obligation, alone or jointly with other parties, to dispose of or otherwise resolve any such environmental hazards to the satisfaction of relevant governmental authorities. There is no basis for estimating the costs and liabilities of such an obligation, but such costs and liabilities could adversely affect returns to shareholders and may impact on the overall profitability of the Group and therefore the Issuers ability to be able to fulfil its obligations under the Notes.

If any of the aforementioned risks relating to the Group's property interests crystallised, this may have a negative impact on the profitability and value of the entire Group and consequently may impact on the ability of the Issuer to fulfil its obligations in relation to the Notes.

#### **Risks relating to employee retention**

The success of the Group will, to an extent, depend on its ability to retain and motivate key management and employees. Whilst the Group seeks to offer its staff competitive remuneration packages, attractive incentives, career development opportunities and a good working environment, there can be no guarantee that the Group will be able to recruit and retain suitable key personnel. It is possible that key individuals might leave the Group, which could adversely affect the ability of the remaining management to manage the Group efficiently. If there are, for whatever reason, restrictions on the ability of the management to

fulfil their roles efficiently, this may impact on trade and therefore profitability which in turn may result in the Issuer being unable to fulfil its obligations in relation to the Notes.

### **Risks relating to rail services and port operations**

The Company is subject to the risks of owning and operating a port facility, including exposure to changes in local or national or governmental policy in relation to transport and related infrastructure and the demand for port and rail services.

The commercial viability of the port and rail operations are dependent on the Group receiving or maintaining the necessary regulatory consents for its operations, including, *inter alia*, planning consents, harbour revision order(s) and rail operating licences and safety certificates. There can be no certainty that the Group will receive or retain such consents.

The viability and profitability of the Group's port and rail operations remains dependent on the co-operation of third parties in respect of *inter alia*, the acquisition of land necessary to complete a new access road and rail link into the Port of Weston site, charges for track access and the use of rolling stock.

The Group has invested in rail based projects to enhance its businesses. Should the market for rail based transportation not exhibit the growth expected by the Directors, or should the price for such transportation be at a lower level than anticipated, the level of sales and profitability generated from investment in rail based transportation might be less than the investment made by the Group going forward.

The risks outlined above in relation to rail services and port operations may, if they crystallised, impact on the overall profitability of the Group and therefore the ability of the Issuer to fulfil its obligations in relation to the Notes.

### **Risks relating to biomass operations**

The Renewables Obligation ("**RO**") is currently the main financial mechanism by which the Government incentivises the deployment of large-scale renewable electricity generation. Support is granted for 20 years, which balances the need to provide investors with long-term certainty with the need to keep costs to consumers to a minimum. In April 2010, the end date of the RO was extended from 2027 to 2037 for new projects to provide long-term certainty for investors and to ensure continued deployment of renewables to meet the UK's 2020 target and beyond.

The RO places a mandatory requirement on licensed UK electricity suppliers to source a specified and annually increasing proportion of electricity they supply to customers from eligible renewable sources or pay a penalty. The scheme is administered by Ofgem who issue Renewables Obligation Certificates ("**ROCs**") to electricity generators in relation to the amount of eligible renewable electricity they generate. Generators sell their ROCs to suppliers or traders which allows them to receive a premium in addition to the wholesale electricity price.

The government is currently consulting with regard to changes to the level of support for biomass projects. The commercial viability of the Biomass business is dependent upon the continuation of the RO regime and the outcome of the government's consultation process being in-line with expectations. If the outcome is such that it negatively impacts on the trade and revenue stream of the Stobart Biomass this may impact on the overall Group revenue. This in turn may impact on the ability of the Issuer to fulfil its obligations in relation to the Notes.

### **Legislation and tax risks**

A change in relevant UK legislation or in Her Majesty's Revenue and Customs policy or practice could adversely affect the Group's returns or financial condition.

The Issuer is incorporated in Guernsey, although it is managed and controlled and taxed in the UK. Any changes under Guernsey law to the basis on which Guernsey companies may pay dividends could have an adverse effect on the Issuer's ability to pay dividends and any changes to UK law could off-set the Issuer's ability to trade successfully. This in turn may impact on the ability of the Issuer to fulfil its obligations in relation to the Notes.

### **Borrowing risks**

### *Availability of funding*

The growth of the Group's business is dependent on the continued availability of funding for new projects. The Company has borrowing facilities and the Board of Directors may seek to secure revised or additional borrowing facilities in the longer term. It is not certain that such facilities will be secured at levels or on terms acceptable to the Board of Directors.

In the event that the rental income of the Group's property portfolio falls, including as a result of defaults by tenants under the terms of their lease with the Group, the use of borrowings will increase the impact of such falls on the profitability of the Group. This in turn may impact on the ability of the Issuer to fulfil its obligations in relation to the Notes.

### *Interest rate rises*

Further interest rate rises may cause the cost of borrowing to exceed the budgeted level, thus potentially reducing the Group's profitability and impairing the viability of future investment.

These factors may have an adverse effect on the Issuer's returns on investment and thereby its ability to fulfil its obligations under the Notes.

### *Breach of financial covenants*

The Group is not intending to, and neither does it expect that there will be, a breach of any financial covenants and, in order to prevent any such breach, the Group maintains an open dialogue with its lenders and delivers quarterly compliance certificates and forecasts to them to mitigate the risk of a breach occurring. However, should any member of the Group breach the financial covenants contained in any loan agreement, the relevant member of the Group may be required to repay such borrowings in whole or in part together with any attendant costs. Most of the Group's bank facilities are secured by way of charges over the relevant assets of the Group. If a member of the Group is required to repay all or part of its borrowings (together with any attendant costs), if there is insufficient cash to meet the repayment obligations and the debt cannot be refinanced, that company may be required to sell its assets at less than their market value or at a time or in circumstances where the realisation proceeds are reduced because of a downturn in the economy generally.

### **Future fundraising risks**

While the Directors have no plans for raising additional capital following the Issue, it is possible that the Issuer may need to raise extra capital in the longer term to develop the Group's business further. If the plans or assumptions set out in the Issuer's business plan change or prove to be inaccurate, or if the Issuer makes any incorrect assumptions, the Issuer may require further financing. If the Issuer is unable to obtain additional financing as needed, it may be required to abandon such development plans or reduce the scope of its operations or anticipated expansion, which may adversely affect the Group's business and operating results.

Access to debt financing in the future will depend on, amongst other things, suitable market conditions. If conditions in credit markets are unfavourable or the Group's credit rating (if any in the future) is downgraded at the time when current sources of financing with Prudential/M&G UK Companies Financing Fund LP or when the Group is looking to refinance them, the Group may not be able to obtain new sources of financing or may only be able to obtain new sources of financing at higher costs. This in turn may have an adverse effect on the Issuer's ability to fulfil its obligations under the Notes.

### *The Group's leverage and ability to service its debt may adversely affect its business, financial condition and results of operations*

The Group's debt service obligations under its existing bank facilities and any new bank facilities could have negative consequences for the Group, including but not necessarily limited to the following:

- restricting the Group's ability to pay dividends;
- limiting the Group's ability to obtain additional financing in the future;
- increasing the Group's vulnerability to increases in interest rates;

- requiring a substantial portion of the Group's cash flow for the payment of interest on its debt and
- reducing the Group's ability to use its cash flow to fund working capital, capital expenditures and general corporate requirements;
- hindering the Group's ability to adjust rapidly, and increasing the Group's vulnerability, to general adverse economic and industry conditions;
- limiting the Group's flexibility in planning for, or responding to, changes in its business and industry; and
- placing the Group at a competitive disadvantage to other, less leveraged competitors.

While a reduction in the Group's capital expenditure for a short period is unlikely to have a significant negative effect, any reduction in capital expenditure which continued over a prolonged period would be likely to adversely affect the Group's business, financial condition and results of operations.

There can be no assurance that in the event of unforeseen changes over the longer term, the Group's cash flow will be sufficient for repayment of the Group's indebtedness. There can be no assurance that the current difficult conditions in the credit markets will not exist when the Group seeks to refinance its bank facilities in the future. This could impact on the overall business of the Group and its profitability and in turn may impact on the ability of the Issuer to fulfil its obligations in relation to the Notes.

### **Risks for Overseas Shareholders**

The ability of Overseas Shareholders to bring actions or enforce judgments against the Company or the Directors may be limited under law. The Company has been formed and registered under the laws of Guernsey. The rights of the Overseas Shareholders and the fiduciary duties that are owed to them and the Company may differ in material respects from the rights and duties that would be applicable if the Company was organised under the laws of a different jurisdiction.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors. It may not be possible for an Overseas Shareholder to effect service of process on the Directors within the Overseas Shareholder's country of residence or to enforce against the Directors judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. Overseas Shareholders may be unable to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries outside the United Kingdom against the Directors who are residents of the United Kingdom or countries other than those in which a judgment is made. In addition, English or other courts may not impose civil liability on the Directors in any original action based solely on foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

## **RISKS RELATING TO THE NOTES**

### *Interest rate risks*

The Notes bear interest at a fixed rate. Potential investors should note that if interest rates rise, then the income payable on the Notes might become less attractive and the price that investors could realise on a sale of the Notes may fall. However, the market price of the Notes from time to time has no effect on the total income investors receive on maturity of the Notes if the investor holds the Notes until the maturity date. Further, inflation will reduce the real value of the Notes over time, which may affect what investors could buy with their investment in the future and may make the fixed rate payable on the Notes less attractive in the future, again affecting the price that investors could realise on a sale of the Notes.

*The Issuer may not be able to redeem or, at its option, purchase the Notes within the prescribed time frame should Noteholders elect to exercise the Change of Control Noteholder Put Option contained within the Terms and Conditions of the Notes which may cause the Issuer to default under the Terms and Conditions of the Notes*

The Issuer may not have sufficient cash reserves or be able to arrange financing in the specified timeframe, or on acceptable terms, or at all to redeem or, at its option, purchase the Notes within the time frame prescribed at Condition 5 (*Change of Control*) of the Notes should Noteholders elect to exercise the Change of Control Noteholder Put Option contained at Condition 5 *Change of Control* of the Terms and Conditions of the Notes. If the Issuer is unable to redeem or, at its option, purchase the Notes within the prescribed time frame, this will cause the Issuer to default under Condition 4(b) (*Final Redemption, Optional Redemption and Purchase — Redemption at the option of the Issuer*) of the Terms and Conditions of the Notes. The Issuer has, and may in the future have agreements relating to its indebtedness that contain provisions that provide that a change of control constitutes an event of default or that the occurrence of such event accelerates its payment obligations under that agreement. If such an event were to occur, no assurance can be given that the Issuer will have sufficient funds or be able to raise sufficient financing to meet the payment obligations under those agreements.

#### *Modification, waivers and substitution*

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not vote on the relevant resolution and Noteholders who voted in a manner contrary to the majority.

#### *The Notes may be redeemed prior to maturity*

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the jurisdiction of the Issuer or any political subdivision thereof or any authority therein or thereof having power to tax or any change in the application or official interpretation of such law or regulations, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In addition, the Issuer may choose to redeem the Notes at the Issuer's option in circumstances when the prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

#### *Change of law*

The conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.



The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

#### *Holding CREST Depository Interests*

Investors may hold interests in the Notes through CREST through the issuance of dematerialised depository interests ("**CREST Depository Interests**" or "**CDIs**") issued, held, settled and transferred through CREST, representing interests in the Notes underlying the CDIs. CDI Holders will hold or have an interest in a separate legal instrument and not be the legal owners of the Underlying Notes. The rights of CDI Holders to the Underlying Notes are represented by the relevant entitlements against the CREST Depository which (through the CREST Nominee (as defined below)) holds interests in the Underlying Notes. Accordingly, rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositories and custodians. The enforcement of rights under the Underlying Notes will be subject to the local law of the relevant intermediaries. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Underlying Notes held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer, including the CREST Deed Poll. Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally invested by them. As a result, the rights of and returns received by CDI Holders may differ from those of holders of Notes which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Notes through the CREST International Settlement Links Service. Potential investors should note that none of the Issuer, the Manager, the Trustee or the Paying Agent have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

## **RISKS RELATED TO THE MARKET GENERALLY**

#### *Absence of prior public markets*

The Notes constitute a new issue of securities by the Issuer. Prior to such issue, there will have been no public market for the Notes. Although applications have been made for the Notes to be listed, there can be no assurance that an active public market for the Notes will develop and, if such a market were to develop, neither Cannacord nor any other person is under any obligation to maintain such a market. The liquidity and the market prices for the Notes can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and the Group generally and other factors that generally influence the market prices of securities.

#### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in Sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Sterling as the value of the principal cash interest may, when converted to the investor's functional currency, fluctuate in line with movements in exchange rates, affecting the value of the Notes as reported by the investor. There is a risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or

modify exchange controls. An appreciation in the value of the Investor's Currency relative to Sterling would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes which will be endorsed on each Note in definitive form:*

The Sterling 5.50 per cent. Notes due 2018 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Stobart Group Limited (the "**Issuer**") are subject to, and have the benefit of, a trust deed dated on or about 4 December 2012 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and U.S. Bank Trustees Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated on or about 4 December 2012 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Elavon Financial Services Limited, acting through its UK Branch as paying agent (the "**Paying Agent**", which expression includes any successor paying agent appointed from time to time in connection with the Notes) and the Trustee. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof, Fifth Floor, 125 Old Broad Street, London EC2N 1AR and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 1. **Form, Denomination and Title**

- (a) **Form and Denomination:** The Notes are and in bearer form in denomination of £100.00 with Coupons attached at the time of issue.
- (b) **Title:** Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

### 2. **Status of the Notes**

The Notes and Coupons constitute direct, general, unconditional, senior, unsubordinated and (subject to Condition 7(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

### 3. **Interest**

- (a) **Interest Rate:** Subject to the following paragraph in this Condition (a), the Notes bear interest from and including the 4 December 2012 (the "**Issue Date**") at the rate of 5.50% per annum (the "**Rate of Interest**") payable equally and semi-annually in arrears on 4 June and 4 December in each year (each, an "**Interest Payment Date**"), commencing with the Interest Payment Date falling on 4 June 2013, all subject as provided in Condition 8 (*Payments*).

If, and only if, interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest pence, half a pence being rounded upwards or downwards in accordance with applicable market conditions, and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount, without any further rounding, where:

"**Calculation Amount**" means £100.00;

**"Day Count Fraction"** means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the product of (1) the number of days in the Determination Period in which the relevant period falls and (2) two; and

**"Determination Period"** means the period (i) from (and including) 4 June in any year to (but excluding) the next 4 December and (ii) from (and including) 4 December in any year to (but excluding) the next 4 June, as applicable.

- (b) **Accrual of Interest:** Each Note will cease to bear interest where such Note is being redeemed or repaid pursuant to Condition 4 (*Final Redemption, Optional Redemption and Purchase*) or Condition 10 (*Events of Default*), from the due date for redemption thereof unless, upon due presentation thereof, payment of the principal amount of the Notes is improperly withheld or refused, in which event interest will continue to accrue as provided in Condition 3(a) (*Interest Rate*) (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (ii) the day 7 (seven) days after the Trustee or the Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

#### 4. **Final Redemption, Optional Redemption and Purchase**

- (a) **Final Redemption:** Unless previously purchased and cancelled or redeemed as herein provided, the Notes will be redeemed at their principal amount on the Final Maturity Date. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 4.
- (b) **Redemption at the option of the Issuer:** At any time prior to Final Maturity Date, the Issuer may on any one or more occasions redeem the Notes in whole or in part at a price equal to (i) 100 per cent. of the principal amount of the Notes redeemed, *plus* (ii) accrued and unpaid interest to the Redemption Date, *plus* (iii) the Applicable Premium, on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes specified in such notice on the relevant Redemption Date at such price).
- (c) **Partial Redemption:** If the notes are to be redeemed in part only on any date in accordance with Condition 4(b) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 4(b) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed.
- (d) **Redemption for taxation reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if any Guarantees (as defined in Condition 6 (*Guarantees*)) then in effect were called, a Guarantor (as defined in Condition 6 (*Guarantees*)) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date, and (ii) such obligation cannot be avoided by the Issuer (or a relevant Guarantor, if applicable and as the case may be) taking reasonable measures available to it; **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or a Guarantor, if applicable and as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or a Guarantee,

if applicable and as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 4(d), the Issuer shall deliver to the Trustee an Officers' Certificate of the Issuer (or a Guarantor, if applicable and as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of legal advisers of recognised standing to the effect that the Issuer (or a Guarantor, or if applicable and as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

- (e) **Notice of redemption:** All Notes in respect of which any notice of redemption is given under this Condition 4(e) shall be redeemed on the date specified in such notice in accordance with this Condition 4(e).
- (f) **Purchase:** Subject to the requirements (if any) of any stock exchange on which the Notes may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, each of the Issuer or the Guarantors, or any of their respective Subsidiaries, may at any time purchase Notes in the open market or otherwise at any price. Such Notes may be held, re-sold or reissued or, at the option of the relevant purchaser, surrendered to the Paying Agent for cancellation, and while held by or on behalf of the Issuer, a Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders or for the purposes of Condition 12 (*Meetings of Noteholders, Modification and Waiver*).
- (g) **Cancellation:** All Notes which are redeemed will be cancelled and may not be reissued or resold. Notes purchased by the Issuer, a Guarantor or any of their respective Subsidiaries may be surrendered to the Trustee for cancellation and, if so surrendered, shall be cancelled.

## 5. Change of Control

If a Change of Control occurs, each Noteholder shall have the option (unless, prior to the giving of the Put Notice (as defined below), the Issuer (being entitled to do so) gives notice to redeem the Notes in accordance with Condition 4(b) (*Redemption at the option of the Issuer*) or Condition 4(d) (*Redemption for taxation reasons*)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) in whole or in part its Notes at 101 per cent. of the principal amount thereof plus accrued and unpaid interest up to (but excluding) the Put Date (the "**Put Option**").

If a Change of Control occurs, then the Issuer shall, without undue delay, after becoming aware thereof, give notice of the Change of Control (a "**Put Event Notice**") to the Noteholders in accordance with Condition 13 (*Notices*) specifying the nature of the Change of Control and the procedure for exercising the Put Option contained in this Condition 5.

To exercise the Put Option, a Noteholder must within the Put Period deposit such Note(s) at the Specified Office of any Paying Agent, during normal business hours on any business day in the city of the specified office of any Paying Agent, together with a duly signed and completed notice of exercise in the then current form obtainable from any Paying Agent (a "**Put Notice**") and in which the Noteholder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 5. The Paying Agent with which a Note is so deposited shall deliver a duly completed receipt for such Note (a "**Put Option Receipt**") to the depositing Noteholder.

The Issuer shall redeem, or at its option purchase (or procure the purchase of), the relevant Notes, if any, on the date (the "**Put Date**") seven days after the expiration of the Put Period unless previously redeemed or purchased and cancelled. A Put Notice, once given, shall be irrevocable.

## 6. Guarantees

- (a) **Guarantees:** Subject to the occurrence of a Guarantee Event and the remaining provisions of this Condition 6, the payment of all sums expressed to be payable by the Issuer under the Notes will be unconditionally and irrevocably guaranteed on a joint and several basis by each Subsidiary of the Issuer that becomes a guarantor in accordance with this Condition 6 (each, a "**Guarantor**" and together, the "**Guarantors**"). In these Conditions, any such guarantee given by a Guarantor is referred to individually as a "**Guarantee**" and, together, as the "**Guarantees**".
- (b) **Status of the Guarantees:** The obligations of each Guarantor, if any, under its Guarantee will constitute direct, unconditional, senior, unsubordinated and (subject to Condition 7(a) (*Negative Pledge*)) unsecured obligations of such Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (c) **Identity of Guarantors:** The Issuer shall procure that:
  - (i) following the occurrence of a Guarantee Event, any Significant Subsidiary which is or becomes a guarantor in respect of any Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries becomes (and, until released in accordance with these Conditions, will continue to be) a Guarantor, unless such Significant Subsidiary is prohibited or restricted from providing a Guarantee by law or is otherwise prevented or restricted from providing a Guarantee as a result of general corporate or contractual restrictions applicable to such Significant Subsidiary, in each case after the Issuer has used its reasonable best endeavours (without requiring the Issuer to procure any change in jurisdiction of incorporation of such Significant Subsidiary or the purchase of any minority shareholder interest in such Significant Subsidiary) to enable such Significant Subsidiary to provide a Guarantee not subject to any restrictions or limitations; **provided that** in no event shall any of Wadi Properties Ltd or its subsidiaries be required to provide a guarantee pursuant to this Condition 6 (c) (i); and
  - (ii) any Subsidiary of the Issuer which incurs or provides a guarantee in respect of any International Capital Markets Indebtedness becomes (and, until released in accordance with these Conditions, will continue to be) a Guarantor.

Notwithstanding the foregoing, (A) the Issuer shall be obliged to comply with Condition 6(g) (*Limitations*), to the extent applicable, until such time as the Subsidiary is permitted to provide a Guarantee in respect of the Notes not subject to any restriction or limitation and (B) no Subsidiary of the Issuer shall be required to become or continue to be a Guarantor for so long as it is prohibited from providing a guarantee by law; **provided that**, if such prohibition or restriction is removed, the Issuer shall within 30 days thereof cause that Subsidiary to become a Guarantor.

- (d) **Accession of Guarantors:** If a Subsidiary of the Issuer is required to become a Guarantor pursuant to Condition 6(c) (*Identity of Guarantors*) or becomes a Guarantor pursuant to Condition 6(h) (*Optional Guarantors*), the Issuer shall procure the delivery to the Trustee and the Trustee's counsel of: (i) a supplemental trust deed duly executed by the relevant Subsidiary pursuant to which it agrees to be bound by the provisions of the Trust Deed; (ii) an Officers' Certificate certifying (A) that the giving of the guarantee by the Guarantor will not breach any applicable law to which such Guarantor is subject and (B) the matters outlined in (iii) below; and (iii) an opinion of legal advisers of recognised standing to the effect that delivery of such supplemental trust deed has been validly authorised and executed and that the obligations of the Subsidiary under its Guarantee constitute legal, valid and binding obligations ranking as provided in Condition 6(b) (*Status of the Guarantees*), and, upon delivery of such documents, the relevant Subsidiary shall be deemed to have become a Guarantor.

- (e) **Release of Guarantors:** If (i) a Release Event has occurred with respect to a Guarantor, (ii) no Event of Default has occurred and is continuing or would occur as a consequence of such release and (iii) other than in respect of a Release Event of the type referred to in paragraph (e) of the definition of Release Event, immediately following such release, the Issuer would be permitted to incur at least £1.00 of additional Financial Indebtedness pursuant to clause (x) of Condition 7(b) (*Limitation on Financial Indebtedness*), then the relevant Guarantor may, subject to Condition 6(g) (*Limitations*), be released from its obligations under its Guarantee.

As a condition to any release as aforesaid, the Issuer shall deliver to the Trustee and the Trustee's counsel an Officers' Certificate certifying that the above conditions to release have been satisfied together with, in the case of a Release Event of the type referred to in paragraph (e) of the definition of Release Event, an opinion of legal advisers of recognised standing to the effect that the relevant change in law has come into effect. The Trustee and the Trustee's counsel shall accept the Officers' Certificate together, if applicable, with the supporting documents mentioned above as sufficient evidence of the occurrence of such Release Event, in which event it shall be conclusive and binding on the Noteholders and each relevant Guarantor shall be immediately and effectively released from its obligations under its Guarantee.

The Issuer shall promptly notify the Noteholders of the release of any Guarantor pursuant to this Condition 6(e) (*Release of Guarantors*).

- (f) **Notification:** The Issuer shall promptly deliver an Officers' Certificate to the Trustee:
- (i) following the occurrence of a Guarantee Event, upon any Significant Subsidiary that is not already a Guarantor becoming a guarantor in respect of any Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries (including, to the extent applicable, an explanation of any legal limitation or prohibition or any general corporate or contractual restriction preventing such Significant Subsidiary from providing a guarantee with respect to the Notes) and upon any Subsidiary becoming a guarantor in respect of any International Capital Markets Indebtedness (including, to the extent applicable, an explanation of any legal limitation applicable to such guarantee); and
  - (ii) upon any Subsidiary of the Issuer becoming a Guarantor pursuant to Condition 6(d) (*Accession of Guarantors*) or Condition 6(h) (*Optional Guarantors*).
- (g) **Limitations:** Subject to the provisions of Condition 6(c) (*Identity of Guarantors*), if a Subsidiary of the Issuer who is required to be a Guarantor pursuant to this Condition 6 is prohibited or restricted by law from becoming a Guarantor, but such prohibition or restriction could be avoided by the inclusion of limitations in the Guarantee to be given by it, such Subsidiary of the Issuer shall become a Guarantor; **provided that** its Guarantee shall incorporate and shall be given subject to such limitations.

If, as a result of a change in law taking effect after the date on which a Subsidiary become a Guarantor, the Guarantee of a Guarantor becomes prohibited or restricted by law from continuing to be a Guarantor, but such prohibition or restriction could be avoided by the inclusion of limitations in the Guarantee given by it, the Guarantee of such Guarantor shall be deemed to incorporate the applicable limitations as at the date such change in law comes into effect, and the Issuer shall procure that the Guarantee of such Guarantor is amended within 30 days of the Issuer becoming aware of any such prohibition or restriction to reflect such limitations.

In the circumstances described above, the limitations applicable to such Guarantee shall be the minimum limitations required under relevant laws in order that the prohibition or restriction be avoided.

- (h) **Optional Guarantors:** The Issuer shall be permitted after the Closing Date to cause additional Subsidiaries to become Guarantors which are not otherwise required to become Guarantors pursuant to this Condition 6 (such Guarantors, "**Optional**

**Guarantors**"); **provided that** prior to any such Subsidiary becoming an Optional Guarantor, the Issuer shall procure the delivery to the Trustee of the documentation referred to in Condition 6(d) (*Accession of Guarantors*). Any Optional Guarantor shall be released at the request of the Issuer from its obligations under its Guarantee; **provided that** (i) no Event of Default has occurred and is continuing or would occur as a consequence of such release; (ii) such Optional Guarantor is not at the time of the proposed release otherwise required to be a Guarantor pursuant to this Condition 6; and (iii) following such release, the Issuer would be permitted to incur at least £1.00 of additional Financial Indebtedness pursuant to clause (x) of Condition 7(b) (*Limitation on Financial Indebtedness*).

## 7. Covenants

- (a) **Negative Pledge:** So long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist, and the Issuer will ensure that none of its Subsidiaries will create or permit to subsist, any Security upon the whole or any part of its present or future undertakings, assets or revenues (including any uncalled capital) to secure any International Capital Markets Indebtedness or any guarantee or indemnity in respect of any International Capital Markets Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.
- (b) **Limitation on Financial Indebtedness:** Other than Permitted Financial Indebtedness, the Issuer will not, and will procure that none of the Subsidiaries will, after the Closing Date, incur any additional Financial Indebtedness unless (x) on the date of the incurrence of such additional Financial Indebtedness the Coverage Ratio is greater than 1.50 to 1.0, determined on a pro forma basis, assuming for these purposes that such additional Financial Indebtedness has been incurred, and the net proceeds thereof applied, on the first day of the applicable Testing Period and (y) such Financial Indebtedness is incurred by the Issuer or a Guarantor.
- (c) **Limitation on Sales of Assets:** The Issuer will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:
  - (i) the Issuer (or the Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of;
  - (ii) at least 75 per cent. of the consideration received in the Asset Sale by the Issuer or such Subsidiary is in the form of cash or Cash Equivalents; and
  - (iii) within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Issuer or the Subsidiary) in accordance with the Asset Sale Proceeds Utilisation.

Pending the final application of any Net Proceeds, the Issuer (or the applicable Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by these Conditions.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in this Condition 7(c)(iii) will constitute "**Excess Proceeds**". When the aggregate amount of Excess Proceeds exceeds £5 million, within 10 business days thereof, the Issuer will make an Asset Sale Offer.



- (d) **Information and Reports:** So long as the Notes are outstanding and to the extent that the Issuer ceases to have equity securities listed on the London Stock Exchange plc (the "**London Stock Exchange**"), the Issuer shall provide the Trustee (which information shall be available to Noteholders and potential purchasers of the Notes):
- (i) as soon as the same become available, but in any event within 90 days after the end of each of its financial years, its audited consolidated financial statements for that financial year (including, without limitation, Consolidated EBITDA and Consolidated EBITDAR for such financial year);
  - (ii) as soon as the same become available, but in any event within 60 days after the end of each of the first half in each financial year, a report containing (a) its unaudited consolidated financial information for the year to date period ended such period, (including, without limitation Consolidated EBITDA and Consolidated EBITDAR for such period), an income statement and balance sheet for that period and the comparable prior year period and a cash flow statement for the first half of the financial year and the comparable prior year period and (b) an operating and financial review of the unaudited financial information and any material change between the current period and the corresponding period of the prior year; and
  - (iii) promptly after the occurrence of a material acquisition, disposition, restructuring of the Issuer and its Subsidiaries taken as a whole or change in auditors or any other material event of the Issuer and its Subsidiaries taken as a whole, a copy of each notice provided to the London Stock Exchange in accordance with applicable regulation containing a description of such event.

Each set of financial statements delivered by the Issuer pursuant to paragraphs (i), (ii) and (iii) above shall be certified by a director of the Issuer as fairly representing its consolidated financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.

All financial statements and financial information shall be prepared in accordance with IFRS.

## 8. **Payments**

- (a) **Principal:** Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Sterling cheque drawn on, or by transfer to a Sterling account (or other account to which Sterling may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.
- (b) **Interest:** Payments of interest shall, subject to Condition 8(f) (*Payments other than in respect of matured Coupons*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 8(a) (*Principal*).
- (c) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) **Deduction for unmatured Coupons:** If a Note is presented without all unmatured Coupons relating thereto, then:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for

payment; **provided, however**, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
  - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however**, that where this sub-paragraph (A) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however**, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 8(a) (*Principal*) against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

- (e) ***Payments on business days:*** If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "business day" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Sterling account as referred to above, on which the TARGET System is open.
- (f) ***Payments other than in respect of matured Coupons:*** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) ***Partial payments:*** If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

## 9. **Taxation**

All payments in respect of the Notes by or on behalf of the Issuer or a Guarantor, if applicable, shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by applicable laws or regulations. In that event the Issuer or, a relevant Guarantor, if applicable (subject to the terms of the Guarantee) shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or under a Guarantee, if applicable:

- (a) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than (i) the mere holding of such Note, or (ii) the receipt of principal, interest, or other amounts in respect of such Note; or
- (b) where (in the case of payment of principal or interest on redemption) the relevant Note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant holder thereof would have been entitled to such additional amounts if it had surrendered the relevant Note on the last day of such period of 30 days; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to conform to this Directive; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a Member State of the European Union; or
- (e) (in respect of any payment by the Issuer) to, or to a third party on behalf of, a Noteholder in respect of whom the Issuer does not receive such information (which may include a tax residence certificate) concerning such Noteholder's identity and tax residence as it may require in order to comply with applicable English legislation from time to time in force.

#### 10. **Events of Default**

If any of the following events occurs and is continuing (each, an "**Event of Default**"), then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified, prefunded or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.

- (a) **Non-payment:** The Issuer or a Guarantor, if applicable, fails to pay the principal of, or premium (if any) on, any of the Notes on the due date for payment thereof or fails to pay the interest in respect of the Notes when due and such failure continues for a period of five Business Days in the case of principal or seven Business Days in the case of interest; or
- (b) **Breach of other obligations:** The Issuer or a Guarantor, if applicable, defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Trust Deed or, as the case may be, a relevant Guarantee, if applicable, and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof, to the Issuer and the relevant Guarantor, if applicable; or
- (c) **Cross-Default of Issuer or Subsidiary:**
  - (i) Any Financial Indebtedness (other than Non-Recourse Debt) of the Issuer or any of the Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such Financial Indebtedness (other than Non-Recourse Debt) becomes due and payable (or becomes capable of being declared) prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or borrower or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such Financial Indebtedness (other than Non-Recourse Debt); or

- (iii) the Issuer or any of the Subsidiaries relevant borrower fails to pay when due any amount payable by it under any guarantee of any such Financial Indebtedness;

**provided that** the amount of Financial Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds £10 million (or its equivalent in any other currency or currencies); or

- (d) **Unsatisfied judgment:** One or more judgment(s) or order(s) for the payment of an amount in excess of £10 million (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer or any of the Significant Subsidiaries and continue(s) unsatisfied or unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) **Security enforced:** A secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of the Significant Subsidiaries; or
- (f) **Insolvency, etc:** (i) the Issuer or any of the Significant Subsidiaries becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Issuer or any of the Significant Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of the Significant Subsidiaries is appointed (or application for any such appointment is made), save for the purposes of an amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) (in the case of a Significant Subsidiary only) not involving or arising out of the insolvency of the Significant Subsidiary under which all or substantially all of its assets are transferred to the Issuer or to another of the Issuer's Subsidiaries, or (B) (in the case of a Significant Subsidiary only) under which all or substantially all of its assets are transferred to a third party or parties (whether associated or not) for full consideration received by the Significant Subsidiary on an arm's length basis, or (C) (in the case of a Significant Subsidiary only) under which all or substantially all of its assets are transferred and the transferee is, or immediately upon such transfer becomes, a Significant Subsidiary, or (D) (in the case of the Issuer or a Significant Subsidiary) on terms previously approved in writing by the Trustee, acting upon a resolution of the Noteholders; **provided that**, in any case of a transfer under clause (A) or (C) above by a Significant Subsidiary that was a Guarantor at or immediately prior to the time of the appointment of an administrator or liquidator, the Subsidiary of the Issuer which is the transferee shall forthwith become a Guarantor in accordance with Condition 6(d) (*Accession of Guarantors*); or (iii) the Issuer or any of its Significant Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Financial Indebtedness or any guarantee of any Financial Indebtedness given by it; or
- (g) **Winding up, etc.:** An order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of the Significant Subsidiaries (otherwise than, in the case of a Significant Subsidiary only, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent that would satisfy the requirements of any of clauses (A), (B), (C) or (D) of Condition 10(f)(ii) (*Insolvency, etc*) were sub-paragraph (f)(ii) to apply); or
- (h) **Analogous event:** Any event occurs which under any applicable laws has an analogous effect to any of the events referred to in Condition 10(d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) (both inclusive).

## 11. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Trustee subject to all applicable laws and stock exchange requirements or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and

otherwise as the Issuer and any Guarantors, if applicable, may require (**provided that** the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Notes must be surrendered before replacements will be issued.

12. **Meetings of Noteholders, Modification and Waiver**

- (a) ***Meetings of Noteholders.*** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than one-tenth of the aggregate in principal amount of the outstanding Notes. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than half in principal amount of the outstanding Notes, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the outstanding Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes, (iv) to change the currency of payment under the Notes or the Coupons, (v) to change the quorum requirements relating to meetings of Noteholders or the majority required to pass an Extraordinary Resolution, (vi) to exchange, convert or substitute the Notes for or into shares, notes or other obligations or securities of the Issuer or its subsidiaries (other than as permitted by the Trust Deed), (vii) to modify any of the provisions of Condition 7 (*Covenants*) in which case the necessary quorum will be two or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one quarter, in principal amount of the Notes for the time being outstanding or (viii) amend the definition which lists the type of the proposals requiring such increased quorum in the Trust Deed. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) ***Modification and Waiver.*** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed (except as mentioned in the Trust Deed), the Notes or any Guarantees which is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Notes or any Guarantees which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, such modification shall be notified by the Issuer to the Noteholders as soon as practicable.

The Trustee may call for and shall be entitled to rely upon an Officers' Certificate and/or an opinion of legal advisers of recognised standing in formulating its opinion on the matters set out in this Condition 12 (*Meetings of Noteholders, Modification and Waiver*), Condition 7 (*Covenants*) or Condition 10 (*Events of Default*) as at any given time or for any specified period to which these Conditions, covenants and/or matters relate, as applicable, or as to compliance by the Issuer and/or any Guarantors with any of the covenants and/or matters contained in these Conditions, in which event such an opinion of legal advisers of recognised standing and/or Officers' Certificate shall be conclusive and binding on all parties and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any liability that may be occasioned by it or any

other person acting on such Officers' Certificate and/or an opinion of legal advisers of recognised standing.

- (c) **Entitlement of the Trustee.** In connection with the exercise of its functions (including but not limited to those referred to in this Condition 12 (*Meetings of Noteholders, Modification and Waiver*)) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or a Guarantor, if any; any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

13. **Notices**

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trust Deed may approve. Notice of any meeting of Noteholders must be given in accordance with the rules of the London Stock Exchange.

14. **Further Issues**

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Notes) or in all respects except for the first payment of interest on them and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Notes) or upon such terms as to interest, conversion, redemption and otherwise as the Issuer may determine at the time of their issue.

15. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

16. **Governing Law and Jurisdiction**

- (a) **Governing Law:** Save as described below, the Trust Deed, the Notes, any Guarantees and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or any Guarantees (including any non-contractual obligations arising out of or in connection with them) and accordingly any legal action or proceedings arising out of or in connection with the Notes or any Guarantees ("**Proceedings**") may be brought in such courts. The Issuer and any Guarantors irrevocably submit to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction, nor shall the

taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

- (c) **Agent for Service of Process:** The Issuer and any Guarantors irrevocably appoint The Company Secretary at Stobart Group, Stretton Green Distribution Park, Langford Way, Appleton, Warrington, Cheshire, WA4 4T2 as its agent in England to receive service of process in any Proceedings in England. If for any reason the Issuer or a Guarantor, if applicable and as the case may be, does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## 17. Definitions

In these Conditions, unless otherwise provided:

**"Applicable Premium"** means the excess, if any, of: the present value on the relevant Redemption Date of:

- (a) the principal amount of the Note, *plus*
- (b) all required interest payments due on the Note to and including the Final Maturity Date, discounted at the Benchmark Yield plus 0.5%, over the principal amount of such Note on such Redemption Date.

**"Asset Sale"** means:

- (a) the sale, lease, conveyance or other disposition of any assets by the Issuer or any of its Subsidiaries; **provided, however, that** the sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Subsidiaries taken as a whole will be governed by the provisions of Condition 5 (*Change of Control*) and not by the provisions described under Condition 7(c) (*Limitation on Sale of Assets*); and
- (b) the issuance of Equity Interests by any Subsidiary or the sale by the Issuer or any of its Subsidiaries of Equity Interests in any of the Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the preceding paragraphs (a) and (b), none of the following items will be deemed to be an Asset Sale:

- (i) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than £5 million;
- (ii) a transfer of assets or Equity Interests between or among the Issuer and any Subsidiary;
- (iii) an issuance of Equity Interests by a Subsidiary to the Issuer or to a Subsidiary;
- (iv) any sale or other disposition of damaged, worn-out or obsolete assets or assets that are no longer useful in the conduct of the business of the Issuer and its Subsidiaries;
- (v) of assets (other than shares, businesses, real property or intellectual property) in exchange for other assets comparable or superior as to type, value or quality;
- (vi) licenses and sublicenses by the Issuer or any of its Subsidiaries in the ordinary course of business;
- (vii) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;
- (viii) the sale or other disposition of cash or Cash Equivalents;

- (ix) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings;
- (x) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (xi) the sale, lease or other transfer of accounts receivable, inventory or other assets carried out in the ordinary course of business of the Issuer or its Subsidiaries; and
- (xii) swaps of assets for other similar assets or assets whose value is at least equal in terms of type, Fair Market Value and quality, to the assets being swapped.

**"Asset Sale Offer"** means an offer by the Issuer to all holders of Notes, provided that the Issuer make an offer to all holders of other Financial Indebtedness that is *pari passu* with the Notes or any Guarantees, to purchase, prepay or redeem the maximum principal amount of Notes and such other *pari passu* Financial Indebtedness (plus all accrued interest on the Financial Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds or as determined by the Issuer in connection with the Asset Sale Proceeds Utilisation. The offer price for the Notes and any other *pari passu* indebtedness in any Asset Sale Offer will be equal to 100%, of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to (but not including) the date of purchase, prepayment or redemption, subject to the rights of Noteholders to receive interest due on any relevant Interest Payment Date, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by these Conditions. If the aggregate principal amount of Notes and other *pari passu* Financial Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, such Notes and such other *pari passu* Financial Indebtedness, if applicable, will be purchased on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

If the Issuer makes an Asset Sale Offer to Noteholders, it shall give notice to the Noteholders in accordance with Condition 13 (*Notices*) specifying the procedure for exercising the Asset Sale Offer.

To accept the Asset Sale Offer, a Noteholder must within the period of 30 days after publication of a notice of the relevant offer in accordance with Condition 13 (*Notices*) (the "**Offer Period**"), deposit such Notes at the Specified Office of the Paying Agent, during normal business hours on any business day in the city of the specified office of the Paying Agent, together with a duly signed and completed notice of exercise in the then current form obtainable from the Paying Agent (an "**Offer Acceptance Notice**") and in which the Noteholder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made.

The Issuer shall redeem, or at its option, purchase (or procure the purchase of), the relevant Notes on the date seven days after the expiration of the Offer Period unless previously redeemed or purchased and cancelled. An Offer Acceptance Notice, once given, shall be irrevocable.

**"Asset Sale Proceeds Utilisation"** means the investment of Net Proceeds:

- (a) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price equal to 100 per cent., of the principal amount thereof, plus accrued and unpaid interest to (but not including) the date of purchase pursuant to an Asset Sale Offer;
- (b) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Subsidiary;



- (c) to make a capital expenditure;
- (d) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business;
- (e) to repurchase, prepay, redeem or repay Financial Indebtedness which is *pari passu* in right of payment with the Notes or any Guarantee;
- (f) by entering into a binding commitment to apply the Net Proceeds pursuant to the foregoing paragraphs (b), (c) or (d); **provided that** such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365 day period;
- (g) to pay dividends on the Issuer's Equity Interests; provided that such dividends may only be paid if the Issuer were able to incur £1.00 of Financial Indebtedness in compliance with clause (x) of Condition 7(b) (*Limitation on Financial Indebtedness*) assuming the ratio therein were set at 2.0x; or
- (h) any combination of any of the applications permitted by the foregoing paragraphs (a) to (g).

**"Benchmark Yield"** means, with respect to any redemption date, the yield to maturity as of such redemption date of UK Government Securities with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to 1 December 2018; **provided, however, that** if the period from such redemption date to 1 December 2018 is less than one year, the weekly average yield on actually traded UK Government Securities denominated in Sterling adjusted to a fixed maturity of one year shall be used.

**"Board of Directors"** means the board of directors of the Issuer.

**"business day"** means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

**"Capital Stock"** means:

- (a) in the case of a corporation, share capital;
- (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (d) any other interest or participation that confers on a person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

**"Cash Equivalents"** means:

- (a) any liabilities, as recorded on the balance sheet of the Issuer or any Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes and/or any Guarantee), that are assumed by the transferee of any such assets and as a result of which the Issuer and its Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;
- (b) any securities, notes or other obligations received by the Issuer or any Subsidiary from such transferee that either:

- (i) are to be converted by the Issuer or such Subsidiary into cash or other Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or other Cash Equivalents received in that conversion; or
  - (ii) if to be converted into cash or other Cash Equivalents more than 180 days following the closing of the Asset Sale, have a final maturity falling no later than two years from the date of receipt and are fully guaranteed up to and including final maturity by an International Financial Institution, to the extent of the aggregate principal amount expressed to be payable on or in respect of such securities, notes or other obligations;
- (c) any Capital Stock or assets of the kind referred to in paragraphs (b) or (d) of the definition of Asset Sale Proceeds Utilisation;
- (d) any consideration consisting of Equity Interests in an entity (including a Subsidiary) engaged in a Permitted Business received in connection with the sale or exchange of an Equity Interest in another entity, so long as after giving effect to such transaction, the entity in which the Equity Interest has been sold or exchanged remains a Subsidiary if it was a Subsidiary prior to such transaction;
- (e) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union as of January 1, 2004, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union as of January 1, 2004 or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;
- (f)
  - (x) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits (and similar instruments) with maturities of 12 months or less from the date of acquisition issued by and (y) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union as of January 1, 2004 or of the United States of America or any state thereof, Switzerland or Canada; **provided that** such bank or trust company has capital, surplus and undivided profits aggregating in excess of £500,000,000 (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated A or higher by Moody's or A or higher by S&P (or the equivalent rating category of another internationally recognized rating agency);
- (g) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in paragraphs (a) and (b) above entered into with any financial institution meeting the qualifications specified in paragraph (b) above;
- (h) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and
- (i) holdings in money market funds at least 95 per cent. of the assets of which constitute Cash Equivalents of the kinds described in paragraphs (a) through (h) of this definition.

A "Change of Control" shall occur:

- (a) if (whether or not approved by the Board of Directors of the Issuer) any person or group of persons acting in concert at any time following the Closing Date acquires:
  - (i) the holding directly or indirectly of:
    - (A) more than 50 per cent. of the issued ordinary share capital of the Issuer;
    - or

- (B) such number of the shares in the capital of the Issuer carrying more than 50 per cent. of the Voting Rights normally exercisable at a general meeting of the Issuer; or
- (ii) whether by the ownership of share capital or the possession of voting power, by contract or otherwise, the ability, directly or indirectly, to appoint or dismiss all or the majority of the members of the Board of Directors or other governing body of the Issuer; or
- (b) following the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Group taken as a whole to any person or group of persons acting in concert.

**"Closing Date"** means 4 December 2012.

**"Consolidated EBIT"** means, in respect of any Testing Period, the consolidated operating profit of the Group before taxation excluding the results from discontinued operations:

- (a) before deducting any Finance Charges;
- (b) not including any accrued interest owing to the Issuer or any Subsidiary;
- (c) before taking into account any Exceptional Items;
- (d) after deducting the amount of any profit (or adding back the amount of any loss) of the Group which is attributable to minority interests;
- (e) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instrument which is accounted for on a hedge accounting basis);
- (f) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset;
- (g) excluding the charge to profit represented by the expensing of stock options; and
- (h) before taking into account any profit or loss on any property assets disposed of by the Group,

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation.

**"Consolidated EBITDA"** means, in respect of any Testing Period, Consolidated EBIT for that Testing Period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of the Group (and taking no account of the reversal of any previous impairment charge made in that Testing Period).

**"Consolidated EBITDAR"** means, in respect of any Testing Period, Consolidated EBITDA for that Testing Period after adding back the amount shown in the relevant accounts as the expense relating to Consolidated Operating Lease Rentals.

**"Consolidated Operating Lease Rentals"** means, in respect of any Testing Period, the aggregate amount paid by the Group to persons who lease vehicles, trailers, land or other assets to the Issuer or any Subsidiary pursuant to the terms of a lease which is not classified as a Finance Lease.

**"Consolidated Net Borrowings"** means, at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of any indebtedness of the Group for or in respect of:

- (a) moneys borrowed and debit balances at banks or other financial institutions;

- (b) any acceptances under any acceptance credit or bill discount facility (or dematerialised equivalent);
- (c) any note purchase facility or the issue of bond (but not trade instruments), notes, debentures, loan stock or any similar instrument;
- (d) any Finance Lease;
- (e) receivables sold or discounted (including any receivables sold by the Issuer or any Subsidiary to a third party (whether on a recourse or on a non-recourse basis) for so long as such receivable has not been collected and the underlying debt owing discharged);
- (f) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of any liabilities of the Issuer or any Subsidiary relating to any post-retirement benefit scheme;
- (g) any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) before the Final Maturity Date or are otherwise classified as borrowings under IFRS;
- (h) any amount of any liability under an advance or deferred purchase agreement if:
  - (i) one of the primary reasons behind the entry into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question; or
  - (ii) the agreement is in respect of the supply of assets or services and payment is due more than 60 days after the date of supply;
- (i) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under IFRS; and
- (j) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

**"Consolidated Net Finance Charges"** means, in respect of any Testing Period, the aggregate of:

- (a) Net Finance Charges for that Testing Period; and
- (b) Consolidated Operating Lease Rentals for that Testing Period,

and so that no amount shall be included more than once.

**"control"** means (a) the acquisition or control of more than 50 per cent. of the Voting Rights or (b) the right to appoint and/or remove all or the majority of the members of the board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise and **"controlled"** shall be construed accordingly.

**"Coverage Ratio"** means, as at any date of determination (a **"Calculation Date"**), the ratio of (x) the Consolidated EBITDAR for the Testing Period preceding such date of determination to (y) the Consolidated Net Finance Charges for such Testing Period. In the event that the Issuer or any Subsidiary incurs, assumes, guarantees, repays, repurchases, redeems, or otherwise discharges any Financial Indebtedness subsequent to the commencement of the period for which the calculation of the Coverage Ratio is made, then the Coverage Ratio will be calculated giving pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption or other discharge of Financial Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable Testing Period.

In addition, for the purposes of calculating the Coverage Ratio as at any Calculation Date:

- (a) acquisitions that have been made by the Issuer or any Subsidiary, including through mergers or consolidations including all related financing transactions and including increases in ownership of Subsidiaries, during the Testing Period or subsequent to such Testing Period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of such Testing Period;
- (b) the Consolidated EBITDAR attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (c) the Consolidated Net Finance Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Consolidated Net Finance Charges will not be obligations of the Issuer or any Subsidiary following the Calculation Date;
- (d) any person that is a Subsidiary on the Calculation Date will be deemed to have been a Subsidiary at all times during such Testing Period;
- (e) any person that is not a Subsidiary on the Calculation Date will be deemed not to have been a Subsidiary at any time during such Testing Period;
- (f) if any Financial Indebtedness bears a floating rate of interest, the interest expense on such Financial Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any hedging arrangement applicable to such Financial Indebtedness if such hedging arrangement has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Financial Indebtedness);
- (g) if any Financial Indebtedness is incurred under a revolving credit facility and is being given pro forma effect, the interest on such Financial Indebtedness shall be calculated based on the average daily balance of such Financial Indebtedness for the Testing Period subject to the pro forma calculation to the extent that such Financial Indebtedness was incurred solely for working capital purposes; and
- (h) interest on a capitalised lease obligation shall be deemed to accrue at an interest rate determined in good faith by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such capitalised lease obligation in accordance with IFRS.

**"Credit Facilities"** means one or more of (a) the Term Facility Agreement, dated 28 May 2010 (as amended 9 August 2010, 25 November 2010, 17 January 2011, 24 February 2011, 16 March 2011, 29 June 2011, 16 September 2011, 23 December 2011, 17 February 2012, 15 March 2012, 13 April 2012 and 1 November 2012), among the Issuer and the other parties named therein, (b) any bilateral revolving credit facility made available to the Issuer or any Subsidiary and (c) other facilities or arrangements, in each case with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including, without limitation, through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or the creation of any Security Interests in respect of such receivables in favour of such institutions), letters of credit or other Financial Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee agreement, letter of credit applications and other guarantees, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured (including with respect to structural or contractual subordination), replaced,

renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, commercial paper programs or facilities, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "**Credit Facility**" shall include any agreement (i) changing the maturity of any Financial Indebtedness incurred thereunder or contemplated thereby, (ii) adding Subsidiaries as additional borrowers or guarantors thereunder, (iii) increasing the amount of Financial Indebtedness incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"**Default**" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Event of Default**" has the meaning provided in Condition 10 (*Events of Default*).

"**Exceptional Items**" means any material items of an unusual or non-recurring nature which represent gains or losses including those arising on:

- (a) the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring;
- (b) disposals, revaluations or impairment of non-current assets; and
- (c) disposals of assets associated with discontinued operations.

"**Fair Market Value**" means, with respect to any asset or property, the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by an Officer or another responsible accounting or financial officer of the Issuer.

"**Final Maturity Date**" means 4 December 2018.

"**Finance Charges**" means, for any Testing Period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in the nature of interest in respect of Consolidated Net Borrowings whether paid, payable or capitalised by the Issuer or any Subsidiaries (calculated on a consolidated basis) in respect of that Testing Period:

- (a) including fees payable in connection with the issue or maintenance of any bond letter of credit, guarantee or other assurance against financial loss which constitutes Consolidated Net Borrowings and is issued by a third party on behalf of the Issuer or any Subsidiaries;
- (b) including commitment, utilisation and non-utilisation fees;
- (c) including the interest (but not the capital) element of payments in respect of Finance Leases;
- (d) including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) the Issuer or any Subsidiaries under any interest rate hedging arrangement;
- (e) excluding any interest cost or expected return on plan assets in relation to any post-employment benefit schemes;
- (f) if a joint venture is accounted for on a proportionate consolidation basis, after adding the Group's share of the finance costs or interest receivable of the joint venture; and

- (g) taking no account of any unrealised gains or losses on any derivative instruments other than any derivative instruments which are accounted for on a hedge accounting basis,

and so that no amount shall be added (or deducted) more than once.

**"Finance Lease"** means any lease or hire purchase contract or similar which would, in accordance with IFRS, be treated as a finance or capital lease.

**"Financial Year"** means the annual accounting period of the Group ending on or about 28 February in each year.

**"Financial Indebtedness"** means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (including receivables sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in clauses (a) to (h) above.

**"Group"** means the Issuer and its Subsidiaries from time to time.

**"guarantee"** means, in relation to any Financial Indebtedness of any person, any obligation of another person to pay such Financial Indebtedness including (without limitation):

- (a) any obligation to purchase such Financial Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and
- (d) any other agreement to be responsible for such Financial Indebtedness.

**"Guarantee Event"** shall occur as a result of one of the following events:

- (a) in the event that Issuer were unable to incur £1.00 of Financial Indebtedness in compliance with clause (x) of Condition 7(b) (*Limitation on Financial Indebtedness*) assuming the ratio therein was set at 1.75x, which ratio be tested on a semi-annual basis on the dates that financial statements are delivered pursuant to Condition 7(d) (*Information and Reports*);

- (b) other than those outstanding as of the Closing Date, the Issuer or one of its Subsidiaries provides a Guarantee in respect of any Financial Indebtedness, including Refinancing Indebtedness;
- (c) if, following the three month anniversary of the Closing Date, the Issuer or one of its Subsidiaries amends, waives or modifies the terms of its Financial Indebtedness (other than Non-Recourse Debt); or
- (d) the Issuer or a Subsidiary defaults, or is expected to default, in the performance or observance of any of its other obligations under its Financial Indebtedness (other than Non-Recourse Debt).

"**IFRS**" means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"**incur**" means issue, assume, enter into a guarantee of, incur or otherwise become liable for **provided, however, that** any Financial Indebtedness of a person existing at the time such person was directly or indirectly acquired by the Issuer or when such person otherwise becomes a Subsidiary (whether by merger, consolidation acquisition or otherwise) shall be deemed to be incurred by a Subsidiary at the time it was directly or indirectly acquired by the Issuer or on the date on which such person otherwise becomes a Subsidiary. The term "**incurrence**" when used as a noun shall have a correlative meaning. Solely for the purposes of determining compliance with Condition 7(b) (*Limitation on Financial Indebtedness*), the following will not be deemed to be the incurrence of Financial Indebtedness:

- (a) amortisation of debt discount or the accretion of principal with respect to a non-interest bearing or other discount debt or debt that capitalises interest;
- (b) the payment of regularly scheduled interest in the form of additional Financial Indebtedness of the same instrument; and
- (c) the obligation to pay a premium in respect of Financial Indebtedness in accordance with the terms of such Financial Indebtedness arising in connection with the issuance of a notice of redemption or the making or mandatory offer to purchase such Financial Indebtedness (other than Non-Recourse Debt).

"**Indebtedness for Borrowed Money**" means Financial Indebtedness save for or in respect of paragraphs (g) and (h) of the definition of "**Financial Indebtedness**".

"**International Capital Markets Indebtedness**" means any Financial Indebtedness of the Issuer which is (i) in the form of or represented by any bond, note, debenture, certificate or other instrument which (whether or not publicly offered) is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and (ii) denominated or in any circumstances payable in Sterling, US dollars, Euros, Swiss Francs or Japanese Yen.

"**International Financial Institution**" means a financial institution which has capital, surplus and undivided profits aggregating in excess of £500,000,000 (or the foreign currency equivalent thereof) and which has a long-term debt rating of A2 or higher by Moody's or A or higher by S&P (or the equivalent rating category of another internationally recognized rating agency).

"**Moody's**" means Moody's Investors Service Limited or any successor thereto from time to time.

"**Net Finance Charges**" means, for any Testing Period, the Finance Charges for that Testing Period after deducting any interest payable in that Testing Period to the Issuer or any Subsidiaries on any cash or Cash Equivalents.

"**Net Proceeds**" means the aggregate cash proceeds received by the Issuer or any of its Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales



commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and all distributions and other payments required to be made to minority interest holders (other than the Issuer or any Subsidiary) in joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

**"Non-Recourse Debt"** means Financial Indebtedness:

- (1) as to which neither the Issuer nor any of its Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Financial Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;
- (2) no default with respect to which (including any rights that the holders of the Financial Indebtedness may have to take enforcement action against a Subsidiary) would permit upon notice, lapse of time or both any holder of any other Financial Indebtedness (other than the Notes) of the Issuer or any of its Subsidiaries to declare a default on such other Financial Indebtedness or cause the payment of the Financial Indebtedness to be accelerated or payable prior to its stated maturity; and
- (3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Issuer or any of its Subsidiaries.

**"Officer"** means the Chairman of the Board, the Vice Chairman of the Board or any member of the Management Committee (or an equivalent body in respect of any relevant Guarantor).

**"Officers' Certificate"** means a certificate signed by two Officers of the Issuer or, as the case may be, a Guarantor, if any, in each case who are disinterested in and whose responsibilities extend to the subject matter of such certificate.

**"Permitted Business"** means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries on the Closing Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

**"Permitted Financial Indebtedness"** means the following Financial Indebtedness:

- (a) incurred pursuant to Credit Facilities in an aggregate principal amount not exceeding £225 million at any time outstanding;
- (b) of the Issuer owing to any of its Subsidiaries or of any of the Subsidiaries owing to the Issuer or any other Subsidiary; **provided that:**
  - (i) if the Issuer or any Guarantor is the obligor and the payee is not the Issuer or a Guarantor, such Financial Indebtedness must be expressly subordinated in right of payment to the prior payment in full of all amounts outstanding under the Notes or any Guarantees, as applicable; and
  - (ii) the payee remains a member of the Group;
- (c) under these Notes and any Financial Indebtedness outstanding on the Closing Date and which is not otherwise permitted under this definition (*Permitted Financial Indebtedness*);
- (d) in respect of non-speculative hedging agreement and arrangements, cash pooling arrangements, trade payables not exceeding 180 days, worker's compensation claims, self-insurance obligations, performance, surety and similar bonds, completion guarantees and customary indemnification, adjustment of purchase price or similar obligations in connection with the acquisition or disposition of any business, asset or capital stock of a Subsidiary in each case incurred in the ordinary course of business;

- (e) the guarantee by the Issuer or a Subsidiary of Financial Indebtedness that was permitted to be incurred pursuant to another provision of Condition 7(b) (*Limitation on Financial Indebtedness*) or any Indebtedness incurred by a Subsidiary by virtue of it becoming a Guarantor pursuant to Condition 6 (*Guarantees*);
- (f) any Refinancing Indebtedness incurred with respect to the refinancing of any Financial Indebtedness (other than intra-Group Financial Indebtedness) permitted under clause (x) of Condition 7(b) (*Limitation on Financial Indebtedness*) or paragraph (c) of this definition;
- (g) debt represented by capital lease obligations, mortgage financing or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of the plant, property or equipment used in the Issuer's or Guarantor's businesses; **provided that** the aggregate of such debt permitted to be outstanding pursuant to this sub-paragraph shall not at any time exceed £25 million;
- (h) any Non-Recourse Debt by a non-Guarantor Subsidiary; and
- (i) incurred in any other manner; **provided that** the aggregate of such Financial Indebtedness permitted to be outstanding pursuant to this paragraph shall not at any time exceed £10 million.

For purposes of determining compliance with any Sterling-denominated restriction on the incurrence of Financial Indebtedness in connection with the definition or Condition 7(b) (*Limitation on Financial Indebtedness*), the Sterling Equivalent of the principal amount of Financial Indebtedness denominated in another currency will be calculated based on the most recently published quarterly financial statements to the extent shown therein or otherwise, based on the relevant currency exchange rate in effect on the date such Financial Indebtedness was incurred, in the case of term Financial Indebtedness, or first committed, in the case of Financial Indebtedness in respect of revolving loans incurred under a Credit Facility; **provided that**, if and for so long as any such Financial Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Financial Indebtedness is denominated covering principal and interest on such Financial Indebtedness, the amount of such Financial Indebtedness, if denominated other than in Sterling, will be the amount of the principal payment required to be made under such currency agreement and, otherwise, the Sterling Equivalent of such amount plus the Sterling Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement.

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, unincorporated association, limited liability company, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

"**Put Period**" means 30 days after a Put Event Notice has been published in accordance with Condition 13 (*Notices*).

"**Redemption Date**" means the sixth business day prior to the date on which the Notes are to be redeemed pursuant to Condition 4(b) (*Redemption at the option of the Issuer*).

"**Refinancing Indebtedness**" means any Financial Indebtedness that refinances any Financial Indebtedness in compliance with Condition 7(b) (*Limitation on Financial Indebtedness*); **provided, however that:**

- (a) such Refinancing Indebtedness has a stated maturity no earlier than the stated maturity of the Financial Indebtedness being refinanced; and
- (b) such Refinancing Indebtedness has an aggregate principal amount (or if issued with an original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding or committed (plus fees and expenses, including any premiums) under the Financial Indebtedness being refinanced.

A "**Release Event**" shall occur:

- (a) in relation to a Guarantor who was required to become a Guarantor in accordance with sub-paragraph (i) of Condition 6(c) (*Identity of Guarantors*), if at any time while the Notes remain outstanding there is no Financial Indebtedness for Borrowed Money of the Issuer (other than the Notes) or any Subsidiary which is guaranteed by such Guarantor; **provided that** such Subsidiary is not otherwise required to be a Guarantor in accordance with sub-paragraph (ii) of Condition 6(c) (*Identity of Guarantors*); and
- (b) in relation to a Guarantor who was required to become a Guarantor in accordance with sub-paragraph (ii) of Condition 6(c) (*Identity of Guarantors*); if at any time while the Notes remain outstanding there is no International Capital Markets Indebtedness guaranteed by such Guarantor, **provided that** the Guarantor is not otherwise required to be a Guarantor in accordance with sub-paragraph (i) of Condition 6(c) (*Identity of Guarantors*);
- (c) in relation to any Guarantor, following any sale or other disposition of all or substantially all of the assets of such Guarantor (including by way of merger, consolidation, amalgamation or combination) to a person that is not (either before or after giving effect to such transaction) the Issuer or a Subsidiary, provided such sale or other disposition is in compliance with the provisions of Condition 7(d) (*Limitation on Sale of Assets*);
- (d) in relation to any Subsidiary that is a Guarantor, if such Guarantor ceases to be a Subsidiary; and
- (e) if, as a result of a change in law taking effect after the date upon which the relevant Subsidiary became a Guarantor, it has become unlawful for any Guarantor to perform or comply with its obligations under or in respect of its Guarantee, other than in the case where a Guarantor amends its Guarantee in accordance with Condition 6(g) (*Limitations*).

"**Relevant Date**" means, in respect of any Note, whichever is the later of (i) the date on which payment in respect of it first becomes due and (ii) if any amount of the money payable is improperly withheld or refused, the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) that, upon further presentation of the Note, where required pursuant to these Conditions, being made, such payment will be made; **provided that** such payment is in fact made as provided in these Conditions.

"**S&P**" means Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc or any successor thereto from time to time.

"**Security**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Significant Subsidiary**" means:

- (a) a Subsidiary of the Issuer the consolidated net assets (excluding net intercompany loans), net sales and operating profit before interest and tax of which as at the date as at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which those financial statements relate, account for 5% or more of the consolidated net assets (excluding net intercompany balances), net sales and operating profit before interest and tax, respectively, of the Group (each as calculated by reference to the latest audited consolidated financial statements of the Group); or
- (b) a Subsidiary of the Issuer to which has been transferred (whether in a single transaction or a series of transactions (whether related or not)) the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transaction(s) was a Significant Subsidiary.

For the purposes of this definition:

- (i) if a Subsidiary becomes a Significant Subsidiary under paragraph (b) above, the Significant Subsidiary by which the relevant transfer was made shall, subject to paragraph (a) above, cease to be a Significant Subsidiary; and
- (ii) if a Subsidiary is acquired by the Issuer after the end of the financial period to which the latest audited consolidated financial statements of the Group relate, those financial statements shall be adjusted as if that Subsidiary had been shown in them by reference to its then latest audited financial statements (consolidated if appropriate) until audited consolidated financial statements of the Group for the financial period in which the acquisition is made have been prepared.

**"Sterling Equivalent"** means, with respect to any monetary amount in a currency other than Sterling, at any time of determination thereof, the amount of Sterling obtained by converting such currency other than Sterling involved in such computation into Sterling at the spot rate for the purchase of Sterling with the applicable currency other than Sterling as published in the *Financial Times* in the "Currency Rates" section (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

**"Subsidiary"** means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

**"TARGET Settlement Day"** means any day on which the TARGET System is open for the settlement of payments in Sterling.

**"TARGET System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

**"Tax Jurisdiction"** means any jurisdiction under the laws of which the relevant Issuer or any Guarantor is organised or in which it is resident for tax purposes, or any political subdivision or any authority thereof or therein having power to tax.

**"Testing Period"** means, with respect to any Calculation Date, the Issuer's most recently ended four full consecutive fiscal quarters.

**"Voting Rights"** means the right generally to vote at a general meeting of shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

References to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Permanent Global Note contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the Conditions. The following is a summary of certain of those provisions. Terms defined in the Conditions have the same meanings when used below:

### 1. Exchange

The Permanent Global Note is exchangeable in whole but not in part (free of charge to the holder) for the definitive Notes described below if the Permanent Global Note is held on behalf of Euroclear and Clearstream, Luxembourg or any alternative clearing system approved by the Trustee (the "**Alternative Clearing System**") (each a relevant "**Clearing System**") and such relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or any of the circumstances in Condition 10 (*Events of Default*) occurs (each, an "**Exchange Event**").

The holder of the Permanent Global Note shall surrender the Permanent Global Note to or to the order of the Paying Agent before the Exchange Date. In exchange for the Permanent Global Note the Issuer shall deliver, or procure the prompt delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed.

"**Exchange Date**" means a day falling more than 30 days after the Exchange Event.

### 2. Payments

Payments of principal and interest in respect of Notes represented by the Permanent Global Note will be made against presentation and endorsement and, if no further payment falls to be made in respect of the Notes, surrender of the Permanent Global Note to or to the order of the Paying Agent. A record of each payment so made will be endorsed on the appropriate schedule to the Permanent Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

**Exercise of put options:** In order to exercise the options contained in Condition 5 (*Change of Control*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

**Partial exercise of call option:** In connection with an exercise of the option contained in Condition 4(b) (*Final Redemption, Optional Redemption and Purchase — Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (and CREST where applicable) (to be reflected in the records of Euroclear and Clearstream, Luxembourg (and CREST where applicable) as either a pool factor or a reduction in principal amount at their discretion.

### 3. Notices

So long as the Notes are represented by the Permanent Global Note and the Permanent Global Note is held on behalf of a relevant Clearing System, notices to Noteholders may be given by delivery of the relevant notice to that relevant Clearing System for communication by it to entitled accountholders in substitution for publication as required by Condition 13 (*Notices*).

## CLEARING AND SETTLEMENT

### CREST Depository Interests

Following their delivery into a clearing system, interests in Notes may be delivered, held and settled in CREST by means of the creation of CDIs representing the interests in the relevant Underlying Notes. The CDIs will be issued by the CREST Depository to Investors who hold through Crest (the "**CDI Holders**") and will be governed by English law.

The CDIs will represent indirect interests in the interest of CREST International Nominees Limited (the "**CREST Nominee**") in the Underlying Notes. Pursuant to the CREST Manual (as defined below), Notes held in global form by the Common Depositary may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities distinct from the underlying Notes, constituted under English law which may be held and transferred through CREST.

Interests in the Underlying Notes will be credited to the CREST Nominee's account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Note, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to CDI Holders any interest or other amounts received by it as holder of the Underlying Notes on trust for such CDI Holder. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Notes and other relevant notices issued by the Issuer.

Transfers of interests in Underlying Notes by a CREST participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CDIs and transfer of an interest in such Underlying Notes to the account of the relevant participant with Euroclear or Clearstream, Luxembourg.

The CDIs will have the same ISIN as the ISIN of the Underlying Notes and will not require a separate listing on the Official List.

Prospective subscribers for Notes represented by CDIs are referred to in Chapter 3 of the CREST Manual (as defined below) which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Notes which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service (the "**CREST International Settlement Links Service**"). The settlement of the CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

- (i) CDI Holders will not be the legal owners of the Underlying Notes. The CDIs are separate legal notes from the Underlying Notes to which they relate and represent an indirect interest in such Underlying Notes.
- (ii) The Underlying Notes themselves (as distinct from the CDIs representing indirect interests in such Underlying Notes) will be held in an account with a custodian. The custodian will hold the Underlying Notes through a clearing system. Rights in the Underlying Notes will be held through custodial and depositary links through the appropriate clearing systems. The legal title to the Underlying Notes or to interests in the Underlying Notes will depend on the rules of the clearing system in or through which the Underlying Notes are held.
- (iii) Rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians described above. The enforcement of rights under the Underlying Notes will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Notes are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying

Notes. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Notes held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

- (iv) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the "**CREST Manual**") and the CREST Rules (the "**CREST Rules**") (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (v) Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.
- (vi) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from CREST at 33 Cannon Street, London EC4M 5SB or by calling +44 (0) 207 849 0000 or from the CREST website at [www.euroclear.com/site/public/EUI](http://www.euroclear.com/site/public/EUI). The contents of the CREST website shall not form part of this Prospectus.
- (vii) Potential investors should note CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the CDI's through the CREST International Settlement Links Service.
- (viii) Potential investors should note that none of the Issuer, the Lead Manager, the Trustee or the Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

## **DESCRIPTION OF THE GROUP**

### **Information on the Issuer**

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

The Issuer is a FTSE 250 company quoted on the Premium Listing of the Official List and is admitted to trading on the Main Market of the London Stock Exchange.

The Companies (Guernsey) Law, 2008 (as amended) comprises the principal legislation under which the Issuer operates and under which any Ordinary Shares created since 1 July 2008 have been created. Ordinary shares created before 1 July 2008 were created under the Companies (Guernsey) Laws, 1994 to 1996 (as amended). The liability of the members of the Issuer is limited.

The registered office of the Issuer is at Isabelle Chambers, Route Isabelle, St Peter Port, Guernsey GY1 3TX. Its telephone number is 01481 735 540.

### **History and Development of the Group**

The Group is a multimodal transport and logistics group, which serves the United Kingdom, as well as having operations in Europe. It has grown significantly since it began trading as Eddie Stobart Limited, by the eponymous Eddie Stobart, and, today, it operates a fleet of circa 5,400 vehicles and trailers from sites across the United Kingdom, Ireland, and Belgium. The Group remains focused on its core United Kingdom transport and storage operations, but has also developed significant assets in the fields of rail, ports, air and biomass (see below).

Having been in the ownership of the Stobart family since its incorporation, in 2004 the Group was sold to a company owned by Andrew Tinkler and William Stobart. Since that time, Andrew Tinkler and William Stobart have built and led a management team which has refocused the business of the Group and firmly re-established its growth. The Group is today a strong brand in the United Kingdom logistics industry and indeed is now one of the top 15 United Kingdom brands according to the results of the Business Superbrands survey.

Having grown turnover and profits in recent years both organically and via acquisition, Stobart has established an efficiently run business, which utilises scaleable and comprehensive IT, vehicle tracking and scheduling systems and management structures, that supports its multimodal operations.

The Group operates primarily from six management locations: Carlisle, which focuses on specialist fleet planning, asset developments and the Biomass joint venture; Appleton Thorn, Warrington, which focuses on general and European fleet planning and warehousing; Daventry, which is dedicated to Tesco Fast Moving Consumer Goods fleet planning and rail operations; Widnes, which focuses on port operations; Southend, which focuses on airport operations and Northampton which focuses on the automotive logistics operations.

### **Business Strategy and Objectives**

The Group continues to work towards implementing its strategy to become one of the United Kingdom's leading providers of multimodal transport and logistics solutions. Under the strategy, the aim is to:

- expand all forms of transport provided by the group, especially as regards the rail, sea and air sectors; and
- establish operational infrastructures in the best places to service the maximum number of customers.

In order to implement its strategy, the Group aims to do the following:

- form new partnerships with customers to further drive efficiencies;



- seize opportunities, operationally, as the economy comes out of recession, to build on its key competitive advantages, such as load utilisation and pooling its customers;
- market and develop its assets to its customers and sell these assets where appropriate, at a profit to be reinvested into the business;
- develop systems and technologies that protect the business from operational and financial risk;
- grow organically with both existing and new customers;
- take waste out of the system – waste adds to cost and damages the environment;
- increase business in the United Kingdom, Ireland and mainland Europe; and
- leverage the high value in the Stobart brand.

The Group has diversified in recent years through the acquisition of, inter alia, further transport businesses, the airports, the Biomass fuel supply business and other property-related investments. These new areas of activity form a sound platform for future growth.

### Group Overview

The Group is a United Kingdom leader in the multimodal logistics, warehousing and biomass fuel sectors, and also operates in the property development, port, airport and civil engineering sectors. It employs approximately 6,600 people at more than 50 sites across the United Kingdom. Group turnover was £551,900,000 for the year to 29 February 2012 and Group profit before tax for the same period was £30,500,000.

The Group has five core divisions as detailed below. The revenue for each of the five divisions (before consolidation adjustments) for the period ended 29 February 2012 was as follows:

<i>Division</i>	<i>£'000</i>
Stobart Transport & Distribution .....	£519,479
Stobart Infrastructure & Civil Engineering .....	£57,176
Stobart Air .....	£8,792
Stobart Biomass .....	£8,404
Stobart Estates .....	£6,708

### Transport & Distribution ("T&D")

T&D is the Group's largest operation and accounts for over 90 per cent. of the Group's turnover. The division includes all of the forms of transport, storage and handling services provided by the group in the United Kingdom, Ireland and Europe and encompasses multimodal services provided through road, rail and ports.

T&D's key operating units are:

#### 1. General Distribution

The T&D general distribution operating unit ("**General Distribution**") is responsible for the Group's ambient transport provision. General Distribution operates more than 1,750, 44-tonne, articulated and drawbar combination units, which serve the road transport needs of many of the United Kingdom's leading names in FMCG manufacturing and retail.

In line with the Group's environmental policy, Eddie Stobart's primary fleet is over 90 per cent. compliant with stringent Euro 4/5 standards. This engine efficiency is augmented by good levels of load fill, achieved through a shared-user transport system, that cuts costs and reduces wasteful empty running.

General Distribution's road freight capacity is supported by a comprehensive national network of around 30 depots, that are strategically located at key transport hubs across the United Kingdom.

## 2. **Environmental Transport**

T&D's environmental transport operating unit ("**Environmental Transport**") was set up to service the transport requirements for United Kingdom forestry, wood fibre, waste wood and other biomass products. The United Kingdom produces around 40 million tonnes of such product each year. Historically, these products have been used in chipboard and paper manufacture, agriculture, horticulture or just left to decompose or go to landfill. While the Group has serviced these industries, modern advances in recycling and power generation have created "bioenergy" as an alternative use for these wood based products. Making use of T&D's fleet of walking floor and chipliner trailers, further details of which are given below, this division is positioned to grow its business in the area of environmental transport, particularly energy generation.

Working through Environmental Transport, T&D has developed the transport potential of the new generation of environmentally responsible power stations and the potential for related supply contracts. Working closely with the Group's Biomass division, T&D is responsible for transporting over 500,000 tonnes of this fuel from the collection and processing sites, to both traditional industries and to a growing number of low carbon electricity generators across the United Kingdom and Europe.

T&D's large fleet of walking floor and chipliner trailers are well suited for carrying the bulky, loose material associated with wood waste. Chipliners are roof-loaded trailers, suitable for loading using hoppers or diggers. The process is made easier with the ability to unload without the need for a tipping trailer into the frequently confined, low-roofed storage buildings used to ensure material retains its optimum moisture content. Walking floor units utilise a series of contra-sliding floor planks to self-load material such as green waste, life-expired timber, waste timber and chipped wood.

## 3. **International**

T&D's international operating unit ("**International**") combines storage and transport facilities at Lokeren, Belgium, with offices and depots in Warrington. The operating unit serves Continental Europe with a dedicated fleet and a range of specialised trailers, including walking floor and double-decked, multi-temperature, compartmentalised trailers.

International is controlled using the same advanced GTS planning and in-cab, data-streaming system as the rest of the Group. This IT allows real-time consignment tracking from collection to delivery at locations throughout Europe. Key data is also instantly available online to International's customers.

International works closely with T&D in the United Kingdom and the Ireland team in Dublin to provide a seamless trans-European logistics service, offering efficient, single-carrier transport from Ireland, through the United Kingdom and on into Continental Europe.

## 4. **Ireland**

T&D has grown in the Ireland, leading to the establishment of a stand-alone operating unit ("**Ireland**"), operated by a team with experience and knowledge of the Irish market. Ireland has its own office and depot in Dublin, including warehousing and cross-docking. Ireland also maintains close links with International and the Group's wider logistics operations.

T&D provides storage and related activities by a dedicated fleet, covering the whole of Ireland and linking it with the Group's United Kingdom and Europe-wide transport network.

## 5. **Chilled Distribution**

T&D's chilled distribution operating unit ("**Chilled Distribution**") delivers efficient and cost-effective, temperature-controlled, logistics solutions, tailored to match the demands of a major FMCG manufacturing and retail clients.

Handling tens of thousands of pallets every week, Chilled Distribution's network of chilled cross-docking facilities are located at Heywood, Nottingham, Newark, Alcester, Widnes and Corby.

Chilled Distribution's national coverage is matched to around 200 high-specification, articulated lorries with the dual-compartment, multi-temperature trailers.

Operating 24 hours a day, 7 days a week, these temperature-controlled, chilled facilities, handling a broad spectrum of fresh fruit, vegetables and salads, are fully approved under the stringent European Food Safety Inspection Service ("**EFSIS**") standards.

6. **Warehousing**

The Group's warehousing operating unit ("**Warehousing**") operates circa 6 million square feet of high quality, state-of-the-art storage facilities, strategically located around major transport hubs across the United Kingdom and beyond into Continental Europe. Capacity within Warehousing encompasses the full range of chilled, ambient and specialist storage requirements in a variety of racked, stacked and mixed layouts, available in single and shared user formats.

Warehousing is controlled using its own fully-trackable Dynamic Warehouse Management System that draws on barcode-tracking to give clients real-time access to detailed stock data through a variety of web, email and direct communication.

7. **Stobart Ports**

The T&D ports operating unit ("**Stobart Ports**") represents the container transport, handling and port operations arm of the Group. Stobart Ports operates the Mersey Multimodal Gateway ("**3MG**"), a fully operational port at Widnes, with direct rail access to the West Coast Mainline. This site is now a distribution port with Phase 1, chilled distribution centre for Tesco spanning 500,000 square feet, completed in 2009 and a further 90 acres yet to be developed. It benefits from very good road transport links via the M6, M62 and M56 and the soon to be constructed Mersey Gateway Bridge.

8. **Autologic**

On 9 August 2012 Stobart acquired Autologic Holdings plc. Autologic is one of the largest finished vehicle services and logistics companies in the United Kingdom, achieving around two million vehicle movements per annum through approximately 30 operating centres in the United Kingdom, Belgium, the Netherlands and the Czech Republic. The acquisition is a strategic fit with the Group and has enabled the Group and its brand to enter the car transportation market with immediate critical mass. The Directors believe that there are a number of strategic opportunities for Autologic to explore. Their view is that the car transportation sector suffers from significant levels of one-way traffic flow of cars from the main ports to dealerships, with resultant empty running on the return leg. The Directors believe that the ability of Autologic to use the Stobart Rail infrastructure will reduce the level of "empty running" and derive key operating and environmental benefits as a result. In addition, Autologic should also benefit from the Group's significant storage sites both in terms of car storage and also overnight truck parking.

Significant time has been invested in developing the Stobart Time Based Planning system (the "**TBP System**") for use across the T&D division, the purpose of which is to eliminate inefficiencies and drive operational benefits for the Group and its customers. The TBP System collects data from satellite tracking in real time in conjunction with the cutting edge GTS traffic planning administration system. The TBP System has succeeded in creating greater efficiencies and has enabled Stobart to scrutinise in fine detail how its overall system is working.

The Group aims to be a responsible logistics provider, able to match environmental considerations with commercial solutions. It works with customers to develop modal shift projects to enable them both to reduce their carbon emissions and look at more sustainable transport options and the recommencement of the Valencia rail service is a prime example of this. A further example is that of dual fuel vehicles where the Group is currently carrying out extensive trials with dual fuel vehicles which are powered by liquefied natural gas and diesel. These vehicles are highly efficient and also cut emissions.

The Group takes health and safety matters very seriously and has invested in a Driver Training Academy at Widnes. This Training Academy provides industry leading standards of induction training, Certificates of Professional Competence and other courses.

The Group continues to pursue its stated strategic direction and remains confident that it will achieve its strategic plan and deliver significant value as planned.

The current recessionary climate has an ongoing impact slowing growth in the transport sector. The Group has positioned itself to be successful in difficult times with a clear five divisional strategy. This means that whilst short term performance in transport is lower than market expectations, long term expectations across the business remain robust.

The majority of the transport business has progressed well. The chilled business has undergone a recent restructuring and this, together with the poor summer weather, was reflected in retail sales. This has resulted in some losses for the chilled fleet but the current restructuring will result in a stronger and more streamlined business for the future.

Transport & Distribution is managed by William Stobart, Chief Operating Officer and Andrew Somerville, Finance Director.

### **Stobart Air**

Stobart Air is the operator of both the London Southend and Carlisle Lake District Airports. The Group intends to grow Stobart Air significantly following the completion of development at London Southend Airport.

London Southend Airport is positioned on the London Liverpool Street to Southend Victoria railway line and the airport has been redeveloped by Stobart Air to include a fly through terminal building located very close to the Stobart owned and operated railway station, a new 1799 metre runway, a new traffic control tower. Stobart Air has long term contracts with easyJet and Ireland's flag carrier Aer Lingus. EasyJet commenced flights on 2 April 2012. Aer Lingus commenced three daily return services between London Southend and Dublin in May 2012. The two airlines together serve 13 European routes. Together these contracts are expected to provide around one million passengers flying through the airport over the next year. Stobart Air has an ultimate aim of servicing over two million passengers annually by 2020.

The Group is also pursuing air freight, maintenance and airport service opportunities at London Southend Airport including airport retail, private facilities and lounges. The Group also operates the rail terminal at London Southend Airport which provides up to eight services an hour direct to London Liverpool Street.

At Carlisle, a planning application to erect a 374,000 square feet distribution centre and to raise and re-profile the main runway at the airport has recently been approved by Carlisle City Council. Carlisle is being developed as a new site for the Group's business will provide a highly efficient cross-dealing warehouse and distribution facility, serving Scotland. The Group is also intending to grow the airport's passenger capability and would like to see 60,000 passengers passing through Carlisle by 2013.

In the Air division, passenger numbers with easyJet and Aer Lingus continue to grow. London Southend Airport serviced around 250,000 passengers in the quarter to the end of July 2012. 91,000 passengers passed through the airport in August 2012. The airport has obtained planning consent to expand significantly the size of the passenger terminal and the airport was recently allocated London Metropolitan area designation by IATA. Air is a key deliverable within the 2015 plan and the Board of Directors see positive results to date within this area.

Stobart Air is managed by Alastair Welch, Managing Director and Rick Jackson, Finance Director.

### **Stobart Biomass**

The United Kingdom biomass policy is driven by the Climate Change Act 2008 which established a long term framework to tackle climate change. Stobart Biomass reflects the Group's emphasis on sustainability, supplying environmentally responsible fuels for low carbon electricity generation. The Biomass division sources sustainable biomass, primarily made up of life-expired timber, low grade softwood and waste materials for the new generation of minimum carbon power plants utilised both in large scale electricity generation and smaller on-site industrial power plants.

Stobart Biomass has introduced a variety of new fuel products over the past year. Key amongst these is the supply of refuse-derived fuel. Stobart Biomass' refuse-derived fuel comprises waste collected from the Liverpool-Manchester area that would otherwise go to landfill.

Stobart Biomass matches the demand for a reliable source of a broad spectrum of biomass fuels and extensive research and expertise with multimodal logistics capability and industry leading standards of efficiency to meet the key requirements of every biomass facility (whether it requires large or small volumes). Stobart Biomass supplies in excess of 360,000 tonnes of biomass to the United Kingdom and over 180,000 tonnes to Europe. Stobart Biomass already has contracts in place which will see it increase its annual throughput year on year.

A significant percentage of the cost of biomass fuel relates to transport and logistics. When coupled with the fact that importation of biomass is already on the increase, the Group believes that there are significant benefits and synergies between Stobart Biomass and the Group's road, rail and port assets.

Following recent announcements regarding ROC banding, the Biomass Division has received many new enquiries and contractual negotiations have been accelerated.

Stobart Biomass is managed by Allan Jenkinson, Chief Executive, Paul Davenport, Managing Director, Mike Smith, Finance Director and Charlie Jones, Commercial Director.

### **Stobart Estates**

Stobart Estates forms the holding company for the Group's large property portfolio. Property assets are made up of a combination of sites utilised by the business, plus commercial holdings that comprise a broad spectrum of sites ranging from premium quality offices in central London through retail parks to light industrial and warehousing locations. The Group occupied property held under the Estates division includes airports and a waterway port along with a network of offices, warehouse sites and depots.

The Estates division is working on both further developments of its sites and profitable disposals. Given market conditions, progress on this has been slower than anticipated as the Group is focused on maximising value from the portfolio.

Stobart Estates is managed by Richard Butcher, Managing Director and Andrew Riley, Group Financial Projects Manager.

### **3MG**

Phase 1, comprising a new chilled facility and warehouse, has already been successfully delivered to Tesco. Once completed, the new development clustered around Stobart Ports' inland terminal at Widnes will increase the Issuer's total warehousing to over six million square feet. Seven facilities will ultimately be constructed and the majority of the energy requirements will be supplied by an on-site biomass powerplant.

### **Mersey Gateway Port**

With its extensive road and rail communications, the Mersey Gateway Port has the potential to be a biomass facility for the North West.

The Mersey Gateway Port is just a mile from 3MG at Widnes, and is within easy reach of Manchester and Liverpool, as well as being in close proximity to the major M6-M62-M56 motorway hub, the West Coast Mainline, the Manchester Ship Canal and the new Mersey Gateway Crossing.

The site has been granted a Harbour Revision Order, recognising the Issuer as the Harbour Authority and allowing the Issuer to proceed with development of the site. This development work has not yet commenced.

### **Stobart Infrastructure & Civil Engineering**

Stobart Infrastructure & Civil Engineering incorporates Stobart Rail Infrastructure and Civil Engineering and delivers a comprehensive package of services centred on maintenance and improvement of the United Kingdom rail network and the construction of high quality industrial, commercial and transport facilities.

This division is split into two main sub-groups: rail and civil engineering. Stobart Rail is one of the United Kingdom's leading names in rail network maintenance, repair and improvement. Stobart Rail is active across the United Kingdom in delivering earthworks, structures, bridge replacement, permanent way, emergency works, drainage and lineside infrastructure works. It utilises 30 sites across the United Kingdom as operational bases.

Stobart Rail holds a Network Rail Principal Contractor's Licence, allowing it to work independently on Network Rail infrastructure. It also holds a Rail Plant Operating Company Licence, covering its extensive fleet of plant and specialist equipment, as well as a comprehensive list of accreditations under the United Kingdom rail industry supplier qualification and audit scheme, Link Up.

Stobart Infrastructure Management will be responsible for the development and improvement of the Group's property holdings. The division concentrates on the regeneration of brownfield sites into valuable business assets, recycling often contaminated land back into use.

The Directors believe that given the relative inconsistency of third party business, this division's primary benefit to the Group is through delivering inter-company projects primarily for Stobart Estates and Stobart Airports. In this capacity, this division has consistently delivered and the Directors believe that it will continue to enhance Shareholder value.

The Infrastructure and Civil Engineering division continues to add valuable engineering development of the Group's sites whilst focusing on profitable external work.

Stobart Infrastructure & Civil Engineering is managed by Kirk Taylor and David Garner.

## **Board of Directors and Management of the Issuer**

### *The Board of Directors*

#### **Andrew Tinkler**

Andrew acquired Eddie Stobart in 2004 with longstanding colleague William Stobart, going on to be appointed Chief Executive Officer on 1 March 2008 when the Group was listed on the London Stock Exchange. He has been instrumental in developing the strategy and vision of Stobart Group Limited.

A past winner of the Institute of Directors North West Director of the Year Award, the Group believes that Andrew's risk management experience has formed a valuable foundation for implementing the Group's multimodal plans and delivering on the strategy.

Andrew's service address is Old Bank Chambers, La Grande Rue, St Martins, Guernsey, GY4 6RT.

#### **Michael Kayser**

Michael Kayser is a Non-Executive Director and joined the Board of Directors on 1 March 2008. He is a Fellow of the CIMA and has extensive experience in corporate transactions, both in quoted and private markets.

Michael has also held a variety of senior finance appointments at Laporte plc, Doncasters Limited, Amey plc, Unilever and Guinness Brewing Worldwide and is also currently serving as Senior Independent Director of Biorne Technologies plc.

Michael's service address is Old Bank Chambers, La Grande Rue, St Martins, Guernsey, GY4 6RT.

#### **Rodney Baker-Bates**

Rodney has been a Non-Executive Chairman since 10 April 2002. He has had a long career in the City and international finance sector and is a seasoned director of large United Kingdom plcs. In addition to his role as Stobart Group Non-Executive Chairman, Rodney's current roles include the Chairmanship of EG Consulting Limited and non-executive directorship on the Boards of several companies, including Bedlam Asset Management plc and Chairman of Willis Limited.

Rodney's service address is Old Bank Chambers, La Grande Rue, St Martins, Guernsey, GY4 6RT.

**Ben Whawell**

Ben was appointed as Chief Financial Officer on 1 March 2008. He is a qualified Chartered Accountant and spent nine years at Grant Thornton before joining Eddie Stobart in 2008.

Ben oversaw the merger with Westbury Property Fund that resulted in the formation of Stobart Group in 2007. He has played a key role in a number of acquisitions, which have seen the business triple in size over the last four years.

Ben Whawell's service address is Old Bank Chambers, La Grande Rue, St Martins, Guernsey, GY4 6RT.

**Alan Kelsey**

Alan has been a Non-Executive Director and Senior Independent Director since 23 May 2011. As a Fellow of the Chartered Institute of Logistics and Transport, he has forty years' experience in the City and industry, with a strong focus on the transport sector.

Alan has been Group Corporate Development Director at National Express Group plc and is currently Chairman of Nord Anglia Education.

Alan's service address is Old Bank Chambers, La Grande Rue, St Martins, Guernsey, GY4 6RT.

**Paul Orchard-Lisle CBE**

Paul was appointed Non-Executive Director on 23 May 2011. He has spent fifty years in the property sector, joining Healey & Baker in 1961, where he became Senior Partner, and later oversaw the Company's merger with Cushman & Wakefield in 1998.

Paul has been President of The Royal Institution of Chartered Surveyors and has held numerous positions, both in directorial and advisory roles.

Paul's service address is Old Bank Chambers, La Grande Rue, St Martins, Guernsey, GY4 6RT.

**David Beever**

David has been a Non-Executive Director since 23 May 2011. He is Chairman of Premier Foods plc. and was formerly a Vice Chairman of SG Warburg and a Board member and Chairman of Corporate Finance at KPMG. He has been Chairman or a Non Executive Director of several other companies. He is also a member of the Board of Trustees of the University of London.

David's service address is Old Bank Chambers, La Grande Rue, St Martins, Guernsey, GY4 6RT.

**Avril Palmer Baunack**

Avril has recently been appointed as an Executive Director and as Deputy Chief Executive Officer of the Group following the recent acquisition of Autologic Holdings plc, where she served as Chief Executive Officer from November 2007 and led a successful turnaround during her five years in office. Avril was also Chief Executive Officer of Universal Salvage Plc from 2005 to 2007, during which time she led a successful turnaround of the company and its subsequent sale. Avril is Non Executive Chair of Molins Plc and Helphire Plc. With more than 20 years in senior business roles, Avril's experience brings a valuable dimension to supporting the Stobart Board in delivery of its strategy.

Avril's service address is Old Bank Chambers, La Grande Rue, St Martins, Guernsey, GY4 6RT.

**William Stobart**

William has been re-appointed as an Executive Director of the Group and is on the plc board. William started his career with Stobart and has carried out a broad spectrum of roles, including as a HGV Driver, Planner and Manager within Stobart during his early career. This comprehensive experience has given him an in-depth understanding of every level of the business.

William left Eddie Stobart in 2001, joining Andrew Tinkler's business as a shareholding Director, and in 2004, following the acquisition of Eddie Stobart Group, he returned to the Company as Chief Operating

Officer. As Chief Operating Officer, William continues to be closely involved in delivering the Group's strategy.

William's service address is Old Bank Chambers, La Grande Rue, St Martins, Guernsey, GY4 6RT.

#### *Conflicts of Interest*

At the date of this Prospectus, there are no potential conflicts of interest between any duties owed to the Issuer by the Directors and their private interests and/or other duties. The following members of the Board of Directors do have financial interests in the Issuer through their holdings of shares: Rodney Baker-Bates, Andrew Tinkler, Ben Whawell, Michael Keyser, David Beerer, Alan Kelsey, Paul Orchard-Lisle and William Stobart. These interests do not give rise to any conflicts of interest as regards the duty of the Directors to the Issuer and the existence of the Committee of the Board of Directors (see below) assist in mitigating any risk of such conflicts arising.

#### *Corporate governance*

The principal corporate governance rules applicable to the Company are the UK Corporate Governance Code (the "**Code**"), the UK FSA Listing Rules and the UK FSA's Disclosure and Transparency Rules (the "**Disclosure and Transparency Rules**").

### **Committees of the Board of Directors**

#### *The Nomination Committee*

The Nomination Committee leads the process for Board appointments and makes recommendations to the Board on the structure, size and composition of the Board and succession planning for Directors and Senior Executives.

The Committee's members are the Non-Executive Directors. For new potential Non-Executive Board members, the Nomination Committee meets and agrees to appoint an external consultant to assist with the selection of a shortlist of potential Non-Executive Directors. Once this shortlist is presented, the Nomination Committee meets and undertakes a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Careful consideration is given by the Nomination Committee to ensure that any appointees to the Board have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board is maintained.

When dealing with the appointment of a successor to the Chairman, the Senior Independent Director will Chair the Committee instead of the Chairman. When the Committee has found a suitable candidate, the Chairman of the Committee will make the proposal to the whole Board and the appointment is the responsibility of the whole Board of Directors following recommendation from the Committee.

#### *The Audit Committee*

The Audit Committee is to establish formal and transparent arrangements for considering how to apply the financial reporting and internal control principles and to maintain an appropriate relationship with the external auditors.

The Audit Committee monitors the integrity of the financial statements, internal financial controls and internal audit functions.

The Committee also makes recommendations to the Board in relation to the appointment of the Group's external auditors. The objectivity and independence of the auditors is reviewed and considered to be safeguarded. The non-audit fees paid to the auditors are expected to be less than the Group audit fees. Excluded work includes lead advisory mergers and acquisitions transaction type

The Audit Committee is chaired by Michael Kayser and its other members are David Beever and Alan Kelsey, all of whom are fully independent Non-Executive Directors. Rodney Baker-Bates was a member of the Audit Committee until 23 May 2011. The Company Secretary acts as its secretary.



Michael Kayser is considered by the Board and Nomination Committee to hold the requisite recent and relevant financial experience.

At least once a year, the Audit Committee will meet with the external auditors without the Chief Financial Officer or any other Executive Directors present.

#### *The Remuneration Committee*

The Remuneration Committee makes its recommendations to the Board of Directors on the Company's framework for Executive remuneration and its cost. It approves on the Board's behalf the general recruitment terms, remuneration benefits, employment conditions and severance terms for Executive Management. The Company Secretary acts as its secretary.

The Remuneration Committee is chaired by Paul Orchard-Lisle and its other members are Rodney Baker-Bates and Michael Kayser. All of the Non-Executive Directors are determined by the Board to be independent in accordance with the UK Corporate Governance Code.

The Remuneration Committee met four times during the financial period ended 29 February 2012.

#### *Office address for the Board of Directors and management*

The office for all Directors and management is:

Stretton Green Distribution Park  
Langford Way  
Appleton Thorn  
Warrington  
WA4 4TZ

#### **Share capital and ownership structure**

As at 29 February 2012 there were 353,960,872 ordinary shares of 10p in issue. The ordinary shares are listed on the London Stock Exchange.

As at 29 February 2012 and 18 April 2012 the following shareholders owned 3 per cent. or more of the issued ordinary shares of the Company:

<b>Name</b>	<b>Number of Ordinary Shares 29 February 2012</b>	<b>%</b>	<b>Number of Ordinary Shares 18 April 2012</b>	<b>%</b>
Invesco Asset Management	127,123,951	35.91	127,123,951	35.91
M&G Investment Management	46,575,586	13.16	47,489,858	13.42
Directors	33,435,506	9.45	33,435,506	9.45
AW Jenkinson	17,084,647	4.83	17,084,647	4.83
Aviva Investors	12,831,526	3.63	12,828,726	3.62
Legal & General Investment Management	12,205,576	3.45	12,083,685	3.41
Laxey Partners	11,972,316	3.38	11,972,316	3.38
William Stobart	11,429,412	3.23	11,429,412	3.23

To the best of the Issuer's knowledge, no shareholders' agreements or equivalent agreements exist between shareholders in the Issuer with the objective of creating a joint influence over the Issuer. To the best of the Issuer's knowledge, there are no agreements or equivalent arrangements that may lead to a change in control over the Issuer.

## SELECTED FINANCIAL INFORMATION OF THE ISSUER

### Annual Results for the six months ended 31 August 2012

#### Condensed Consolidated Income Statement

For the six months ended 31 August 2012

	Six months ended 31.08.2012 (Unaudited) £'000	Six months ended 31.08.2011 (Unaudited) £'000	Restated Year ended 29.02.2012 (Audited) £'000
<b>Revenue</b> .....	278,496	281,145	551,921
Operating expenses – underlying .....	(260,742)	(266,186)	(523,592)
Share of post tax profits of associates and joint ventures .....	500	600	500
Gain in value of investment properties .....	1,200	-	-
Profit on sale and leaseback transaction.....	-	-	5,385
Profit on disposal/gain in value of property asset held for sale .....	387	3,500	5,740
<b>Underlying operating profit</b> .....	<b>19,841</b>	<b>19,059</b>	<b>39,954</b>
Share based payments.....	(1,300)	(150)	(391)
Credit for business purchase.....	-	-	1,704
New territory and new business set up costs.....	(635)	(1,150)	(3,415)
Transaction costs .....	(1,712)	(418)	(1,816)
Restructuring costs .....	(4,153)	-	(1,734)
Amortisation of acquired intangibles .....	(111)	(89)	(222)
<b>Profit before interest and tax</b> .....	<b>11,930</b>	<b>17,252</b>	<b>34,080</b>
Finance costs.....	(6,777)	(3,329)	(6,377)
Finance income .....	1,472	770	1,980
<b>Profit before tax</b> .....	<b>6,625</b>	<b>14,693</b>	<b>29,683</b>
Income tax .....	(656)	(2,214)	(1,344)
<b>Profit for the period attributable to equity holders of the parent</b> .....	<b>5,969</b>	<b>12,479</b>	<b>28,339</b>
<b>Earnings per ordinary share</b> .....			
Basic.....	1.74p	4.07p	8.72p
Diluted .....	1.73p	4.06p	8.71p

#### Condensed Consolidated Statement of Comprehensive income

For the six months ended 31 August 2012

	Six months ended 31.08.2012 (Unaudited) £'000	Six months ended 31.08.2011 (Unaudited) £'000	Restated Year ended 29.02.2012 (Audited) £'000
<b>Profit for the period</b> .....	<b>5,969</b>	<b>12,479</b>	<b>28,339</b>
Exchange differences on translation of foreign operations.....	(463)	35	(293)
Cash flow hedge .....	107	(731)	(456)
Tax on items relating to components of other comprehensive income .....	(25)	197	114
<b>Other comprehensive loss for the period, net of tax</b> .....	<b>(381)</b>	<b>(499)</b>	<b>(635)</b>
<b>Total comprehensive income for the period, net of tax, attributable to equity holders of the parent</b> .....	<b>5,588</b>	<b>11,980</b>	<b>27,704</b>

**Condensed Consolidated Statement of Financial Position**  
For the six months ended 31 August 2012

	<b>31.08.2012</b> <b>(Unaudited)</b>	<b>Restated</b> <b>29.02.2012</b> <b>(Audited)</b>
	<i>£'000</i>	<i>£'000</i>
<b>Non-current Assets</b> .....		
Property, plant and equipment.....		
Land and buildings.....	257,505	228,447
Plant and machinery.....	18,054	20,746
Fixtures, fittings and equipment.....	9,419	4,845
Commercial vehicles.....	22,257	26,591
	<b>307,235</b>	<b>280,629</b>
Investment in associates and joint ventures.....	2,052	1,100
Investment property.....	86,144	98,453
Intangible assets.....	288,326	281,523
Other investments.....	10	10
Other receivables.....	7,417	4,111
	<b>691,184</b>	<b>665,826</b>
<b>Current Assets</b> .....		
Inventories.....	4,179	2,494
Trade and other receivables.....	147,383	105,701
Cash and cash equivalents.....	16,346	31,044
	<b>167,908</b>	<b>139,239</b>
Assets of disposal groups classified as held for sale.....	14,200	7,790
	<b>182,108</b>	<b>147,029</b>
<b>Total Assets</b> .....	<b>873,292</b>	<b>812,855</b>
<b>Non-current Liabilities</b> .....		
Loans and borrowings.....	208,148	179,241
Other liabilities.....	24,947	15,465
Deferred tax.....	27,990	29,166
	<b>261,085</b>	<b>223,872</b>
<b>Current Liabilities</b> .....		
Trade and other payables.....	123,437	97,696
Loans and borrowings.....	31,099	17,852
Corporation tax.....	2,389	1,592
	156,925	117,140
<b>Total Liabilities</b> .....	<b>418,010</b>	<b>341,012</b>
<b>Net Assets</b> .....	<b>455,282</b>	<b>471,843</b>
<b>Capital and reserves</b> .....		
Issued share capital.....	35,397	35,397
Share premium.....	300,708	300,788
Foreign currency exchange reserve.....	(1,234)	(771)
Reserve for own shares held by EBT.....	(386)	(488)
Hedge reserve.....	(1,341)	(1,423)
Retained earnings.....	122,138	138,340
<b>Total Equity</b> .....	<b>455,282</b>	<b>471,843</b>

**Condensed Consolidated Statement of Changes in Equity**  
For the six months ended 31 August 2012

	Issued share capital	Share premium	Foreign currency exchange reserve	Reserve for own shares held by EBT	Hedge reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March as previously reported.....	35,397	300,788	(771)	(488)	(1,423)	139,203	472,706
Prior period adjustment .....	-	-	-	-	-	(863)	(863)
Restated balance at 1 March 2012 ...	35,397	300,788	(771)	(488)	(1,423)	138,340	471,843
Profit for the period .....	-	-	-	-	-	5,969	5,969
Other comprehensive income/ (expense).....	-	-	(463)	-	82	-	(381)
Total comprehensive income/ (expense).....	-	-	(463)	-	82	5,969	5,588
Share issue costs .....	-	80	-	-	-	-	(80)
EBT shares vested .....	-	-	-	102	-	-	102
Share based payment credit.....	-	-	-	-	-	1,354	1,354
Tax on share based payment .....	-	-	-	-	-	(85)	(85)
Purchase of treasury shares .....	-	-	-	-	-	(9,519)	(9,519)
Dividends.....	-	-	-	-	-	(13,921)	(13,921)
<b>Balance at 31 August 2012.....</b>	<b>35,397</b>	<b>300,708</b>	<b>(1,234)</b>	<b>(386)</b>	<b>(1,341)</b>	<b>122,138</b>	<b>455,282</b>

**Attributable to equity holders of the parent**

	Issued share capital	Share premium	Foreign currency exchange reserve	Reserve for own shares held by EBT	Hedge reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2011.....	26,517	181,168	(478)	(663)	(1,081)	126,246	331,709
Profit for the period .....	-	-	-	-	-	12,479	12,479
Other comprehensive income/ (expense).....	-	-	35	-	(534)	-	(499)
Total comprehensive income/ expense .....	-	-	35	-	(534)	12,479	11,980
Proceeds on share issues .....	8,340	118,808	-	-	-	-	127,148
EBT shares vested .....	-	-	-	174	-	-	174
Share issue costs .....	-	(5,286)	-	-	-	-	(5,286)
Share based payment credit.....	-	-	-	-	-	268	268
Tax on share based payments.....	-	-	-	-	-	-	-
Dividends.....	-	-	-	-	-	(10,606)	(10,606)
<b>Balance at 31 August 2011.....</b>	<b>34,857</b>	<b>294,690</b>	<b>(443)</b>	<b>(489)</b>	<b>(1,615)</b>	<b>128,387</b>	<b>455,387</b>

**Condensed Consolidated Statement of Changes in Equity**  
For the six months ended 31 August 2012

	Attributable to equity holders of the parent						
	Issued share capital	Share premium	Foreign currency exchange reserve	Reserve for own shares held by EBT	Hedge reserve	Retained earnings	Restated Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2011.....	26,517	181,168	(478)	(663)	(1,081)	126,246	331,709
Profit for the year .....	-	-	-	-	-	28,339	28,339
Other comprehensive expense.....	-	-	(293)	-	(342)	-	635
Total comprehensive income/ (expense).....	-	-	(293)	-	(342)	28,339	27,704
Proceeds on share issue .....	8,880	124,969	-	-	-	-	133,849
Share issue costs .....	-	(5,349)	-	-	-	-	(5,349)
EBT shares issued .....	-	-	-	175	-	-	175
Share based payment credit.....	-	-	-	-	-	886	886
Tax on share based payment credit	-	-	-	-	-	447	447
Dividends.....	-	-	-	-	-	(17,578)	(17,578)
<b>Restated balance at 29 February 2012 .....</b>	<b>35,397</b>	<b>300,788</b>	<b>(771)</b>	<b>(488)</b>	<b>(1,423)</b>	<b>138,340</b>	<b>471,843</b>

**Condensed Consolidated Cash Flow Statement**  
For the six months ended 31 August 2012

	<b>Six months ended 31 August 2012 (Unaudited)</b>	<b>31.08.2011 (Unaudited)</b>	<b>Restated 29.02.2012 (Audited)</b>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cash generated from operations</b> .....	<b>10,918</b>	<b>27,835</b>	<b>57,634</b>
Income taxes paid .....	(557)	(240)	(2,191)
<b>Net cash flow from operating activities</b> .....	<b>10,361</b>	<b>27,595</b>	<b>55,443</b>
Acquisition of subsidiaries and other businesses – net of cash acquired .....	(9,684)	(4,658)	(9,602)
Purchase of property, plant and equipment .....	(21,971)	(35,043)	(93,400)
Proceeds from sale of property, plant and equipment .....	11,073	6,655	44,786
Proceeds from disposal of assets held for sale .....	8,117	-	-
VAT outflow in relation to disposal of property .....	(4,584)	-	-
Net loans (advanced to)/repaid by joint ventures .....	(3,632)	-	(1,925)
Interest received .....	1,472	770	1,980
<b>Net cash flow from investing activities</b> .....	<b>(19,209)</b>	<b>(32,276)</b>	<b>(58,161)</b>
Issue of ordinary shares less costs of issue .....	(80)	114,591	114,527
Dividend paid on ordinary shares .....	(13,921)	(10,606)	(17,578)
Proceeds from new finance leases .....	6,106	3,511	14,469
Repayment of capital element of finance leases .....	(10,643)	(16,026)	(30,753)
Proceeds from new borrowings .....	29,594	1,571	2,028
Repayment of borrowings .....	(9,366)	(11,097)	(17,273)
Purchase of treasury shares .....	(9,519)	-	-
Interest paid .....	(7,856)	(2,277)	(4,355)
Other finance costs .....	(567)	-	-
<b>Net cash flow from financing activities</b> .....	<b>(16,252)</b>	<b>79,667</b>	<b>61,065</b>
Increase / (decrease) in cash and cash equivalents .....	(25,100)	74,986	58,347
Cash and cash equivalents at beginning of period .....	26,401	(31,946)	(31,946)
<b>Cash and cash equivalents at end of period</b> .....	<b>1,301</b>	<b>43,040</b>	<b>26,401</b>
Cash .....	16,346	47,061	31,044
Overdraft .....	(15,045)	(4,021)	(4,643)
<b>Cash and cash equivalents at end of period</b> .....	<b>1,301</b>	<b>43,040</b>	<b>26,401</b>

## Annual Results for the year to 29 February 2012

### **Consolidated Income Statement of the Issuer**

For the year to 29 February 2012

	<b>Year to 29.02.2012 (Audited) £'000</b>	<b>Restated Year to 28.02.2011 (Audited) £'000</b>
<b>Revenue</b> .....	551,921	500,395
Operating expenses – underlying .....	(523,592)	(463,484)
Share of post tax profits of associates and joint ventures accounted for using the equity method.....	500	624
Profit on sale and leaseback transaction.....	5,385	–
Gain in value of property asset held for sale .....	5,740	2,050
<b>Underlying operating profit</b> .....	<b>39,954</b>	<b>39,585</b>
Share based payments.....	(391)	(467)
Credit for business purchase.....	2,567	–
New territory and new business set up costs.....	(3,415)	(2,654)
Transaction costs written off .....	(1,816)	(59)
Restructuring costs .....	(1,734)	(479)
Amortisation of acquired intangibles .....	(222)	–
Costs due to extreme weather.....	–	(1,830)
<b>Profit before interest and tax</b> .....	<b>34,943</b>	<b>34,096</b>
Finance costs.....	(6,377)	(5,553)
Finance income .....	1,980	924
<b>Profit before tax</b> .....	<b>30,546</b>	<b>29,467</b>
Tax .....	(1,344)	(6,229)
<b>Profit for the year attributable to equity holders of the parent</b> .....	<b>29,202</b>	<b>23,238</b>
<b>Earnings per ordinary share</b> .....		
Basic.....	8.98	9.03p
Diluted .....	8.97	9.02p
<b>Profit for the year</b> .....	<b>29,202</b>	<b>23,238</b>
Exchange differences on translation of foreign operations.....	(293)	(10)
Cash flow hedge .....	(456)	107
Tax on items relating to components of other comprehensive income .....	114	(30)
<b>Other comprehensive (expense)/income for the year, net of tax</b> .....	<b>(635)</b>	<b>67</b>
<b>Total comprehensive income for the year attributable to equity shareholders of the parent</b> .....	<b>28,567</b>	<b>23,305</b>

**Consolidated Statement of Financial Position of the Issuer**  
As at 29 February 2012

	<b>29.02.2012</b> <b>(Audited)</b>	<b>28.02.2011</b> <b>(Audited)</b>
	£'000	£'000
<b>Non-current Assets</b> .....		
Property, plant and equipment.....		
Land and buildings.....	228,447	168,798
Plant and machinery.....	20,746	15,099
Fixtures, fittings and equipment.....	4,845	4,582
Commercial vehicles.....	26,591	49,206
	<b>280,629</b>	<b>237,685</b>
Investment in associates and joint ventures.....	1,100	30,780
Investment property.....	99,603	2,000
Intangible assets.....	281,523	231,286
Other investments.....	10	10
Other receivables.....	4,111	2,186
	<b>666,976</b>	<b>503,947</b>
<b>Current Assets</b> .....		
Inventories.....	2,494	2,357
Trade and other receivables.....	105,701	108,716
Other receivables.....	31,044	3,937
	<b>139,239</b>	<b>115,010</b>
Assets of disposal groups classified as held for sale.....	7,790	2,050
	<b>147,029</b>	<b>117,060</b>
<b>Total Assets</b> .....	<b>814,005</b>	<b>621,007</b>
<b>Non-current Liabilities</b> .....		
Loans and borrowings.....	179,241	91,762
Other liabilities.....	15,465	14,479
Deferred tax.....	29,453	39,880
	<b>224,159</b>	<b>146,121</b>
<b>Current Liabilities</b> .....		
Trade and other payables.....	97,696	72,312
Loans and borrowings.....	17,852	68,285
Corporation tax.....	1,592	2,580
	<b>117,140</b>	<b>143,177</b>
<b>Total Liabilities</b> .....	<b>341,299</b>	<b>289,298</b>
<b>Net Assets</b> .....	<b>472,706</b>	<b>331,709</b>
<b>Capital and reserves</b> .....		
Issued share capital.....	35,397	26,517
Share premium.....	300,788	181,168
Foreign currency exchange reserve.....	(771)	(478)
Reserve for own shares held by EBT.....	(488)	(663)
Hedge reserve.....	(1,423)	(1,081)
Retained earnings.....	139,203	126,246
<b>Total Equity</b> .....	<b>472,706</b>	<b>331,709</b>



**Consolidated Statement of Changes in Equity of the Issuer**  
For the year to 29 February 2012

	Attributable to equity holders of the parent (Audited)						
	Issued Share capital	Share premium	Foreign Currency Exchange Reserve	Reserve for own Shares held by EBT	Hedge reserve	Retained earning	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2011 .....	26,517	181,168	(478)	(663)	(1,081)	126,246	331,709
Profit for the year .....						29,202	29,202
Other comprehensive income/(expense) for the year .	—	—	(293)	—	(342)	—	(635)
Total comprehensive income/expense for the year....	—	—	(293)	—	(342)	29,202	28,567
Proceeds on share issues .....	8,880	124,969	—	—	—	—	133,849
Share issue costs .....		(5,349)					(5,349)
EBT shares vested.....				175	—	—	175
Share based payment credit .....	—	—	—	—	—	886	886
Tax on share based payments .....	—	—	—	—	—	447	447
Dividends .....	—	—	—	—	—	(17,578)	(17,578)
<b>Balance at 29 February 2012 ...</b>	<b>35,397</b>	<b>300,788</b>	<b>(771)</b>	<b>(488)</b>	<b>(1,423)</b>	<b>139,203</b>	<b>472,706</b>

**Consolidated Statement of Changes in Equity of the Issuer**  
For the year to 28 February 2011

	Attributable to equity holders of the parent (Audited)						
	Issued Share capital	Share premium	Foreign Currency Exchange Reserve	Reserve for own Shares held by EBT	Hedge reserve	Retained earning	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2010 .....	25,079	164,255	(468)	(803)	(1,158)	118,451	305,356
Profit for the year .....	–	–	–	–	–	23,238	23,238
Other comprehensive income/(expense) for the year	–	–	(10)	–	77	–	67
Total comprehensive income/expense for the year...	–	–	(10)	–	77	23,238	23,305
Proceeds on share issues .....	1,438	17,190	–	–	–	–	18,628
Share issue costs .....	–	(277)	–	–	–	–	(277)
EBT shares vested .....	–	–	–	140	–	–	140
Share based payment credit .....	–	–	–	–	–	467	467
Dividends .....	–	–	–	–	–	(15,910)	(15,910)
<b>Balance at 28 February 2011 ..</b>	<b><u>26,517</u></b>	<b><u>181,168</u></b>	<b><u>(478)</u></b>	<b><u>(663)</u></b>	<b><u>(1,081)</u></b>	<b><u>126,246</u></b>	<b><u>331,709</u></b>

**Consolidated Cash Flow Statement of the Issuer**  
For the year to 29 February 2012

	<b>Year to 29.02.2012</b>	<b>Year to 28.02.2011</b>
	<i>(Audited) £'000</i>	<i>(Audited) £'000</i>
<b>Cash generated from operations .....</b>	<b>57,634</b>	<b>27,671</b>
Income taxes paid .....	(2,191)	(2,341)
<b>Net cash flow from operating activities .....</b>	<b>55,443</b>	<b>25,330</b>
Acquisition of subsidiaries and other businesses – net cash paid .....	(9,602)	-
Purchase of property, plant and equipment and Investment Property .....	(93,400)	(55,419)
Proceeds from the sale of property, plant and equipment .....	44,786	10,540
Investment in joint venture .....	-	(15,156)
VAT outflow in relation to disposal of Widnes assets .....	-	(4,200)
Net loans advanced to associates and joint ventures .....	(1,925)	(3,119)
Interest received .....	1,980	859
<b>Net cash flow from investing activities .....</b>	<b>(58,161)</b>	<b>(66,495)</b>
Issue of ordinary shares .....	119,876	-
Share issue costs .....	(5,349)	(277)
Dividend paid on ordinary shares .....	(17,578)	(15,910)
Proceeds from new finance leases .....	14,469	18,275
Repayment of capital element of finance leases .....	(30,753)	(23,630)
Proceeds from new borrowings .....	2,028	90,000
Repayment of borrowings .....	(17,273)	(40,489)
Interest paid .....	(4,355)	(5,627)
<b>Net cash flow from financing activities .....</b>	<b>61,065</b>	<b>22,342</b>
Increase/(decrease) in cash and cash equivalents .....	58,347	(18,823)
<b>Cash and cash equivalents at beginning of year .....</b>	<b>(31,946)</b>	<b>(13,123)</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>26,401</b>	<b>(31,946)</b>
Cash .....	31,044	3,937
Overdraft .....	(4,643)	(35,883)
<b>Cash and cash equivalents at end of year .....</b>	<b>26,401</b>	<b>(31,946)</b>

## USE OF PROCEEDS

The net proceeds of the issue of the Notes, to be determined following completion of the Offer Period (as defined in "*Terms and Conditions of the Offer*") and set forth in the Sizing Announcement, will be used for general corporate purposes.

The expenses incurred in connection with the transaction will be determined following completion of the Offer Period, however, at the date of this Prospectus the estimated total expense to be incurred in connection with the offer and issue of Notes is £518,000 (plus VAT and disbursements). This figure is calculated on the basis of the following estimates (excluding VAT and disbursements): (i) £135,000 of legal expenses, (ii) £25,000 of marketing expenses, (iii) £25,000 auditor expenses, (iv) £5,000 of regulatory fees (including those related to listing and admission to trading) and (v) £15,000 of other administrative expenses and (vi) £313,000 of Lead Manager fees.

## UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### 1. **Interest**

- 1.1 The Notes will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.
- 1.2 Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.
- 1.3 The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.
- 1.4 Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
- 1.5 The interest has a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of holders of the Notes who are not resident in the United Kingdom, except where the Noteholder carries on a trade in the United Kingdom, in connection with which the interest is received or to which the Notes are attributable.

### 2. **Provision of Information**

- 2.1 Noteholders should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Holder. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.
- 2.2 The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute "deeply discounted securities" for the purposes of

section 430 of the Income Tax (Trading and Other Income) Act 2005 (although, in this regard, HMRC published guidance for the year 2012/2012 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

- 2.3 Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

### 3. **EU Savings Directive**

- 3.1 Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

### 4. **Other Rules Relating to United Kingdom Withholding Tax**

- 4.1 The references to "interest" in this section mean "interest" as understood in United Kingdom tax law. The statements in paragraphs 1 to 3 above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.
- 4.2 The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer and does not consider the tax consequences of any such substitution.

### 5. **Taxation of Disposal (including redemption) and Return**

#### 5.1 ***Corporate Noteholders***

Noteholders within the charge to United Kingdom corporation tax (including non resident Noteholders whose Notes are used, held or acquired for the purposes of a trade carried on in the United Kingdom through a permanent establishment) will be subject to tax as income on all profits and gains from the Notes broadly in accordance with their UK generally accepted accounting practice. Such Noteholders will generally be charged in each accounting period by

reference to interest and other amounts which, in accordance with UK generally accepted accounting practice, are recognised in determining the Noteholder's profit or loss for that period. Fluctuations in value relating to foreign exchange gains and losses in respect of the Notes will be brought into account as income.

## 5.2 ***Other Noteholders***

The Notes are "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992 with the result that on a disposal of the Notes neither chargeable gains nor allowable losses will arise for the purposes of taxation of chargeable gains.

A transfer of a Note by a Noteholder resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Note is attributable may give rise to a charge to tax on income in respect of an amount representing interest on the Note which has accrued since the preceding interest payment date.

## SUBSCRIPTION AND SALE

### Subscription Agreement

Pursuant to a Subscription Agreement expected to be dated on or about 30 November 2012 Canaccord Genuity Limited (the "**Lead Manager**") is expected to agree with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes on the Issue Date (as defined above) and to deliver the Notes to the Financial Intermediaries (as defined below) who have paid for them. The Issuer will pay to the Lead Manager an arrangement fee of 0.75 per cent. of the total principal amount of the Notes subscribed and paid for and a total distribution fee of 0.5 per cent. of such total principal amount. In addition, the Issuer will reimburse the Lead Manager for certain of its expenses in connection with the issue of the Notes. The distribution fee may be shared between the Lead Manager, the authorised distributors and any other financial intermediaries that are appointed by the Lead Manager to procure places for and/or to distribute the Notes (together, the "**Financial Intermediaries**" and each, a "**Financial Intermediary**"). The Subscription Agreement will entitle the Lead Manager to terminate it in certain circumstances prior to payment being made to the Issuer. The issue of Notes shall not be underwritten by the Lead Manager.

The Issuer and the Lead Manager have entered into a prospectus confirmation agreement dated the date hereof, pursuant to which the parties have agreed to comply with the selling restrictions set out below.

### Public Offer

#### *General*

The Issuer retains responsibility for the Prospectus under section 90 of the FSMA in relation to offers of the Notes to Investors during the Offer Period by any Offeror approved by the Issuer (any such Offeror, an "**Authorised Offeror**") who has received a distribution confirmation from the Lead Manager setting out the basis upon which such Authorised Offeror may distribute the Notes during the Offer Period. Any such offers are not made on behalf of the Issuer, the Lead Manager or any other Authorised Offeror and neither the Issuer, the Lead Manager nor any other Authorised Offeror makes any representation as to the compliance by any Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer. Neither the Issuer, the Lead Manager nor any other Authorised Offeror has any responsibility or liability for the actions of such Authorised Offerors.

An offer of the Notes may be made by the Lead Manager or the Authorised Offerors other than pursuant to Article 3(2) of the Prospectus Directive in the United Kingdom during the Offer Period. Neither the Issuer nor the Lead Manager has authorised the making of any other offer of the Notes in any other circumstances.

#### *Terms and Conditions of the Public Offer*

Subject to the foregoing, the Notes may be offered to the public in accordance with the following terms and conditions:

Offer Price:	The Notes will be issued at the Issue Price (being 100 per cent.). Any Investor intending to acquire any Notes from a bank, financial intermediary or other entity (including an Authorised Offeror) will do so in accordance with any terms and other arrangements in place between the seller or distributor and such Investor, including as to price, allocations and settlement arrangements. Neither the Issuer nor the Lead Manager are party to such arrangements with Investors and accordingly Investors must obtain such information from the relevant seller or distributor. The Issuer and the Lead Manager have no responsibility to an Investor for such information.
Total amount of the Offer:	The aggregate nominal amount of the Notes to be issued will depend partly on the amount of Notes for which indicative offers to subscribe are received during the Offer Period and will be specified in the Sizing Announcement.
Offer Period:	An offer of the Notes may be made by the Lead Manager and the Authorised Offerors in the Public Offer Jurisdictions (as defined below) during the period



from 13 November 2012 until 12 noon (London time) on 27 November 2012, or such earlier or later time and date as agreed between the Issuer and the Lead Manager and announced via a Regulatory Information Service.

Description of the application process:

Investors will be notified by the Lead Manager or Authorised Offeror as the case may be of their allocations of Notes and the settlement arrangements in respect thereof as soon as practicable after the Sizing Announcement is made which may be after the Offer Period has ended.

After the closing time and date of the Offer Period no Notes will be offered for sale (i) by or on behalf of the Issuer or (ii) by the Lead Manager and/or any Authorised Offeror (in their respective capacities as Lead Manager or Authorised Offerors) except with the consent of the Issuer.

Investors may not be allocated all of the Notes for which they apply.

Conditions to which the offer is subject:

The issue of the Notes is subject to certain conditions precedent (including (i) the delivery of legal opinions and auditor comfort letters satisfactory to the Lead Manager; (ii) the delivery of certificates to the Lead Manager stating that the representations and warranties of the Issuer under the Subscription Agreement are true, accurate and correct and that they have performed all of their respective obligations thereunder; (iii) the execution of the issue documents by the parties thereto; (iv) there being no material or adverse change in the condition or general affairs of the Issuer or any of its subsidiaries that is material in the context of the issue of the Notes; (v) the UK Listing Authority having agreed to list the Notes and the London Stock Exchange having agreed to admit the Notes for trading on the Market and through ORB on or prior to closing, set out in a Subscription Agreement between the Issuer and the Lead Manager, which is expected to be dated on or about 30 November 2012. The Lead Manager will also be entitled, in certain circumstances, to be released and discharged from its obligations to subscribe and pay for the Notes under the Subscription Agreement prior to the issue of the Notes.

Manner in and date on which results of the offer are to be made public:

The Sizing Announcement will be published by a Regulatory Information Service (expected to be the Regulatory News Service operated by the London Stock Exchange) prior to the Issue Date; such announcement is currently expected to be made on or around 27 November 2012.

Method and time limits for paying for the Notes and for delivery of the Notes:

The Notes will be issued on the Issue Date against payment to the Issuer of the subscription moneys (less any amount of fees and/or expenses that the Issuer and the Lead Manager agree should be deducted from such subscription moneys). Investors will be notified by the Lead Manager or Authorised Offeror of their allocations of Notes and the settlement arrangements that apply in respect thereof.

The various categories of potential investors to which the Notes are offered:

Notes may be offered by the Lead Manager and the Authorised Offerors in the United Kingdom, Jersey, Guernsey and/or the Isle of Man (the "**Public Offer Jurisdictions**") to any person during the Offer Period. The Notes will not be offered to the public in any Member State other than in the United Kingdom.

Description of the possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:

In the event the issue is oversubscribed there will be no refund as investors will not be required to pay for any Notes until any application for Notes has been accepted and the Notes allotted.

Process for notification to applicants of the amount allotted and

Investors will be notified by the Lead Manager or Authorised Offeror of their allocations of Notes in accordance with arrangements in place between such parties. No arrangements have been put in place by the Issuer as to whether

indication whether dealing may begin before notification is made:	dealings may begin before such notification is made. Accordingly, whether Investors can commence dealings before such notification will be as arranged between the relevant Investor and the Lead Manager or Authorised Offeror (as the case may be).
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	<p>The Issuer will not charge any expenses to any Investor. Expenses may be charged by an Authorised Offeror; these are beyond the control of the Issuer and are not set by the Issuer. They may vary depending on the size of the amount subscribed for and the Investor's arrangements with the Authorised Offeror.</p> <p>The Issuer estimates that the expenses charged by an Authorised Offeror named in the Sizing Announcement in connection with the sale of Notes to an Investor will be on average 1.85 per cent. of the aggregate principal amount of the Notes sold to such Investor.</p>
Details of the initial minimum and/or maximum amount of application:	The minimum subscription per Investor is for a principal amount of £2,000 of the Notes.
When the Subscription Agreement has been or will be entered into:	The Subscription Agreement will be dated on or around 30 November 2012.
Procedures for the exercise of any right of pre-emption, the negotiability and treatment of subscription rights:	Not applicable.
Entities which have a firm commitment to act as intermediaries in secondary market trading, providing liquidity through bid and offer rates and description of the main terms of their commitment:	Canaccord Genuity Limited will be appointed as registered market maker through the electronic order book for retail bonds (ORB) in respect of the Notes from the date of admission of the Notes to trading.

## **Selling Restrictions**

### **General**

The Lead Manager has undertaken to the Issuer that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any related offering material, in all cases at its own expense.

### ***United States***

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

The Issuer has represented, warranted and undertaken to the Lead Manager that neither they nor any of their affiliates (including any person acting on behalf of the Issuer or any of its respective affiliates) has offered or sold, or will offer or sell, any Notes in any circumstances which would require the registration of any of the Notes under the Securities Act or the qualification of the Trust Deed as an indenture under the United States Trust Indenture Act of 1939 and, in particular, that: i) neither the Issuer nor any of its respective affiliates nor any person acting on their behalf has engaged or will engage in any directed selling efforts with respect to the Notes and ii) the Issuer reasonably believe that there is no substantial U.S. market interest in their respective debt securities. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Lead Manager has represented, warranted and undertaken to the Issuer that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of the Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Under United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**C Rules**"), the Notes must, in connection with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, the Lead Manager has represented, warranted and undertaken to the Issuer that, in connection with the original issuance of the Notes: i) that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and ii) that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if the Lead Manager or such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of the Lead Manager in the offer and sale of Notes. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder, including the C Rules.

### ***Public Offer Restriction under the Prospectus Directive***

In relation to each Relevant Member State, the Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than the offers contemplated in the Prospectus in the United Kingdom from the time the Prospectus has been approved by the relevant competent authority, in the United Kingdom and is published in accordance with the Prospectus Directive until the Issue Date, or such later date as the Issuer may permit, and **provided that** the Issuer has consented in writing to use of the Prospectus for any such offers, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) to any legal entity which a qualified investor as defined in the Prospective Directive;

- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Lead Manager; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, **provided that** no such offer of Notes shall require the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

#### ***United Kingdom***

The Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

#### ***Guernsey***

The Lead Manager has represented, warranted and agreed that the Notes have not been marketed, offered or sold in or to persons resident in Guernsey other than in compliance with the requirements of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended, and the regulations enacted thereunder, or any exemption therefrom. The Prospectus has not been distributed or circulated directly or indirectly to any persons in the Bailiwick of Guernsey other than (i) by a person licensed to do so under the terms of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, or (ii) to those persons regulated by the Guernsey Financial Services Commission as licensees under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Insurance Business (Bailiwick of Guernsey) Law, 2002 or the Regulation of Fiduciaries, Administration Business and Company Directors etc. (Bailiwick of Guernsey) Law, 2000.

#### ***Jersey***

The Lead Manager has represented, warranted and agreed that it will not circulate in Jersey this Prospectus or any offer for subscription, sale or exchange of the Notes unless such offer (a) such offer does not for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, constitute an offer to the public; or (b) an identical offer is for the time being circulated in the UK without contravening the FSMA and is, *mutatis mutandis*, circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the UK.

### ***Isle of Man***

The Lead Manager has represented, warranted and agreed that this Prospectus has not been and will not be registered or filed as a prospectus with any governmental or other authority in the Isle of Man and this Prospectus and the issue of the Notes have not been approved by the Isle of Man Financial Supervision Commission. Any offer for subscription, sale or exchange of the Notes in or from the Isle of Man must be made:

- (a) by an Isle of Man financial services licence holder appropriately licensed under section 7 of the Financial Services Act 2008 to do so;
- (b) in accordance with any relevant exclusion contained within the Regulated Activities Order 2011;  
or
- (c) in accordance with any relevant exemption contained within the Financial Services (Exemptions) Regulations 2011.

### ***General***

Save as described under "*Public Offer Restriction under the Prospectus Directive*" above, no representation has been made that any action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Prospectus or any amendment or supplement hereto or any information booklet or advertisement or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any such other material, in all cases at its own expense.

## GENERAL INFORMATION

1. Applications for the Notes to be admitted to the Official List and to trading on the Market and through the ORB are expected to be made before 30 November 2012. It is expected that listing of the Notes on the Official List and admission of the Notes to trading on the Market will be granted on the Issue Date, subject only to the issue of the Permanent Global Note. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.
2. The Issuer has obtained all necessary consents, approvals and authorisations in England and Wales in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a resolution of the Committee of the Board of Directors of the Issuer passed on 29 October 2012.
3. There has been no significant change in the financial or trading position of the Issuer or the Group since 29 February 2012, and no material adverse change in the prospects of the Issuer or the Group since 31 August 2012.
4. The Notes and Coupon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
5. The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). Interests in Notes may also be held through CREST through the issuance of CDIs representing Underlying Notes. The Common Code for the Notes is XS0852588937 and the International Securities Identification Number (ISIN) is 085258893.
6. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB.
7. There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Issuer's group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.
8. Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the 12 months prior to the date of this Prospectus significant effects on the financial position or profitability of the Issuer and/or the Group.
9. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced, and as far as the Issuer is aware and are able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
10. For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Issuer:
  - (a) the Articles of Association of the Issuer;
  - (b) the Trust Deed constituting the Notes;
  - (c) the Paying Agency Agreement in respect of the Notes;
  - (d) any documents incorporated by reference into this Prospectus; and

- (e) a copy of this Prospectus together with any supplement to this Prospectus or further prospectus.

This Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/marketnews/market-news-home.html>. The contents of the website of the Regulatory News Service operated by the London Stock Exchange shall not form part of this Prospectus.

- 11. The auditors of the Issuer are KPMG Audit Plc, a member of the Institute of Chartered Accountants in England and Wales. The auditors of the Issuer for the financial years ending 29 February 2012 and 28 February 2011 were Ernst & Young LLP who have audited (i) the consolidated financial statements of the Issuer, without qualification, in accordance with International Financial Reporting Standards for the financial years ended 29 February 2012 and 28 February 2011.
- 12. The Trust Deed constituting the Notes will provide that the Trustee may (a) act or rely on any opinion or advice, or information obtained from any expert whether or not such advice is obtained by or addressed to the Issuer, the Trustee or any other person and (b) rely on any report, confirmation or certificate or any advice of any auditors (including the auditors of the Issuer), financial advisers, financial institution or any other expert, whether or not it is addressed to the Trustee and whether or not it contains any limit on liability (monetary or otherwise), in accordance with the provisions of the Trust Deed.

The yield of Notes is 5.50 per cent. per annum calculated on the basis of the Issue Price and as at the date of this Prospectus. It is not an indication of future yield.

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