This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

25 May 2022

Esken Limited
("Esken" or the "Group")
Results for the 12 months ended 28 February 2022

Improving financial performance, well positioned for future growth

Esken Limited, the Aviation and Renewables Group, today announces its results for the 12 months to 28 February 2022.

The Group will provide a live presentation relating to its results via the Investor Meet Company platform at 9:30am BST today.

The presentation is open to all existing and potential shareholders. Investors can sign up to Investor Meet Company for free and add to meet Esken via: https://www.investormeetcompany.com/esken-limited/register-investor. Investors who already follow Esken on the Investor Meet Company platform will automatically be invited.

David Shearer, Executive Chairman of Esken said,
"Our focused strategy for long-term growth is to deliver an improving financial performance, supported by the post-pandemic recovery in Esken Renewables and strict cost management in the Aviation business.

Esken Renewables had a strong year, with profitability and cash generation significantly improved. The business has a good growth outlook and is expected to continue its positive trend supported by long-term index linked contracts and more normalised gate fees.

We are delighted that travel restrictions have been removed and that easyJet has chosen to fly to three destinations from London Southend Airport this summer. With the continued support of our investment partner, we remain in discussions with a number of airlines for 2023. The airport's attractive operating cost, passenger experience and ease of access by rail, coupled with the constraints at the more established London airport bases underpins the opportunity to secure future airline agreements.

Overall, the Group reported a total loss before tax of £34.6m, which includes £20.5m of depreciation, £19.0m of net financing costs and a £5.4m net impairment. The Group's headroom at the year end was £72.7m which is ahead of management expectations set out at the time of the refinancing. While cognisant of macroeconomic uncertainties, we look ahead with a degree of confidence as we navigate the recovery phase of the Group."

Financial highlights

- Esken's core operating businesses generated a combined adjusted EBITDA[1] of £19.5m (FY21: £3.9m).
    - Esken Renewables (formerly Stobart Energy) supplied 1.5m tonnes of biomass fuel, up 4.8% on the prior year (FY21: 1.4m tonnes). Increased availability of waste wood, improved gate fee income and more consistent biomass plant customer operations delivered a 103.0% increase in adjusted EBITDA to £20.3m (FY21: £10.0m), marginally ahead of the expected range of £18-20m. The Aviation business reported an adjusted EBITDA loss of £0.8m, an improvement from the £6.1m loss in the prior year, as a result of £3.5m of one-off benefits associated with Connect Airways and Teesside, along with strict financial discipline, and a positive contribution from Star Handling Services (formally Stobart Aviation Services), the hotel and solar farm.
- Esken incurred £5.6m of legal costs relating to historical cases which are still to be concluded, and £7.5m of other central costs including staff costs, tax fees and listing costs. Esken expects legal costs to reduce significantly in the current financial year. The Group benefited by £4.7m following an agreement to exit a long-term onerous property lease, leaving the overall Group adjusted EBITDA at £10.3m.

1 Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments. Refer to Segmental information note for reconciliation to statutory loss before tax.

- The total loss before tax of £34.6m is an improvement on the prior year loss of £44.2m. The total loss before tax in the year under review includes £20.5m of depreciation, £19.0m of net financing costs and a £5.4m net impairment.
- During the year, Esken completed a refinancing that included a £125m convertible loan in relation to LSA, together with a new £20m working capital facility and £55m equity raise.
- The Group's headroom[3] at the year end was £72.7m (28 February 2021: £77.4m) which is ahead of management expectations set out at the time of the refinancing and includes £14.4m of ring-fenced cash in London Southend Airport (LSA) and the £20.0m undrawn revolving credit facility (RCF). The Group has £118.5m (FY21: £91.9m) of net debt[2] excluding obligations under leases (£241.9m (FY21: £250.8m) including obligations under leases) and £39.7m of non-core assets, which will be held for sale at the appropriate time.
- As at 28 February 2022 the Group has c.£47m of future cash outflows payable through FY23 and FY24 related to ongoing Propius lease and aircraft-related costs[2], following the liquidation of Stobart Air in June 2021. Its current undrawn £20m RCF expires in February 2023. As a result, the Group is progressing a review of its banking requirements in order to maintain sufficient headroom[3] to cover its working capital requirements and residual legacy liabilities.
- The Group's cash position is tracking in line with management expectations at the time of the July 2021 capital raise, although working capital management during the FY22 Financial Year has resulted in an improved cash position as at the 28 February 2022 year end compared to expectations. The management of costs associated with Stobart Air, following its liquidation in June 2021, and Propius, and work to dispose of the £39.7m portfolio of non-core assets remain in line with management expectations.

2 See Alternative performance measures note for an explanation and reconciliation of net debt and Propius lease and aircraft-related costs.
3 Headroom is the sum of cash plus the £20m undrawn revolving credit facility. See Alternative performance measures note for further explanation.

£'m	2022	Restated[2] 2021	*% change*
Revenue by division			
Aviation	23.4	24.7	*(5.3%)*
Renewables	79.7	74.7	*6.7%*
Revenue for two core operating divisions	**103.1**	**99.4**	***3.7%***
Investments and Non-Strategic infrastructure	0.7	1.1	*(36.4%)*
Group central and eliminations	0.8	0.9	*(11.1%)*
Total revenue	**104.6**	**101.4**	***3.2%***
Adjusted EBITDA[1] by division			
Aviation	(0.8)	(6.1)	*86.9%*
Renewables	20.3	10.0	*103.0%*
Adjusted EBITDA[1] for two core operating divisions	**19.5**	**3.9**	***400.0%***
Investments and Non-Strategic infrastructure	2.9	(1.6)	*281.3%*
Group central and eliminations	(12.1)	(9.7)	*(24.7%)*
Total adjusted EBITDA[1]	**10.3**	**(7.4)**	***239.2%***
Loss before tax	**(34.6)**	**(44.2)**	***21.7%***
Tax	9.9	7.1	*39.4%*
Discontinued operations, net of tax	(2.4)	(118.0)	*98.0%*
Loss for the year	**(27.1)**	**(155.1)**	***82.5%***
Net debt	(241.9)	(250.8)	*3.6%*
Cash and undrawn banking facilities	72.7	77.4	*(6.1%)*

1 Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments. Refer to Segmental information note for reconciliation to statutory loss before tax.
2 2021 results have been restated where required in line with IFRS 5 Discontinued Operations.

Post period highlights

- Stobart Energy changed its name to Esken Renewables on 26 April 2022. The change of name, following the sale of the Stobart brands in 2020, reflects both the business' importance to Esken and the nature of its operations.
- Stobart Aviation Services also changed its name to Star Handling on 24 May 2022 and Stobart Jet Centre changed to London Southend Jet Centre on 5 April 2022.
- London Southend Airport saw the return of easyJet operations under an initial short-term contract, with the airline starting flights to Malaga, Palma and Faro on 1 May 2022.

ESG progress

- Esken has for the first time collected and voluntarily reported initial Scope 3 emissions data, in addition to Scope 1-2 reported in prior years.
    - Across its businesses Esken produced 139,447 tCO_2e, representing a 492% increase on the prior year when adjusted to include Scope 3 data. This increase predominantly relates to the addition of wider Scope 3 emissions for the Renewables division, including third party wood handling and transport plus combustion of biomass fuel by power plant customers.
    - Esken Renewables undertook third party research with Logika Consultants to validate Scope 1-3 emissions data. The research established that whilst Esken produced around 121,256 tonnes of Greenhouse Gas (GHG) emissions in FY 22, it saved the UK 630,000 tonnes of additional GHG emissions (equivalent to taking c.136k cars off the road) by supplying biomass power customers over 1.1 million tonnes of waste wood that would have otherwise gone to landfill, producing methane.
- London Southend Airport launched its Connecting Communities Commitment encompassing the launch of one of the UK's only independent noise forums, a charitable partnership and various community engagement initiatives.
- Esken established charity partnerships for each of its divisions, and across the business Esken established a good governance programme which supported its first TCFD submission. Esken has also put in place an ESG steering group and Board sub-committee with formal terms of references. As a result of this governance process, the business has established an ESG risk register and put in place ESG performance KPIs linked to Executive Team remuneration.

Outlook

Esken Renewables is continuing its positive trend and Esken anticipates it will achieve EBITDA in FY23 in excess of £22m.

London Southend Airport has secured contracted flying with easyJet to three destinations: Malaga, Faro and Palma. Whilst Esken does not at this stage expect to secure any further airline agreements for Summer 2022, the airport's attractive operating cost, passenger experience, ease of access by rail, coupled with capacity constraints at the more established London airport bases, underpins the opportunity to secure future airline agreements for Summer 2023 and beyond.

The Group is progressing a review of its banking requirements in order to maintain sufficient headroom to cover its working capital requirements and residual legacy liabilities when the existing RCF expires in February 2023.

Going concern

The Directors' assessment of the going concern position of the Group is set out in the notes to the extracts from the audited financial statements in this results announcement. This section must be read in order to fully understand the significant judgements the Directors have made and the material uncertainty that exists in respect of the going concern assumption for the Group.

Chairman's Statement

I am pleased to present my Chairman's statement for the year to the end of February 2022. Following on the challenges of the prior year this has been a year of transition for the Group as we navigated the pandemic and continued the journey to a focused renewables and aviation business while continuing to address residual legacy issues.

Review of the year

We entered the year with continuing uncertainty around the pandemic and a lack of clarity on the extent of lockdowns and the impact which these would have on the aviation industry, the appetite for consumers to travel and the airlines' commitment to route schedules. Against this backdrop we planned accordingly to ensure that the Group would have the financial resources to manage a prolonged downturn while at the same time maintaining the operational flexibility to respond quickly to any improvement in demand.

Esken continued on its journey to a focused aviation and renewables business having exited the loss making Stobart Rail & Civils business in the prior year. In June 2021 we unfortunately had to withdraw our support for the Stobart Air business which was placed in liquidation with the loss of 480 jobs. We had maintained support for this business since it was re-acquired in April 2020 following the collapse of Connect Airways. We tried tirelessly to find a suitable buyer in view of the significantly better outcome which would have been achieved for both employees and shareholders given the legacy liabilities. Sadly, the continuing impact of the pandemic on passenger levels meant that we could no longer sustain our support without putting the future viability of the Group at risk. Esken continues to fulfil its residual lease and related maintenance liabilities on certain aircraft as these run off through to September 2023.

In July 2021 we announced that agreement had been reached with Carlyle Global Infrastructure Opportunity Fund (CGI) to invest £125m by way of a convertible loan note into London Southend Airport (LSA) and this completed in August 2021. At the same time, we concluded an equity raise of £55m and a new £20m working capital facility. This finance raise served two purposes. Firstly, it secured the funding to enable the Group to meet certain legacy obligations and provide the working capital to support its recovery. Secondly and importantly, it introduced an experienced airport investor and partner into LSA. The convertible loan implied an equity value on the airport of c.£400m in the event of the conversion option being exercised.

As we simplified the business into two primary divisions we decided also to streamline the management team, following the departure of Warwick Brady in the early part of the year. After a consultation with a number of our major shareholders, we announced in November 2021 that we would dispense with the role of Group Chief Executive and would not be seeking to appoint a replacement. Each of the existing Executive Directors would take main board responsibility for one of the operating divisions with Nick Dilworth becoming Executive Director – Renewables and Lewis Girdwood becoming Executive Director – Aviation. I would remain as Executive Chairman with overall executive responsibility for the business while focusing on stakeholder management and the delivery of the Group Strategy.

We have also made a number of changes within the senior management team to ensure that we have the right capabilities in place to drive performance into recovery. These changes will improve our overall management capability within the Group and will also make a saving in cost compared with the previous structure.

During the year the Group continued to make use of the furlough scheme with a number of colleagues in the Aviation division being on furlough until 30 September 2021 when that scheme terminated. The use of this scheme enabled us to maintain the operating capability of the business through the worst of the pandemic.

Subsequent to the yearend we have rebranded our Stobart Energy business as Esken Renewables. This was a requirement of our decision in May 2020 to sell the Stobart Brands to Logistics Development Group plc, which was at that time the owner of Eddie Stobart Logistics, but at the same time reflects more clearly the description of what the business actually does. The Group, as part of that transaction was also required to change the name of Stobart Jet Centre, now London Southend Jet Centre, and Stobart Aviation Services, now Star Handling Services.

Results
The benefits of the streamlining of our operations can be seen in our full year results. Esken's core operating divisions generated a combined adjusted EBITDA of £19.5m compared with £3.9m in the prior year. Esken's reported loss before tax of £34.6m represents an improvement compared to the £44.2m reported in the prior year. The loss before tax is after £19.0m of financing costs, £20.5m of depreciation, £5.4m of net impairments and £12.1m of net central costs (including £5.6m of legal costs relating to historical cases which are still to be concluded). Esken expects these central costs to reduce significantly in FY23.

The improvement in adjusted EBITDA is a result of a strong performance in Esken Renewables which slightly exceeded expectations to report an adjusted EBITDA of £20.3m. The continued financial discipline of LSA, alongside positive contributions from Star Handling Services, our check in and handling business, and the airport's hotel and solar farm meant the Aviation Division as a whole reported an adjusted EBITDA loss of £0.8m after £3.5m of one-off receipts in connection with Connect Airways and Teesside International Airport.

Esken Renewables' performance followed a full recovery in the construction sector after interruptions resulting from the first lockdown in the prior year. This led to an improvement in the availability of waste wood supplies and a consequent recovery in gate fees. The other contributing factor was a maturing of the energy plants which are supplied by Esken. These plants had fewer unplanned outages in the year allowing us to supply 1.5m tonnes of biomass fuel compared to 1.4m tonnes in the prior year.

Whilst there is no direct relationship between energy price increases and our long term RPI linked fuel supply contracts, improved performance of the energy generators is positive for the sector as a whole.

Esken Renewables plays a role within the UK's Circular economy and the journey towards Net Zero. The energy generating stations which we supply account for c.2% of all energy generated within the national grid or 1.8m MWh.

Biomass fuel remains a key part of the energy infrastructure within the UK and we will work closely with the wider sector as the strategy develops to identify additional opportunities for the business. Diverting waste wood from landfill to be used as biomass fuel allowed us to remove 630,000 tonnes of carbon emissions from entering the atmosphere compared with other means of disposal.

The adjusted EBITDA loss for the Aviation business of £0.8m compared with a loss of £6.1m in the prior year is a marked improvement given the significant drop in passenger numbers through the period of the pandemic. This performance reflects the strict financial discipline which has been applied and the continued income from the global logistics operation. Aviation continued to be impacted significantly by further lockdowns and the restrictions on travel across Europe. LSA saw passenger numbers continue to decline during the year under review being down 36% to 94,000. In the latter part of the year, higher fuel prices and continuing uncertainty within the aviation sector has impacted airline allocation decisions with a number retracting to traditional established bases despite a market improvement in booking volumes for Summer 2022.

We were very pleased to see easyJet return to operate flights from London Southend Airport to Malaga, Palma and Faro for this summer. We continue to have constructive dialogue with a range of airlines with a focus on delivering the right airline agreements for Esken for Summer 2023 onwards.

LSA has stepped up its engagement with the local community. The airport has for a long time operated well within Government air quality guidelines with monitoring showing a continuous improvement in and around the airport over the last decade. We have sought to build on that position, launching the Connecting Communities Commitment which detailed an Environmental Action Plan, the launch of one of the UK's only community noise forums and the establishment of a partnership with local charity, MIND Essex, amongst other initiatives.

During the year, the land at Port of Weston in Runcorn increased in value leading to a small reversal of impairment of £0.8m, resulting in non-core assets with a book value of £39.7m as at 28 February 2022, an increase of £0.5m on the prior year. The Group plans to realise value in the short term as the market condition for asset sales improves.

Environmental, social and governance (ESG)
The focus on connecting with our communities and acting as a responsible business has been a key theme throughout the business in the year, with Esken stepping up its ESG activities. We have put in place an ESG governance structure with Board oversight to deliver our ESG framework. We have established charity partnerships for each of the operating businesses, developed a volunteering framework and started to gather social impact metrics. Esken has also improved its diversity data, established safety KPIs and substantially completed our work on establishing our roadmap towards Net Zero with a clear process for data collection for our Scope 1 to 3 carbon footprint. We expect to finalise our roadmap to Net Zero in FY23.

The progress through our ESG framework underpins our desire to play a key role in reducing the UK's carbon emissions through renewable energy and sustainable aviation while supporting our strategic objective to drive sustainable shareholder value over the medium term. Our renewables business already contributes to the UK's targets and we have the opportunity at London Southend Airport to develop future passenger growth in a sustainable way.

Strategy and funding
Our strategy for the Group is clear and was stated last year. We will focus on the two core operating divisions of Renewables and Aviation and drive value in these businesses in a sustainable way over the medium term. All remaining non-core assets will be realised with the funds being used to reduce residual liabilities and invest in the core businesses.

We will seek to grow the Renewables business in its core market and be alert to new opportunities which might arise as the UK transitions to a Net Zero Carbon economy by 2050. The prime asset in the Aviation business is LSA which before the pandemic offered passenger services to over 40 destinations to a catchment area of over 8m people within an easy travelling distance of the airport. As air travel continues to recover the London airport market will once again become capacity constrained.

This fact, coupled with the intrinsic attractiveness in terms of operating cost, passenger experience and ease of access by rail from central London underpins our view of the medium-term value of the airport. We will look to enter into deals with the right airline and logistics partners which make commercial sense to both parties as we develop the airport for future sustainable travel.

The business secured a new £125m, seven-year convertible loan into the airport from CGI and also re-financed the revolving credit facility (RCF) with our existing lenders; entering into a new £20m facility which matures in February 2023. The airport retains a ring-fenced cash facility which underpins its funding needs through the recovery period.

The Group is progressing a review of its banking requirements to ensure it has sufficient headroom to cover its residual Propius aircraft liabilities and working capital needs following the expiry of the RCF in February 2023.

Board and people
Once again can I express my personal thanks to my Board and all of our colleagues at Esken for their support over the last year. It has continued to be a difficult period for everyone both at work and at home and the efforts and dedication of our staff through these challenging times has been appreciated.

I have already referred to the decision not to seek to appoint a new Group Chief Executive and streamline the executive management team with a view to improving management of the operations while at the same time mitigating unnecessary cost. In view of the fact that I will remain in an Executive Chairman position and to ensure effective oversight and robust corporate governance, David Blackwood assumed the role of Deputy Chairman and Senior Independent Director with effect from 3 November 2021. This enhanced role ensures that the Board and shareholders have a point of contact independent from myself should they wish to raise any matters of concern.

In view of the significance of our ESG ambitions we have created a Board level ESG Committee which Ginny Pulbrook has agreed to Chair, adding to her responsibilities as the designated Board level People Director.

John Coombs has indicated his desire to step down from the Board and he will retire with effect from the conclusion of AGM after eight years as a Non-Executive Director including three as Chair of the Remuneration Committee. Clive Condie has agreed to take on the role as Chair of the Remuneration Committee following the AGM

On behalf of the Board, and personally, I express our thanks to John for his dedication and commitment to his roles over the last eight years and would like to wish him well in the future. I wish to also thank each of my fellow Directors for agreeing to take on the additional responsibilities. In view of the reduction in scale of the Group's operations and the fact that we are still in the recovery phase following the pandemic we now do not intend to recruit an additional Non-Executive Director to the Board.

We will keep the position under review and ensure that we take steps to provide adequately for Board succession at the point when this becomes an issue. While recognising that the Board does not meet the expected target for diversity and that this will now not change in the short term, it's the right thing not to add additional cost into the business at present.

Future

As we emerge finally from the pandemic we, find ourselves facing the new challenges arising from the impacts of the War in Ukraine, tight labour market, fuel price inflation and increasing interest rates. The policy responses to these challenges taken by governments round the world will undoubtedly have an impact on business generally and on the markets which we serve. In the last two years the steps which we have taken to streamline the business have enhanced our ability to respond quickly to these challenges.

Our renewables business offers a resilient base given the increasing demands for carbon neutral energy. Our Aviation business starts from a low base and given the steps we have taken to minimise costs, can grow its operations in line with passenger demand. The inherent desire amongst the public to travel now that restrictions have been removed is likely to offer a demand-pull in the aviation sector which will benefit the airport over the medium term.

We will continue to apply strict financial discipline in the year ahead ensuring that we take the right decisions for the medium term. While there is economic and market uncertainty we look ahead with a degree of confidence as we navigate the recovery phase of the Group.

David Shearer
Executive Chairman

Financial review

Clarifying the picture

The Group reports a £10.3m adjusted EBITDA gain and a £34.6m loss before tax for the year ended 28 February 2022. Whilst this result demonstrates progress, particularly given the considerable ongoing challenges in the airline industry, it is worth noting some one-off items that cloud the picture somewhat, and we think it is best to qualify the result to give the reader a clear, transparent view of the Group's performance this year.

There were one-off receipts in the Aviation division totalling £3.5m, associated with Connect Airways and the conclusion of the partnership with Teesside International Airport. In the Non-Strategic Infrastructure division an agreement was reached to exit a long-term onerous property lease, resulting in the release of provisions and reassessment of lease term, generating £4.7m income.

Aviation emerging from COVID-19

The Aviation division reports an adjusted EBITDA loss of £0.8m, which includes the £3.5m Connect Airways and Teesside benefit. As previously announced, the Group decided to close London Southend Airport (LSA) to commercial passengers during the Winter period just gone to position the airport for the beginning of a return to flying in Summer 2022. With passenger numbers in the year at less than 5% of pre-COVID-19 levels, we implemented strict cost control to minimise cash burn.

The majority of European travel restrictions have now been lifted and the airline industry has seen an improvement in booking volumes for Summer 2022. LSA is targeting gradual growth through 2022 and 2023 and as the first step on this journey easyJet will operate three routes out of LSA to Malaga, Palma and Faro.

Renewables bounce back

The Renewables division (previously the Energy division) has had a strong year seeing an increase in adjusted EBITDA to £20.3m which is now ahead of pre-COVID-19 levels. The supply of waste wood in the market was far healthier than the prior year, which had a twofold impact. Firstly, the division was in a much more competitive position regarding gate fees charged on inbound waste wood. Secondly, through efficient use of its supply chain, the division was able to source waste wood from a smaller geographical area, reducing the need for imports and significantly reducing costs. The result of these factors is that the business is now well placed to maintain its pre-COVID-19 level.

Discontinued operations

Following the liquidation of Stobart Air in June 2021, the results of Stobart Air and Propius are presented in discontinued operations and the prior year comparatives restated accordingly. The total loss from discontinued operations of Stobart Air and Propius, along with some residual costs relating to Stobart Rail, was £2.4m, including a profit on liquidation of £11.3m from the deconsolidation of Stobart Air's balance sheet.

At 28 February 2022 the Group has £47.0m of outstanding liabilities payable through to September 2023 related to ongoing Propius lease and aircraft-related costs. Towards the end of calendar year 2022 Propius will begin the staggered hand back of the eight ATR aircraft to GOAL. The remaining aircraft costs have been fully provided for in these financial statements, although there is estimation uncertainty regarding part of the maintenance provision. The provision excludes any future foreign currency exchange exposure.

Balance sheet and liquidity

During the year the Group restructured its debt and sourced alternative funding solutions. An agreement was reached with Carlyle Global Infrastructure Opportunity Fund (CGI) for a £125m investment in LSA through a 30% convertible debt instrument (£111.5m net), and £55.2m of gross proceeds (£52.3m net) were received from a successful capital raise. This enabled the repayment of the Group's old Revolving Credit Facility (RCF) in full, which was drawn at £108m prior to repayment. A new £20m RCF was agreed which remained undrawn at 28 February 2022. The Group's headroom at the year end is £72.7m and includes £14.4m of ring-fenced cash in LSA and the £20m RCF. The Group also has non-core assets, with a net book value of £39.7m, which can be sold at a time and price most beneficial to the Group.

Revenue

	2022 £'m	Restated[1] 2021 £'m	Movement
Aviation	23.4	24.7	(5.4%)
Renewables	79.7	74.7	6.6%
Revenue from two main operating divisions	**103.1**	**99.4**	**3.7%**
Investments	-	-	0%
Non-Strategic Infrastructure	0.7	1.1	(37.4%)
Group Central and Eliminations	0.8	0.9	4.5%
Total revenue	**104.6**	**101.4**	**3.2%**

Revenue from continuing operations has increased by 3.2% to £104.6m. Revenue from our key growth divisions, Aviation and Renewables, has increased by 3.7% to £103.1m. Revenue in the Aviation division continues to be significantly impacted by COVID-19. Passenger numbers at LSA were down by 36.2% year on year, with the prior year including one month of restriction free flying prior to lockdown. An increase in gate fees has been the main driver for the improvement in Renewables revenue, in addition to an increase in the outbound supply of biomass material.

Profitability

	2022 £'m	Restated[1] 2021 £'m	Movement
Adjusted EBITDA[2]			
Aviation	(0.8)	(6.1)	87.3%
Renewables	20.3	10.0	103.0%
Adjusted EBITDA[2] from two main operating divisions	**19.5**	**3.9**	**397.1%**
Investments	(0.4)	0.1	(404.7%)
Non-Strategic Infrastructure	3.3	(1.7)	297.2%
Group Central and Eliminations	(12.1)	(9.7)	(24.3%)
Adjusted EBITDA[2]	**10.3**	**(7.4)**	**238.9%**
Depreciation	(20.5)	(19.4)	
(Impairment)/reversal	(5.4)	0.8	
Impairment of loan notes	-	(8.0)	
Finance costs (net)	(19.0)	(10.2)	
Loss before tax	**(34.6)**	**(44.2)**	
Tax	9.9	7.1	
Loss for the year from continuing operations	**(24.7)**	**(37.1)**	
Loss from discontinued operations, net of tax	(2.4)	(118.0)	
Loss for the year	**(27.1)**	**(155.1)**	

1 2021 results have been restated where required in line with IFRS 5 Discontinued Operations.
2 Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments. Refer to Segmental information note for reconciliation to statutory loss before tax.

Profitability

Adjusted EBITDA and profit before tax are the Group's key measures of profitability. Adjusted EBITDA has increased by 238.9% to a £10.3m gain (2021: £7.4m loss) and the loss before tax has decreased by £9.6m to £34.6m (2021: £44.2m).

The Aviation division adjusted EBITDA has increased by 87.3% to a loss of £0.8m (2021: £6.1m) primarily due to £3.5m of one-off receipts associated with Connect Airways and the conclusion of the partnership with Teesside International Airport, and a reduction in airline support costs. In the Renewables division, performance has returned to pre-COVID-19 levels with an increase in gate fees and a reduction in the cost of sourcing waste wood leading to adjusted EBITDA increasing by 103.0% to £20.3m (2021: £10.0m).

In the Non-Strategic Infrastructure division, the agreement to exit a long-term onerous property lease is the main driver of the increase in adjusted EBITDA to a gain of £3.3m (2021: £1.7m loss). The Group Central and Eliminations adjusted EBITDA loss increased by 24.3% to £12.1m (2021: £9.7m) mainly due to one-off legal fees and an increase in the provision for part 1 claims relating to LSA.

Business segments
The business segments reported in the financial statements are Aviation, Renewables, Investments and Non-Strategic Infrastructure, which represent the operational and reporting structure of the Group.

The Operational Review contains further details about the performance of the operating divisions.

The fair value of the investment in Logistics Development Group plc (LDG), reduced by £1.2m (2021: £5.7m increase) due to a decrease in the LDG share price. The loss on revaluation of the investment to current market share price is presented in the consolidated statement of comprehensive income.

The Non-Strategic Infrastructure division continues to realise value from its property assets when the time and price is right. At 28 February 2022, the book value of Infrastructure assets held was £39.7m (2021: £39.2m). During the year, there were no (2021: one) property disposal that generated net proceeds of £nil (2021: £1.4m).

Depreciation
Depreciation has remained broadly in line year on year, with the small increase from £19.4m to £20.5m, principally due to fixed asset additions in the Aviation division related to terminal improvements at LSA.

Impairments
A right-of-use asset relating to land leased in Widnes has been impaired by £6.2m. The land relates to a sale-and-leaseback transaction and was recognised following the adoption of IFRS 16. It was anticipated that the land would be used in the Renewables division but during the year the Group reassessed its strategy for the use of the land and concluded that this was not viable. The impairment is non-cash and does not impact the trading operations of any business unit.

At the year end three land and building and property inventory assets were subject to external independent development valuations. This led to an overall reversal of impairment of £0.8m (2021: £0.8m).

In the prior year shareholder loan notes relating to Mersey Bioenergy Holdings Limited, the Widnes biomass plant owner, were impaired from £8.0m to £nil shown on a separate line, Impairment of loan notes, on the consolidated income statement. There has been no change in the impairment of the loan notes in the current year.

Finance costs
Finance costs increased by £8.0m to £21.2m, mainly due to interest charged on the Carlyle convertible debt instrument in the current year and higher interest charges on the RCF prior to its repayment. Finance income decreased by £0.8m to £2.2m primarily due to a decrease in the interest received on the change in fair value of financial liabilities.

Tax
The tax credit on continuing operations of £9.9m (2021: £7.1m) reflects an effective tax rate of 28.5% (2021: 16.0%). The effective rate is higher than the standard rate of 19%, mainly due to the settlement and release of the uncertain tax position. Deferred tax has been calculated at the blended rate. The amounts expected to unwind pre 1 April 2023 are calculated at 19% and the amounts expected to unwind post 1 April 2023 are calculated at 25%.

Discontinued operations
On 14 June 2021 Stobart Air was placed into liquidation and its balance sheet was deconsolidated from the Group accounts. The operational loss of Stobart Air prior to liquidation of £1.1m and the profit on liquidation of £11.3m are presented in discontinued operations. Following the liquidation of Stobart Air, the results of Propius, our aircraft leasing business that leased all eight of its aircraft to Stobart Air, have been presented as discontinued. Propius is abandoned in line with the IFRS 5 definition of a discontinued operation. The operational

loss of Propius of £12.3m has been presented in discontinued operations. The prior period results have been restated within the consolidated income statement, consolidated statement of cash flows and accompanying notes accordingly. The current year loss from discontinued operations also includes a £0.3m loss related to residual costs from the disposal of Stobart Rail in the prior year.

Loss per share

Loss per share from continuing operations was 2.99p (2021: 6.89p). Total basic loss per share was 3.28p (2021: 28.81p).

Share movements and dividends

On 7 May 2021 the Group issued 6,000,000 new ordinary shares to Cyrus Capital Partners (Cyrus) to satisfy the put option between Esken and Cyrus. On 26 August 2021 the Group issued 394,410,618 new ordinary shares following a Firm Placing and Placing and Open Offer (Capital Raise). The Capital Raise resulted in gross proceeds of £55.2m (£52.3m net).

The number of shares held by the employee benefit trust increased from 3,778,457 at 28 February 2021 to 4,600,764 at 28 February 2022 after the trust purchased 822,307 shares issued on the Capital Raise.

Balance sheet

	2022 **£'m**	**2021** **£'m**
Non-current assets	353.5	369.4
Current assets	89.2	55.4
Non-current liabilities	(239.6)	(172.6)
Current liabilities	(133.0)	(203.9)
Net assets	**70.1**	**48.3**

Net assets have increased by £21.8m, mainly due to the Capital Raise partially offset by the loss in the year.

The overall value of property, plant and equipment (PPE) of £265.6m (2021: £285.6m) has decreased in the year mainly due to depreciation charge across the Group and impairment of the Widnes land, partly offset by fixed asset additions related to terminal improvements at LSA and plant and machinery in Renewables. Other financial assets have increased by £3.7m due to an investment in an insurance captive cell, partly offset by the downward revaluation of the investment in LDG.

Current assets have increased principally due to a higher cash balance at year end of £52.7m (2021: £12.4m), see following section on the major cash flows in the year.

Non-current liabilities have increased from £172.6m to £239.5m. In the year a £118.9m liability was recognised on the balance sheet for the CGI convertible debt. This is partially offset by a £23.4m reduction in lease liabilities, due to de-consolidation of Stobart Air's balance sheet and capital repayments. There was also a reduction in non-current provisions of £26.3m. The main drivers of this were corporation tax, due to a £9.5m release and £3.3m reclass to corporation tax and other creditors, a £5.0m reduction in maintenance provisions, mostly due to a reclass to current liabilities, and a £3.9m reclass of development commitment provisions to current liabilities.

Current liabilities have reduced mainly due to the repayment of the £52.3m RCF liability and a £20.4m reduction in trade and other payables, the main driver of which was the de-consolidation of Stobart Air's balance sheet.

Debt and gearing[1]

	2022	2021
Loans and borrowings	£294.6m	£263.2m
Cash	(£52.7m)	(£12.4m)
Net debt	**£241.9m**	**£250.8m**
Adjusted EBITDA/interest	0.6	(0.8)
Net debt/total assets	54.6%	59.0%
Gearing	344.9%	519.2%

1 See Alternative performance measures note for an explanation and reconciliation of gearing.

During the year the Group agreed the £125m convertible debt instrument with CGI. A new £20m RCF was signed with the current bank lenders replacing the old £120m RCF, which was fully repaid in the period. At 28 February 2022 the committed undrawn headroom on the £20m (28 February 2021: £120m) RCF was £20m (28 February 2021: £65m), and with a cash balance of £52.7m (28 February 2021: £12.4m), total headroom was £72.7m (28 February 2021: £77.4m).

Cash flow

	2022 £'m	2021 £'m
Operating cash flow	2.8	0.8
Investing activities	(5.2)	6.0
Financing activities	82.2	43.8
Increase in the year	**79.8**	**50.6**
Discontinued operations	(39.5)	(48.0)
At beginning of year	12.4	9.8
Cash at end of year	**52.7**	**12.4**

Discontinued cash flows in the year primarily relate to the operations of Stobart Air and Propius.

Investing activities include outflows of £4.9m for the investment in the insurance captive cell and £3.0m for the purchase of plant, property and equipment (PPE). Investing inflows include £1.5m for the receipt of the capital element of net investment in leases and £1.1m from the sale of PPE.

Financing activities includes net proceeds from the CGI convertible debt £111.5m and the Capital Raise £52.3m. Offsetting this there were outflows for the net repayment of the RCF £58.2m, the repayment of the capital element of lease obligations £17.0m, and interest payments £9.0m.

Lewis Girdwood
Chief Financial Officer

Operating reviews

Esken Renewables

Esken Renewables enjoyed a strong financial performance throughout FY22. While tonnes supplied was relatively flat, moving from 1.4m to 1.5m tonnes, adjusted EBITDA improved significantly from £10.0m to £20.3m, marginally ahead of the expected range of £18-20m. This performance is mainly as a result of improved gate fee pricing following the resolution of COVID-19 market impacts and the actions taken by management both this year and in previous years to optimise performance and adapt to gate fee pricing dynamics.

The supply of waste wood in the UK has now stabilised, with construction site activity fully resumed, and Household Waste and Recycling Centres largely open and operational. Demand has also been more consistent, with biomass plants now commissioned and moving to optimise operational performance through the coming years. This in turn has led to more consistent fuel sales. The consistency of supply and demand on waste wood means that we now expect effective management to result in gate fees stabilising around current levels, adhering to normalised price structures.

With gate fees now stable, Esken's focus is to optimise performance. Central to this is to build, maintain and enhance customer and supplier relationships. In the prior year, as a result of challenges brought about by the UK's various COVID-19 lockdowns, Esken Renewables focused on ensuring that all its customer demand needs were met in a controlled and planned way. As a result, we were able to capitalise on its strengthened relationships and work alongside its partners to develop a defined plan for satisfying demand throughout FY22 with clearly forecasted and planned plant downtime and demand peaks.

Furthermore, this visibility enabled Esken Renewables to optimise the use of its national network of suppliers and infrastructure. The ability to take waste wood at the time and in the locations where gate fees can be maximised, and move it and store it for where and when it is needed, allows us to provide fuel supply resilience and service for our customers.

Despite these strengths, Esken Renewables continued to manage a range of supply chain risks throughout the year under review. One of our plant customers undertook a series of major maintenance activities during FY22, impacting our anticipated fuel sales. The extensive maintenance undertaken will likely result in robust plant availability in future years.

The business also successfully navigated the national HGV driver shortage, putting in in place strategies to largely mitigate wage inflation through highlighting training, development and job security. It managed rising diesel and insurance costs through RPI linked contracts and other pricing levers, whilst it also sought to secure skilled and experienced drivers.

While a number of underlying costs have increased, so too have wholesale energy prices. There is no direct relationship between energy price increases and Esken Renewables' long-term RPI-linked biomass fuel supply contracts. However, stronger and more profitable customers are good for Esken Renewables, particularly when our customers are motivated to increase availability and generate additional bioenergy.

It is important to differentiate sustainable bioenergy, which Esken Renewables supports, from other types of imported, virgin-derived biomass fuel. Two thirds of the biomass fuel that Esken Renewables supplies is waste wood that would otherwise likely be destined for landfill. In this financial year we received, processed, and supplied over 1.1m tonnes of waste wood, saving the UK up to 630,000 tonnes of greenhouse gas from landfill methane emissions.

The remaining biomass fuel that we supply is sourced from managed woodlands and forestry by-products supplied alongside a small amount of higher-quality biomass. Our strategic partner AW Jenkinson Forest Products supplies the majority of this product, with Esken Renewables managing the contract, and customer relationship. Esken Renewables also delivers forest by-products that it sources directly from a combination of arboricultural residues, branches and bark residues from harvesting by its own forestry team.

Ensuring that wood from the construction industry or from forest by-products is not wasted, and instead used to provide renewable fuel, allows us to play a key role in the UK's circular economy. Increasing our role within this sphere is a key area of focus and part of the motivation to change name from Stobart Energy to Esken Renewables, also allowing the business to fulfil its share of the obligation under the brand sale agreement that was struck with Eddie Stobart Logistics plc in 2020.

Esken Renewables sees opportunities to secure additional biomass supply capacity at existing UK biomass plants. It will seek to do this, alongside exploring opportunities to supply other types of renewable fuels that leverage the existing infrastructure. Doing so will enable the business to build on its existing UK-wide footprint and enable further profitable growth.

London Southend Airport Review

After a period of immense challenge, the aviation sector is now starting to see the green shoots of recovery. Travel restrictions to many of the UK's most popular destinations have been relaxed. As a result, an increasing number of people are booking flights for the Summer 22 season with confidence.

This growing confidence is starting to underpin a recovery at London Southend Airport. easyJet is now operating flights from London Southend Airport to three summer destinations: Malaga, Palma and Faro. These are hugely popular, proven routes. Though we are still at an early stage of this operation, signs are encouraging. It is our expectation that the strong performance of these routes will help encourage easyJet and other airlines to put on sale further flights for FY24 and beyond as we continue to work toward a positive cash contribution.

The return of easyJet flights to London Southend Airport following its base closure in FY20 is of course a major milestone in the airport's recovery. However, there remains much to do to return the airport to the scale of growth it experienced pre-pandemic. The easyJet flights have been secured on mutually positive economic terms, and we will continue to focus on further airline agreements that are profitable for all parties.

We have a clear strategy to capture the recovery and long-term growth in commercial passenger flying, with airlines attracted to our clear proposition of proven routes, cost-effective operations and an attractive and growing catchment area with strong transport links to London. Esken and London Southend Airport will continue to develop and refine that proposition to ensure the right building blocks are in place to rebound quickly on the back of securing the right commercial agreements.

During the year, London Southend Airport moved to strengthen its operating board, making two high-quality external appointments while also promoting from within. London Southend Airport appointed Phil Grewock, an experienced Finance Director whose previous experience includes Warwick Estates, Stansted Airport and Countrywide PLC, and who played a key role in securing £1.2bn of project finance for London Gateway Phase 1. The airport also appointed Nigel Mayes as Business Development Director. Nigel has over 25 years' industry experience, most recently as Managing Director for Routes, and has been responsible for the development of over 100 new air services for various clients. London Southend Airport also made two internal appointments, promoting Caroline Fitzgerald to Commercial Director and Marc Taylor to Operations Director. Phil, Nigel, Caroline and Marc join airport CEO, Glyn Jones, and Executive Director – Aviation, Lewis Girdwood, on a reformed operational board, as well as by representatives from our strategic partner, Carlyle.

London Southend Airport has also invested time and energy to develop its community relationships. During the year, we launched our Connecting the Communities Commitment, encompassing an Environmental Action Plan, a two-year charity partnership with MIND South Essex, the launch of one of the UK's only Community Noise Forums and a range of employment and education initiatives. The airport continues its journey towards carbon neutrality, through its membership of the Airport Carbon Accreditation scheme and saw a further improvement in air quality as reported from its NOx monitoring programme.

The airport has made these advances, alongside further investments in next generation baggage scanning equipment and an exploration of improved digital marketing technologies, against a backdrop of continued strict financial discipline. Passenger numbers during the year under review continued to fall, with the airport welcoming 94k passengers, compared to 147k in the prior year. As previously reported, Ryanair announced its decision to close its base from the end of October 2021 and in light of that development London Southend Airport chose to close its passenger terminal for the Winter season, allowing it to reduce its cost base.

Despite this further reduction in passenger numbers, the Aviation division has continued to report an improved financial position. Adjusted EBITDA improved to a loss of £0.8m compared to a loss of £6.1m in the prior year. This performance reflects £3.5m of one-off receipts associated with Connect Airways and Teesside International Airport, and positive contributions from our check-in and baggage handling company, Star Handling (formerly Stobart Aviation Services), as well as the airport's hotel and solar farm. The Airport has also benefitted from income from its global logistics operation. However, this operation has reduced in scale over the course of the year. Aircraft turns have reduced to one arrival and departure daily at the current time, but we do expect this to increase over the medium term.

That generally positive trend underpins the Group's outlook for London Southend Airport. The impact of rising fuel prices on customer demand and capacity is at this stage unclear. However, we are now emerging from the pandemic-driven crisis with a return to flights with a significant airline and the expectation of more flights and more airlines to come. The discussions with airlines will be aided by a strengthened management team, alignment with our investment partner, and a clearly defined airport proposition.

Consolidated income statement
For the year ended 28 February 2022

	Year ended 28 February 2022 £'000	Restated[1] Year ended 28 February 2021 £'000
Continuing operations		
Revenue	104,633	101,404
Other income	8,364	389
Operating expenses – other	(102,479)	(109,039)
Share of post–tax losses of associates and joint ventures	(356)	(218)
Gain on swaps	93	80
Adjusted EBITDA	**10,255**	**(7,384)**
Depreciation	(20,464)	(19,424)
(Impairment)/reversal of impairment of property assets	(5,369)	824
Operating loss	**(15,578)**	**(25,984)**
Impairment of loan notes	-	(8,000)
Finance costs	(21,228)	(13,191)
Finance income	2,239	3,004
Loss before tax	**(34,567)**	**(44,171)**
Tax	9,865	7,083
Loss for the year from continuing operations	**(24,702)**	**(37,088)**
Discontinued operations		
Loss from discontinued operations, net of tax	(2,386)	(118,025)
Loss for the year	**(27,088)**	**(155,113)**
Loss per share expressed in pence per share – continuing operations		
Basic	(2.99)p	(6.89)p
Diluted	(2.99)p	(6.89)p
Loss per share expressed in pence per share – total		
Basic	(3.28)p	(28.81)p
Diluted	(3.28)p	(28.81)p

[1]The 2021 results have been restated where required due to IFRS 5 Discontinued Operations.

Consolidated statement of comprehensive income
For the year ended 28 February 2022

	Year ended 28 February 2022 £'000	Restated[1] Year ended 28 February 2021 £'000
Loss for the year	**(27,088)**	**(155,113)**
Discontinued operations, net of tax, relating to exchange differences	(1,824)	3,826
Other comprehensive (expense)/income – items that are or may be reclassified subsequently to profit or loss, net of tax	**(1,824)**	**3,826**
Remeasurement of defined benefit plan	1,876	1,176
Change in fair value of financial assets classified as fair value through other comprehensive income	(1,187)	4,643
Rent review of property headlease and sublease	(323)	-
Tax on items relating to components of other comprehensive income	(417)	(182)
Other comprehensive (expense)/income – items that will not be reclassified to profit or loss, net of tax	**(51)**	**5,637**
Other comprehensive (expense)/income for the year, net of tax	**(1,875)**	**9,463**
Total comprehensive expense for the year	**(28,963)**	**(145,650)**

[1]The 2021 results have been restated where required due to IFRS 5 Discontinued Operations.

Of the total comprehensive expense for the year, a loss of £24,753,000 (2021: £31,451,000) is in respect of continuing operations and a loss of £4,210,000 (2021: £114,199,000) is in respect of discontinued operations.

Consolidated statement of financial position
As at 28 February 2022

	28 February 2022 £'000	28 February 2021 £'000
Non-current assets		
Property, plant and equipment	265,637	285,621
Investment in associates and joint ventures	1,016	1,372
Other financial assets	14,105	10,392
Intangible assets	54,669	54,669
Net investment in leases	16,204	15,824
Defined benefit pension surplus	348	-
Trade and other receivables	1,495	1,495
	353,474	**369,373**
Current assets		
Inventories	12,552	15,334
Trade and other receivables	23,883	27,378
Cash and cash equivalents	52,738	12,408
Corporation tax	-	324
	89,173	**55,444**
Total assets	**442,647**	**424,817**
Non-current liabilities		
Loans and borrowings	(217,539)	(122,116)
Defined benefit pension obligation	-	(2,418)
Other liabilities	(8,643)	(8,271)
Deferred tax	-	(261)
Provisions	(13,279)	(39,534)
	(239,461)	**(172,600)**
Current liabilities		
Trade and other payables	(30,160)	(52,735)
Financial liabilities	-	(1,581)
Loans and borrowings	(24,714)	(89,121)
Exchangeable bonds	(52,385)	(52,010)
Corporation tax	(5,110)	-
Provisions	(20,674)	(8,457)
	(133,043)	**(203,904)**
Total liabilities	**(372,504)**	**(376,504)**
Net assets	**70,143**	**48,313**
Capital and reserves		
Issued share capital	102,534	62,492
Share premium	403,225	390,336
Foreign currency exchange reserve	218	3,826
Reserve for own shares held by employee benefit trust	(7,596)	(7,480)
Retained deficit	(428,238)	(400,861)
Group shareholders' equity	**70,143**	**48,313**

Consolidated statement of changes in equity
For the year ended 28 February 2022

	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained deficit £'000	Total equity £'000
Balance at 1 March 2021	62,492	390,336	3,826	(7,480)	(400,861)	48,313
Loss for the year	-	-	-	-	(27,088)	(27,088)
Other comprehensive expense for the year	-	-	(1,824)	-	(51)	(1,875)
Total comprehensive expense for the year	-	-	(1,824)	-	(27,139)	(28,963)
Issue of ordinary shares	40,042	12,889	-	-	(600)	52,331
Employee benefit trust	-	-	-	(116)	(4)	(120)
Reclassification of exchange differences on disposal of subsidiaries	-	-	(1,784)	-	-	(1,784)
Share-based payment charge	-	-	-	-	285	285
Tax on share-based payment charge	-	-	-	-	81	81
Balance at 28 February 2022	**102,534**	**403,225**	**218**	**(7,596)**	**(428,238)**	**70,143**

For the year ended 28 February 2021

	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained deficit £'000	Total equity £'000
Balance at 1 March 2020	37,465	324,368	-	(7,161)	(251,574)	103,098
Loss for the year	-	-	-	-	(155,113)	(155,113)
Other comprehensive income for the year	-	-	3,826	-	5,637	9,463
Total comprehensive income/(expense) for the year	-	-	3,826	-	(149,476)	(145,650)
Issue of ordinary shares	25,027	65,968	-	-	-	90,995
Employee benefit trust	-	-	-	(319)	3	(316)
Share-based payment credit	-	-	-	-	190	190
Tax on share-based payment credit	-	-	-	-	(4)	(4)
Balance at 28 February 2021	**62,492**	**390,336**	**3,826**	**(7,480)**	**(400,861)**	**48,313**

Consolidated statement of cash flows

For the year ended 28 February 2022

	Year ended 28 February 2022 £'000	Restated[1] Year ended 28 February 2021 £'000
Cash generated from continuing operations	**2,846**	**1,291**
Cash outflow from discontinued operations	(17,330)	(30,269)
Income taxes paid	-	(465)
Net cash outflow from operating activities	**(14,484)**	**(29,443)**
Purchase of property, plant and equipment	(3,015)	(3,022)
Purchase/development of property inventories	-	(164)
Proceeds from the sale of property, plant and equipment	1,115	426
Proceeds from disposal of assets held for sale	-	9,867
Receipt of capital element of net investment in lease	1,547	768
Acquisition of subsidiary undertakings (net of cash acquired and fees)	-	(864)
Cash disposed on liquidation/disposal of subsidiary undertakings	(362)	(1)
Acquisition of other investments	(4,900)	(973)
Interest received	415	-
Cash outflow from discontinued operations	(7,808)	(1,058)
Net cash (outflow)/inflow from investing activities	**(13,008)**	**4,979**
Proceeds from the issue of ordinary shares (net of issue costs)	52,330	90,996
Proceeds from issue of convertible debt (net of costs)	111,459	-
Proceeds from grants	2,600	-
Principal element of lease payments	(17,026)	(12,973)
Net repayment of revolving credit facility (net of costs)	(58,165)	(24,286)
Repayment of other borrowings	-	(4,500)
Interest paid	(8,992)	(5,445)
Cash outflow from discontinued operations	(14,384)	(16,722)
Net cash inflow from financing activities	**67,822**	**27,070**
Increase in cash and cash equivalents	40,330	2,606
Cash and cash equivalents at beginning of year	12,408	9,802
Cash and cash equivalents at end of year	**52,738**	**12,408**

[1]The 2021 results have been restated where required due to IFRS 5 Discontinued Operations.

Notes to the consolidated financial statements
For the year ended 28 February 2022

Accounting policies of Esken Limited

Basis of preparation and statement of compliance
The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 28 February 2022 and 28 February 2021. The information presented is an extract from the audited consolidated Group statutory accounts. The Auditors have reported on those accounts; their report was (i) unqualified, and (ii) contains a material uncertainty in respect of going concern to which the auditor drew attention by way of emphasis without modifying their report. The Auditors' report can be found in the Group's full 2022 Annual Report and Accounts which will be published on the Group's website.

These Group financial statements have been prepared in accordance with UK-adopted international accounting standards.

The financial statements of the Group are also prepared in accordance with the Companies (Guernsey) Law 2008.

Esken Limited (the Company) is a Guernsey-registered company. The Company's ordinary shares are traded on the London Stock Exchange.

Measurement convention
The financial statements are prepared on the historical cost basis except financial assets held at fair value through other comprehensive income (FVOCI) and derivative financial instruments which are stated at their fair value.

Going concern
The Group's business activities, together with factors likely to affect its future performance and position, are set out in the Executive Chairman's statement and the financial position of the Group, its cash flows and funding are set out in the Financial Review.

The financial statements include details of the Group's loans and borrowings at the year end, together with the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future until May 2024 (representing the maturity of the exchangeable bond and the going concern assessment period). Accordingly, the financial statements have been prepared on a going concern basis. However, there is a material uncertainty in respect of this going concern assumption and the Directors have exercised a significant degree of judgement in concluding that the Group remains a going concern. In particular, the assumption that a refinancing will be completed at a sufficient level prior to the expiration of the revolving credit facility (RCF) and exchangeable bond that mature in February 2023 and May 2024 respectively.

In performing the going concern assessment, the Directors have reviewed the cash flow forecasts together with the funding options that may be available to the Group and the likelihood of them being accessible, including additional funding in excess of £100m, in the timescale required and anticipated in the forecasts, which cover the period up to May 2024. The additional funding required principally covers Propius aircraft liabilities, payable over the period to September 2023, and £43.9m for the refinancing of the exchangeable bond (bond) in May 2024, based on year end valuations. The cash outflow for the bond, with nominal value of £53.1m, is dependent on the value of the offsetting listed share collateral held at the date of maturity, valued at £9.2m, at 28 February 2022.

As at 28 February 2022, the Group had cash balances of £52.7m and an undrawn RCF of £20.0m, resulting in headroom as of that date of £72.7m. However, any drawdowns from the RCF are subject to bank consent. Included in this £52.7m of cash is £14.4m of cash ringfenced in London Southend Airport (LSA) and its subsidiaries, as part of the Carlyle Global infrastructure Opportunity Fund (CGI) convertible debt facility. Whilst the Group continues to tightly manage its cash resources during the post year end period, the current position is that the Group needs to complete a refinancing of at least £50m prior to the expiration of the RCF on 1 February 2023, or complete significant asset disposals, otherwise the Group may be unable to continue trading. In addition, further refinancing will need to occur before the expiration of the exchangeable bond in May 2024 of at least £50m, unless this requirement is covered by the initial refinancing prior to 1 February 2023. The Directors have a reasonable expectation, following discussions with external parties, that the required refinancing will be completed within the timescales required.

Should the refinancing not successfully complete before the expiration of the RCF the Group will have severe liquidity issues and the Director's would have a limited amount of time to raise additional funds, for example through an equity raise or a distressed sale of major assets, and this may not be completed in sufficient time to allow the Group to continue trading. Consequently, the Group, in all likelihood, would need to market LSA for sale. Under both the base and plausible downside scenario, Group liquidity following the maturity of the existing RCF on 1 February 2023 becomes negative, excluding any additional mitigating actions such as the proceeds from disposal of non-core assets.

The reasonableness of the assumption made by the Directors that the refinancing funds will be received is a significant judgement and consequently there is a material uncertainty in respect of securing the necessary funds. The Directors have prepared base case forecasts to May 2024, together with sensitivity analysis on those forecasts, including a severe but plausible downside set of assumptions detailed below. On the assumption that the above planned refinancing is successful, the base case forecast indicates Group headroom of c.£24m at May 2024; and the severe but plausible downside indicates that the Group will have headroom of c.£13m at this point. This excludes any cash inflows from non-core asset sales or the potential mitigation of leased aircraft cashflows should the opportunity arise to return the aircraft earlier than expected.

The Renewables division has recovered to its pre-COVID-19 volumes, and the gate fee decline observed as a result of COVID-19 have now reversed. The Aviation division has shown initial signs of recovery but at a much slower pace as airlines continue to arrange their scheduling and routes, whilst considering the different COVID-19 government policies across Europe and availability of aircraft, pilots and crew as well as the difficulties from the ongoing conflict in Eastern Europe. In particular, and for the purposes of this going concern analysis only, the base case forecast assumes:

- The Group completes the refinancing before the required time, resulting in additional funding in excess of c.£100m of which c.£50m will be used to settle liabilities in relation to legacy aircraft leases following the liquidation of the regional airline Stobart Air;
- The Group terminates its undrawn RCF facility of £20m prior to its expiration;
- A resumption of flying from May 2022, with full year passenger volumes from LSA of c.0.5m for the year ending 28 February 2023 and c.1.4m passengers in the year ending 28 February 2024;
- Continued performance of the Renewables division in relation to gate fee income along with the major plants we supply continuing to take their contractual volumes;
- An expectation that the Group will receive no mitigation of leased aircraft cashflows, scheduled for redelivery between November 2022 and September 2023; and
- No cash received in respect of non-core asset disposals, with the exception of c.£1m from the disposal of a small land plot currently ongoing. The RCF reduces from £20m at a rate of 25% of net disposal proceeds of non-core assets as those assets are disposed of.

The severe but plausible downside forecast includes a significant reduction in 2023 and 2024 Aviation operational performance due to the slower recovery following the COVID-19 pandemic and reduced trading performance across both Aviation and Renewables operations, resulting in a cash reduction to forecast. However, the severe but plausible forecast maintains the assumption that the refinancing will complete prior to the August 2022 interim period end and, as a result, the severe but plausible downside scenarios do not have a material impact on the ability of the Group to continue in operational existence for the foreseeable future.

The severe but plausible downside forecast includes the following in addition to the base case assumptions above:

- Passenger volume growth from LSA is slowed and a reduction in cargo rotations;
- No new incremental business in Aviation Services in the next financial year; and
- Reduction in Renewables plant availability with an associated decrease in volume supplied within the terms of the contractual agreements, reduction in driver numbers resulting in increased numbers of unused trucks, and a reduction in gate fees to c.85% of base case.

Overall, the Directors are satisfied that the group will have sufficient funds to continue to meet its liabilities as they fall due until at least May 2024 and therefore have prepared the financial statements on a going concern basis. However, as previously noted this is highly dependent on the successful completion of the Group's refinancing plans which indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Significant accounting policies

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

(a) New standards, amendments to existing standards and interpretations to existing standards adopted by the Group

The Group has considered the following amendments and definitions that are effective in this financial year and concluded that they do not have a material impact on the financial position or performance of the Group:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

(b) New standards and interpretations not applied

The following UK-endorsed standards and amendments have an effective date after the date of these financial statements:

	Effective for accounting periods commencing on or after	Proposed adoption in the year ending
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	28 February 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	28 February 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	28 February 2023

The adoption of these standards and amendments is not expected to have a material effect on the net assets, results and disclosures of the Group. There are no other new EU-endorsed standards and amendments that are issued but not yet effective that would be expected to have a material impact on the Group in future reporting periods and on foreseeable future transactions.

Segmental information

The reportable segment structure is determined by the nature of operations and services. The operating segments are Aviation, Renewables, Investments and Non-Strategic Infrastructure. In the current year the Energy segment was renamed to the Renewables segment. In the prior year, the results of Stobart Air and Propius were included in the Investments reporting segment. However, following the liquidation of Stobart Air and abandonment of Propius, the results of Stobart Air and Propius are no longer included in the Investments segment but are presented as discontinued operations on the face of the consolidated income statement.

The Aviation segment specialises in the operation of commercial airports and the provision of ground handling services. The Renewables segment specialises in the supply of sustainable biomass material for the generation of renewable energy. No segmental assets or liabilities information is disclosed because no such information is regularly provided to, or reviewed by, the Chief Operating Decision Maker.

The Investments segment holds a non-controlling interest in a logistics services investing business and a baggage handling business. The Non-Strategic Infrastructure segment specialises in management, development and realisation of a portfolio of property assets, including Carlisle Lake District Airport.

The Executive Directors are regarded as the Chief Operating Decision Maker. The Directors monitor the results of each business unit separately for the purposes of making decisions about resource allocation and performance assessment. The main segmental profit measure is adjusted EBITDA, which is calculated as loss before interest, tax, depreciation and impairments. Income taxes and certain central costs are managed on a Group basis and are not allocated to operating segments.

Year ended 28 February 2022	**Aviation**	**Renewables**	**Investments**	**Non-Strategic Infrastructure**	**Group Central and Eliminations**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue						
External	23,389	79,650	-	563	1,031	104,633
Internal	22	-	-	100	(122)	-
Total revenue	**23,411**	**79,650**	**-**	**663**	**909**	**104,633**
Adjusted EBITDA	**(773)**	**20,308**	**(390)**	**3,273**	**(12,163)**	**10,255**
Depreciation	(10,781)	(8,367)	-	(357)	(959)	(20,464)
(Impairment)/impairment reversal	-	(6,189)	-	820	-	(5,369)
Finance costs (net)	(8,656)	(1,660)	(1,596)	(309)	(6,768)	(18,989)
(Loss)/profit before tax from continuing operations	**(20,210)**	**4,092**	**(1,986)**	**3,427**	**(19,890)**	**(34,567)**

Year ended 28 February 2021	**Aviation**	**Renewables**	**Investments**	**Non-Strategic Infrastructure**	**Group Central and Eliminations**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue						
External	24,611	74,733	-	909	1,151	101,404
Internal	131	-	-	150	(281)	-
Total revenue	**24,742**	**74,733**	**-**	**1,059**	**870**	**101,404**
Adjusted EBITDA	**(6,075)**	**10,005**	**128**	**(1,660)**	**(9,782)**	**(7,384)**
Depreciation	(9,362)	(8,635)	-	(446)	(981)	(19,424)
(Impairment)/impairment reversal	(656)	-	-	1,480	-	824
Finance costs (net)	(1,429)	(2,036)	(1,555)	(8,346)	(4,821)	(18,187)
Loss before tax from continuing operations	**(17,522)**	**(666)**	**(1,427)**	**(8,972)**	**(15,584)**	**(44,171)**

Internal revenue above relates to inter-segment revenues that are eliminated within Group central and eliminations. Intra-segment revenues are eliminated within each segment.

Discontinued operations

Stobart Air and Propius

In the prior year, the Group bought Stobart Air and Propius to give the Group effective control over the pre-existing guarantee obligations it had in respect of those businesses. Accounting for the recognition of these pre-existing guarantee arrangements resulted in a loss of £58,182,000. The net liabilities recognised on the subsequent acquisition reflect this loss. The Group re-acquired equity in Stobart Air and Propius Limited on 27 April 2020 for cash consideration of £2,343,000 and deferred contingent consideration up to a maximum of £6,250,000, based on the equity value achieved after disposal costs, on a realisation of value in respect of both of the businesses prior to 31 December 2023. The deferred contingent consideration had a £nil fair value. The businesses were accounted for as 100% subsidiaries due to their being solely reliant on the Group for funding in addition to the equity voting rights held.

On 14 June 2021, the Ireland High Court appointed liquidators to Stobart Air. Due to the liquidation the Stobart Air balance sheet was deconsolidated in the Group accounts. Net liabilities deconsolidated totalled £15,562,000 and £4,255,000 of costs in relation to the liquidation were incurred, resulting in a profit on liquidation of £11,307,000. On liquidation of Stobart Air there is no deferred consideration payable.

Following the liquidation of Stobart Air, the results of Propius, our aircraft leasing business that leased all eight of its aircraft to Stobart Air, have been presented as discontinued. Propius is abandoned in line with the IFRS 5 definition of a discontinued operation. While the results of Propius are presented as discontinued, in the period up to 28 February 2024 there will be ongoing finance charges and cash flows in respect of aircraft leases and cash flows in respect of maintenance obligations, with the corresponding liabilities remaining on the Group's consolidated statement of financial position.

The results of Stobart Air and Propius in the year, which were both separately considered major lines of business, and the profit on liquidation, have been reported on a single line, net of tax on the face of the consolidated income statement. The consolidated income statement for the year ended 28 February 2021 has been restated on the same basis.

The results of Stobart Air and Propius included in discontinued operations are as follows.

Results of discontinued operations of Stobart Air	**2022 £'000**	**2021 £'000**
Revenue	3,449	9,034
Other income	-	5,695
Operating expenses	(4,858)	(24,210)
Depreciation	-	(7,615)
Impairments	-	(11,431)
Net finance costs	325	330
Results from operating activities before tax	**(1,084)**	**(28,197)**
Loss on acquisition	-	(17,887)
Profit on liquidation	11,307	-
Profit/(loss) before tax	**10,223**	**(46,084)**
Tax	-	-
Profit/(loss) for the year from discontinued operations, net of tax	**10,223**	**(46,084)**

Results of discontinued operations of Propius	2022 £'000	2021 £'000
Operating expenses	(9,613)	(1,014)
Depreciation	-	(4,775)
Impairments	-	(11,490)
Net finance costs	(2,601)	(2,508)
Results from operating activities before tax	**(12,214)**	**(19,787)**
Loss on acquisition	-	(40,295)
Loss before tax	**(12,214)**	**(60,082)**
Tax	(90)	-
Loss for the year from discontinued operations, net of tax	**(12,304)**	**(60,082)**

The above results from discontinued operations are attributable to the owners of the Company.

The cash flows in relation to the Stobart Air and Propius operations are as follows.

Cash flows used in discontinued operations of Stobart Air	2022 £'000	2021 £'000
Net cash used in operating activities	(14,868)	(23,065)
Net cash used in investing activities	-	(69)
Net cash used in financing activities	(2,143)	(4,764)
Net cash flows for the year	**(17,011)**	**(27,898)**

Cash flows used in discontinued operations of Propius	2022 £'000	2021 £'000
Net cash used in operating activities	(2,598)	(6,435)
Net cash used in investing activities	(7,808)	-
Net cash used in financing activities	(12,241)	(10,222)
Net cash flows for the year	**(22,647)**	**(16,657)**

The results and cash flows of Stobart Air and Propius discontinued operations included in the above tables are after the elimination of intra-group transactions between Stobart Air and Propius.

The effect of the deconsolidation of Stobart Air on individual assets and liabilities is as follows.

	£'000
Inventories	3,096
Trade and other receivables	6,377
Cash and cash equivalents	362
Trade and other payables	(12,992)
Lease liabilities	(7,265)
Provisions	(3,356)
Foreign currency exchange reserve	(1,784)
Net assets and liabilities	**(15,562)**

Disposal of Stobart Rail Limited
In the prior year, on 14 July 2020 the Group divested of Stobart Rail Limited (Stobart Rail) to Bavaria Industries Group AG for initial cash consideration of £1,000 and contingent consideration with a fair value of £331,000. The net assets disposed totalled £8,902,000 and £940,000 costs were incurred, resulting in a loss on disposal of £9,510,000.

On 30 June 2021 the contingent consideration, which related to a single legacy contract, was settled with the Group receiving £170,000. The remaining contingent consideration held on the statement of financial position was released to the consolidated income statement.

The operations of Stobart Rail Limited represented a separate major line of business. The results of the operations, along with the loss on disposal, are reported as part of the single line loss from discontinued operations, net of tax on the face of the consolidated income statement. A summary of Stobart Rail results included in discontinued operations is as follows:

Results of discontinued operations	**2022**	**2021**
	£'000	**£'000**
Revenue	-	6,309
Operating expenses	-	(7,902)
Depreciation	-	(854)
Net finance costs	-	(22)
Results from operating activities before tax	**-**	**(2,469)**
Loss on disposal	(305)	(9,510)
Loss before tax	**(305)**	**(11,979)**
Tax	-	120
Loss for the year from discontinued operations, net of tax	**(305)**	**(11,859)**

The loss from discontinued operations of £305,000 (2021: £11,859,000) is attributable to the owners of the Company.

The cash flows in relation to this operation have been included in the following table.

Cash flow used in discontinued operations	**2022**	**2021**
	£'000	**£'000**
Net cash generated from/(used in) operating activities	136	(769)
Net cash used in investing activities	-	(989)
Net cash used in financing activities	-	(1,736)
Net cash flows for the year	**-**	**(3,494)**

Summary of discontinued operations recognised within the consolidated income statement

	2022	**2021**
	£'000	**£'000**
Stobart Air	10,223	(46,084)
Propius	(12,304)	(60,082)
Stobart Rail	(305)	(11,859)
Loss for the year from discontinued operations, net of tax	**(2,386)**	**(118,025)**

Summary of cash flows from discontinued operations

	2022	**2021**
	£'000	**£'000**
Stobart Air	(17,011)	(27,898)
Propius	(22,647)	(16,657)
Stobart Rail	136	(3,494)
Net cash flows for the year	**(39,522)**	**(48,049)**

Financial assets and liabilities

Loans and borrowings	2022 £'000	2021 £'000
Non-current		
Obligations under leases	98,677	122,116
Convertible debt (net of costs)	118,862	-
	217,539	**122,116**
Current		
Exchangeable bonds	52,385	52,010
Obligations under leases	24,714	36,792
Revolving credit facility (net of arrangement fees)	-	52,329
	77,099	**141,131**
Total loans and borrowings	**294,638**	**263,247**
Cash	(52,738)	(12,408)
Net debt	**241,900**	**250,839**

Included within the cash balance of £52,738,000 is £14,444,000 of ring-fenced cash for use in London Southend Airport and its subsidiaries under the terms of the convertible debt agreement with Carlyle Global Infrastructure Opportunity Fund, and £945,000 for use in the Employee Benefit Trust.

Reconciliation of movements of liabilities to cash flows arising from financing activities

Liabilities	Exchangeable bond £'000	Revolving credit facility £'000	Convertible debt £'000	Obligations under leases £'000	Total £'000
Balance at 1 March 2021	52,010	52,329	-	158,908	263,247
Changes from financing cash flows:					
Additional loans	-	-	125,000	-	125,000
Net cash repaid	-	(55,000)	-	-	(55,000)
Cash outflow from debt issue costs	-	(3,165)	(13,541)	-	(16,706)
Principal elements of lease payments – continuing operations	-	-	-	(17,026)	(17,026)
Principal elements of lease payments – discontinued operations	-	-	-	(11,470)	(11,470)
Interest paid – continuing operations	(1,460)	(3,624)	-	(3,908)	(8,992)
Interest paid – discontinued operations	-	-	-	(2,913)	(2,913)
Total changes from financing cash flows	**(1,460)**	**(61,789)**	**111,459**	**(35,317)**	**12,893**
Release of deferred issue costs	375	4,411	998	-	5,784
Reclass to other debtors	-	1,425	-	-	1,425
New leases entered into	-	-	-	5,744	5,744
Termination of lease	-	-	-	(6,707)	(6,707)
Unwind of discount	-	-	-	171	171
Disposal of subsidiary undertaking	-	-	-	(7,265)	(7,265)
The effect of changes in foreign exchange rates	-	-	-	1,077	1,077
Non-cash interest accruals	1,460	3,624	6,405	6,780	18,269
Balance at 28 February 2022	**52,385**	**-**	**118,862**	**123,391**	**294,638**
Deferred issue costs included in the above liabilities	814	-	12,542	-	13,356

Deferred issue costs associated with the revolving credit facility (RCF) of £1,425,000 are held within trade and other receivables in the statement of financial position as the RCF is undrawn at year end.

The £6,707,000 termination of lease primarily relates to the exit of the Judd House lease and the termination of aircraft leases in Stobart Air.

Liabilities	**Exchangeable bond £'000**	**Revolving credit facility £'000**	**Obligations under leases £'000**	**Total £'000**
Balance at 1 March 2020	51,689	74,757	118,811	245,257
Changes from financing cash flows:				
Net cash repaid	-	(20,000)	-	(20,000)
Cash outflow from debt issue costs	(51)	(4,286)	-	(4,337)
Principal elements of lease payments – continuing operations	-	-	(24,018)	(24,018)
Principal elements of lease payments – discontinued operations	-	-	(187)	(187)
Interest paid – continuing operations	(1,460)	(2,243)	(1,742)	(5,445)
Interest paid – discontinued operations	-	-	(3,942)	(3,942)
Total changes from financing cash flows	**(1,511)**	**(26,529)**	**(29,889)**	**(57,929)**
Release of deferred issue costs	372	1,858	-	2,230
New leases entered into	-	-	3,408	3,408
Termination of lease	-	-	(63)	(63)
Unwind of discount	-	-	141	141
Acquisition of subsidiary	-	-	64,884	64,884
Disposal of subsidiary undertaking	-	-	(1,707)	(1,707)
The effect of changes in foreign exchange rates	-	-	(4,752)	(4,752)
Non-cash interest accruals	1,460	2,243	8,075	11,778
Balance at 28 February 2021	**52,010**	**52,329**	**158,908**	**263,247**
Deferred issue costs included in the above liabilities	1,189	2,671	-	3,860

During the year the current bank lenders signed a new £20m RCF which matures on 1 February 2023. This facility replaced the old £120m RCF which was fully repaid in the year. The £20m variable rate committed RCF, with end date February 2023, uses a variable rate plus a similar margin to the old RCF and has a simplified covenant structure which reflects the forecast performance of the business going forward. Under the new RCF, Esken Limited and all material subsidiaries, excluding London Southend Airport Company Limited (LSA), have charged security to the lenders via a debenture, and the material subsidiaries, excluding LSA, are also guarantors and obligors in relation to the facility agreement. There are fixed charges over land and properties including Widnes, Runcorn and Carlisle Lake District Airport, in addition to floating charges and charges over shares. The RCF was undrawn (2021: £55,000,000) at the year end.

Esken Limited provides support to its subsidiaries where required. Examples of support include intercompany funding arrangements and the provision of guarantees in relation to financing lines provided by a number of lenders. In addition, one Renewables contract has a covenant relating to the market capital of Esken Limited, where a breach would be remedied by additional letters of credit. The Group was in compliance with, or received waivers for, all financial covenants throughout both the current and prior year and subsequent to the year end.

Convertible debt

On 26 August 2021, the Group signed an agreement with Carlyle Global Infrastructure Opportunity Fund (CGI) for a £125m investment in LSA through a 30% convertible debt instrument (loan). The loan can be converted by CGI at any time following this date until maturity, being seven years. If CGI does not convert prior to maturity, the loan is repayable at the greater of an amount achieving 10% IRR for CGI or £193.8m (Repayment Price). Interest accrues at 8% per annum to be paid in cash or rolled into the principal, depending on cash generated by LSA in the previous year and certain minimum liquidity headroom requirements. In addition, 2% per annum PIK interest is rolled into the principal. The loan includes three derivatives in relation to conversion, however, these have been accounted for as one single compound derivative as they are not considered independent of each other.

The derivative was fair valued at £1,005,000 on issue of the loan and is revalued at each reporting date, with any gain or loss recognised in finance costs in the consolidated income statement. The host contract is measured at amortised cost. The derivative fair value on issue is different to that disclosed in the Interim Statement following an amendment in calculation methodology, in line with the year-end valuation.

The fair value of the derivative is arrived at using the income approach which values the underlying equity value of LSA and the fair value of the host contract, forming inputs into the valuation model. The equity value and fair value of host contract have been calculated by applying a probability weighted average to seven scenarios above and below the base case cashflows per LSA's latest 5-year business model (Base Case), flexing passenger forecasts adopted in the Base Case scenario. In each of the scenarios, 30% of LSA's equity value is compared to the Repayment Price to assess the likelihood of conversion. At 28 February 2022, the compound derivative was valued at £1,088,000 which represents the difference between the fair value of the convertible debt and the host loan, presented in the convertible debt line above. The derivative valuation is expected to increase materially if Base Case forecasts are substantially exceeded. If LSA performs below Base Case forecasts, the valuation of the derivative is expected to reduce towards nil.

Exchangeable bonds

On 3 May 2019, the Group placed £53.1m of secured guaranteed exchangeable bonds (Bonds). The Bonds have a five-year maturity, bear interest at 2.75% per annum and are exchangeable into ordinary shares of 1p each in the capital of Logistics Development Group plc (LDG). The bondholders have an unconditional right to require the Group to settle the bonds by giving the bondholders shares in LDG at any time. The Directors have obtained legal advice that confirms the liquidation of Stobart Air does not result in additional rights to redemption of the Bonds. The Bonds have a May 2024 maturity, with repayment being the difference between the £53.1m gross Bonds and shares in LDG into which the Bonds are convertible. At 28 February 2022 this amounted to £45.7m.

Cyrus put option

The Group entered into a put option with fellow Connect Airways shareholder Cyrus Capital Partners (Cyrus) on 11 January 2019. This agreement gave Cyrus the option to exchange £23m of second ranking six-year 8% RCF debt with Connect Airways, for equity shares in Esken Limited at 247p per share. The option was exercisable two years following the acquisition of Flybe plc by Connect Airways and required 30 days' notice. On 7 May 2021 the put option was exercised and 6m shares were issued. The exercise meant that the associated financial liability had a fair value of £nil and £1,581,000 was released and presented within finance income (2021: £458,000 cost) in the consolidated income statement. The share issue resulted in an increase in share capital and an increase in retained deficit.

Provisions

	Site restoration	Onerous contracts	Tax	Litigation and claims	Remediation provision	Maintenance reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 March 2021	3,036	508	16,136	3,781	4,466	20,064	47,991
Provisions used	-	(585)	(26)	(1,443)	-	(3,311)	(5,365)
Provisions made	-	2,503	-	2,038	-	8,034	12,575
Provisions reversed during the year	(1,862)	(426)	(9,514)	(312)	-	-	(12,114)
Reclassification to corporation tax	-	-	(5,922)	-	-	-	(5,922)
Reclassification to other payables	-	-	(674)	-	-	-	(674)
Unwind of discount	76	21	-	-	-	-	97
Currency retranslation	-	-	-	(6)	(5)	731	720
Disposal of subsidiary	-	-	-	(963)	(519)	(1,873)	(3,355)
At 28 February 2022	**1,250**	**2,021**	**-**	**3,095**	**3,942**	**23,645**	**33,953**
Analysis of provisions:							
Current	1,250	1,491	-	3,095	3,942	10,896	20,674
Non-current	-	530	-	-	-	12,749	13,279

Site restoration
The Group leased a long leasehold property which is currently unoccupied, in respect of which it had annual dilapidation and holding costs obligations. Post year end, on 3 March 2022 an agreement was signed with the owners of the property for the Group to exit the lease. The exit resulted in the release of dilapidation obligations of £1,862,000 to the consolidated income statement within other income. The remaining £1,250,000 held on the statement of financial position at the year end was paid in March 2022.

Onerous contracts
The exit of the property lease also led to the release of holding cost provisions of £398,000 to the consolidated income statement within other income.

Following the liquidation of Stobart Air there was a review of unavoidable costs related to the eight ATR aircraft in Propius prior to redelivery which led to the Group making a provision of £2,503,000. During the year, £517,000 of this provision has been used. The provision is separate from the maintenance provision held for the aircraft, see following.

Tax
During the year ended 28 February 2022, the Group has released £9,514,000 from provisions, following a reassessment of all open tax enquiries and settlements with HMRC. The Group changed tax advisors in late 2020 and since this appointment there has been an increase in engagement with HMRC which has provided a better understanding and clarity regarding the open enquiries and timing of settlements. Consequently, remaining uncertain tax provisions of £5,922,000, have been reclassified to corporation tax payable and £674,000 has been reclassified to other payables.

Litigation and claims
The balance at the year end primarily relates to a provision for part 1 claims relating to London Southend Airport. During the year claims totalling £1,340,000 have been settled and, following remeasurement, an additional £1,000,000 has been provided for. It is expected that these claims will be settled within 12 months. During the year £1,038,000 has been provided for other legal costs and claims around the Group. Subsequent to the year end a judgement on one legal case was issued, the outcome is fully covered by the provision.

Remediation provision
This relates to the estimated cost required for remediation works on leased land in Widnes. The Group commissioned surveys by independent environmental and sustainability specialists, received in November 2021 and April 2022, providing options for the scope of work, methods and estimates of cost of remediation. The surveys indicated a range of £2.1m to £5.7m depending on the scope and method of remediation. Taking into account uncertainties over the final cost, scope and method of remediation required, in addition to future discussions with appropriate regulators, management believes that the current provision of £3.9m is appropriate. It is anticipated that works on the site will begin within the next 12 months and so the provision has been presented as a current liability.

In addition, it was anticipated that the land would be used in the Renewables division, but during year the Group reassessed its strategy for the use of the land and concluded that this was not viable. Consequently, the Group has considered the recoverable amount of the right-of-use asset and deemed it immaterial resulting in an impairment of £6.2m.

Maintenance reserves
Following the liquidation of Stobart Air, an update of the maintenance reserves was required to cover all amounts payable on the eight ATR aircraft in Propius prior to redelivery. This was the main driver for the £8,034,000 maintenance provision made in the period with all aircraft grounded. In prior years, when the aircraft were operational, the reserves increased over time based on usage and time to next overhaul. The estimate of maintenance reserves is sensitive to changes in market prices and the level of wear on specific components once in the process of overhaul. The provisions represent the estimated cost of ensuring the aircraft are kept in a suitable condition for when they are handed back at the end of the leases including redelivery costs. The impact of discounting is not material and has not been recognised. The current liability element relates to work on the first aircraft to be handed back and all non-current costs are expected to be incurred prior to the year ending 29 February 2024.

The estimated proportion of the provision is £10.0m and largely relates to airframe and propeller blade costs. The key estimates include the scrap rate of propeller blades, currently 15% (c.£1.3m). A 500 basis points change in this rate would lead to a £0.4m change in provision. Airframe checks include significant estimation uncertainty, with £0.7m relating to an uplift in cost due to the fact the aircraft are grounded. Total estimation within airframe costs is £7.1m. The condition of each aircraft across the fleet is not expected to significantly differ due to their age and the hours that each has flown. The key driver to all provision estimation is the work required to put the aircraft into a condition defined by the leases prior to redelivery, outside of the fixed cost work required. If all estimated costs increased by 20%, this would drive a material increase in provision of c.£2.0m.

Contingent liabilities
Liability under financial guarantees exist across the Group and a number of these liabilities are no longer considered remote.

The Group is subject to a number of ongoing unprovided legal cases that will be vigorously defended. The Group considers that the net liability in respect of these claims, if any, is unlikely to exceed approximately £2m. The cases are expected to be settled within the next 12 months.

Post balance sheet events
There were no post balance sheet events other than a judgement on one legal case.

Notes to the consolidated cash flow statement

	Year ended 28 February 2022 £'000	Restated Year ended 28 February 2021 £'000
Loss before tax from continuing operations	**(34,567)**	**(44,171)**
Adjustments to reconcile loss before tax to net cash flows:		
Non-cash:		
Realised profit on sale of property, plant and equipment	(308)	(98)
Share of post-tax profits of associates and joint ventures accounted for using the equity method	356	218
Loss on disposal of assets held for sale	-	208
Depreciation of property, plant and equipment	20,464	19,423
Finance income	(2,239)	(2,396)
Finance costs	20,744	19,599
Release of grant income	(788)	(479)
Release of deferred premiums	-	(167)
Impairment/(impairment reversal)	5,369	(824)
Charge for share-based payments	285	81
(Gain)/loss on swaps mark to market valuation	(93)	42
(Decrease)/increase in retirement benefits and other provisions	(5,018)	226
Working capital adjustments:		
Increase in inventories	(144)	(28)
Decrease in trade and other receivables	6,625	4,213
(Decrease)/increase in trade and other payables	(7,840)	5,444
Cash generated from continuing operations	**2,846**	**1,291**

Related parties

Relationships of common control or significant influence

W A Tinkler was a related party until 14 June 2018 when he ceased to be a Director of the Group. The amounts outstanding are unsecured and were entered into under normal commercial terms.

WA Developments International Limited is owned by W A Tinkler. There were no related party sales or purchases during the current or prior years. At the year end £60,000 (2021: £60,000) was due from WA Developments International Limited. As of 14 June 2018, WA Developments International Limited was no longer a related party.

Apollo Air Services Limited is owned by W A Tinkler. There were no related party sales or purchases during the current or prior years. At the year end £83,000 (2021: £83,000) was owed by the Group and £46,000 (2021: £46,000) was owed to the Group by this company. As of 14 June 2018, Apollo Air Services Limited was no longer a related party.

WA Tinkler Racing is owned by W A Tinkler. There were no related party sales or purchases during the current or prior years. At the year end £26,000 (2021: £26,000) was owed to the Group. As of 14 June 2018, WA Tinkler Racing was no longer a related party.

During the current and prior years, the Group made no purchases from or sales to Stobart Capital Limited, a business part-owned by W A Tinkler, relating to investment management. At the year end £6,000 (2021: £6,000) was owed to the Group. As of 14 June 2018, Stobart Capital Limited was no longer a related party.

Speedy Hire plc is a related party from 1 June 2019, when David Shearer became Non-Executive Chairman of the Group, as he is also Non-Executive Chairman of Speedy Hire plc. During the year, the Group made purchases of £3,000 (2021: £4,000) relating to equipment hire of which £nil (2021: £1,000) was owed by the Group at the year end.

Buchanan Shearer Associates LLP is a related party from 1 June 2019, when David Shearer became Non-Executive Chairman of the Group, as he is also a designated member of Buchanan Shearer Associates LLP. During the year, the Group made purchases of £207,000 including VAT (2021: £nil) relating to advisory services (£180,000) and recharge of expenses (£27,000). At the year end, £nil (2021: £nil) was owed by the Group.

Associates and joint ventures
The Group has loans, not part of the net investment, outstanding from its associate interest, Mersey Bioenergy Holdings Limited, of £nil (2021: £nil) at the year end due to the loans being fully written down. The interest outstanding at the year end, net of amounts provided, was £nil (2021: £nil). The loans are unsecured and have a ten-year term ending in November 2024.

During the year, the Group made sales of £7,411,000 (2021: £5,937,000) to Mersey Bioenergy Limited (a subsidiary of Mersey Bioenergy Holdings Limited) relating to the sale of material. At the year end, £220,000 (2021: £507,000) was owed to the Group.

There were no other balances between the Group and its joint ventures and associates during the current or prior year. All loans are unsecured and all sales and purchases are settled in cash on the Group's standard commercial terms.

Alternative performance measures

In the reporting of financial information, the Directors have adopted various alternative performance measures (APMs). These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' APMs.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements. Non-GAAP APMs are used as they are considered to be both useful and necessary as well as enhancing the comparability of information between reporting periods, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

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

Adjusted EBITDA
Adjusted EBITDA is the key profitability measure used by management for performance review in the day-to-day operations of the Group. Adjusted EBITDA represents loss before interest, tax, depreciation and impairments. Refer to Segmental information note for reconciliation to statutory loss before tax.

Headroom
This is the sum of cash per the consolidated statement of financial position plus the £20m revolving credit facility which was undrawn at the year end. It shows the amount of cash that can be drawn on by the Group at short notice.

Net debt
Net debt is defined as the sum of obligations under leases, revolving credit facility, exchangeable bonds and convertible debt, less cash and cash equivalents. See Financial assets and liabilities note for reconciliation.

Gearing
This is defined as net debt, as defined above, divided by Group shareholders' equity per the consolidated statement of financial position.

Propius lease and aircraft-related costs
This is the sum of cash outflows related to the ATR aircraft in Propius to be paid in FY23 and FY24. It consists of net lease payments, less deposit paid, of £21.4m, maintenance outflows of £23.6m and other unavoidable aircraft costs of £2.0m.