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.

30 June 2021

Esken Limited

("Esken" or the "Group")

Results for the 12 months ended 28 February 2021

Taking action to secure financing to underpin post COVID-19 recovery

Esken Limited, the aviation and energy infrastructure group, today announces its results for the 12 months to 28 February 2021.

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,

"I would like to thank the Esken team for their hard work and dedication in facing the unprecedented challenges presented by COVID-19, the ramifications of which are likely to continue for some time. We responded robustly and decisively, minimising losses, reducing cash burn and protecting liquidity to maintain the operational capability of our core businesses.

Encouragingly Stobart Energy's margins have been recovering in the first half of FY2022 and gate fees are now improving toward pre-COVID-19 levels.

Passenger travel has been severely disrupted by lockdowns and evolving quarantine arrangements. London Southend Airport (LSA) has not only withstood the impact of the pandemic but has provided an essential service through its global logistics operation. Its low-cost base proposition will position us well for a post pandemic recovery.

Further to our announcement on 14 June 2021, Carlyle Global Infrastructure Opportunity Fund L.P. (Carlyle) has informed Esken that it is seeking final approvals for a definitive transaction agreement in the coming days for £120m of funding via a convertible loan to LSA. Esken is also in advanced discussions with its banks, and has commenced discussions with shareholders in relation to the ongoing funding requirements of the Group. The strategic funding proposal in relation to LSA together with a successful completion of a new working capital facility and equity raise, would enable Esken to repay all outstanding bank debt, meet its ongoing working capital requirements, underpin its business plan going forward and meet certain of its legacy obligations."

Richard Hoskins, Managing Director, Carlyle Global Infrastructure said,

"We have been in detailed discussions with Esken for a number of months and are seeking final approvals to sign definitive transaction documents in the coming days that will allow us to work in partnership with Esken to develop London Southend Airport."

Financial highlights and liquidity update

- The total loss before tax of £150.3m (2020: £139.4m) includes non-cash items, being the loss on acquisition of Stobart Air and Propius (£58.2m) and net impairments during the current year (£30.1m). Esken funded £42.2m to Stobart Air and Propius from date of acquisition to February 2021.
- Post year end, Stobart Air was placed into liquidation following the termination of the sale of Stobart Air and Carlisle Lake District Airport to Ettyl. Esken's total cash outflow resulting from the liquidation of Stobart Air and ongoing Propius leases and related costs is estimated to be £82m over three years. However, this will reduce in the event that Esken is successful in subleasing Propius' aircraft.

- Esken expects to sign a definitive transaction agreement with Carlyle in the coming days for £120m of funding net of Carlyle costs via a loan (convertible at Carlyle's option into an equity stake of 29.99% in London Southend Airport (LSA)), which would release £100m gross of liquidity into the rest of the Group, with the remaining £20m ringfenced for LSA (the "Transaction") to cover all anticipated expenditure for LSA for the period through to the end of February 2024, other than amounts funded from operating cash flows. The Transaction would be subject to Esken concluding the Group's broader funding arrangements and shareholder approval.
- Esken's current bank facilities, totalling £120m, expire at the end of January 2022. The Group has drawn £15m (£9m net of cash) of its £40m additional facility (Facility B) and its banks have indicated further support for access to Facility B to the end of August 2021, subject to certain conditions.
- Esken expects to conclude discussions on a new 18 month £20m working capital facility to support treasury management in the coming weeks and is targeting an equity issue of around £40m by way of a documented prospectus offering with the prospectus being issued before the end of July. These funding lines are in addition to the £120m funding from the Transaction outlined above.
- Toscafund, Esken's largest shareholder with 28.66% of the Company's issued share capital, has communicated to the Company that it sees significant value in the equity of Esken and intends to support an equity raise pro rata with its shareholding. All Board directors have also indicated their intention to participate in the equity raise.
- The strategic funding in relation to LSA together with a successful completion of a new working capital facility and equity raise, would enable Esken to repay all outstanding bank debt, meet its ongoing working capital requirements, underpin its business plan going forward and meet certain of its legacy obligations.

£'m	**2021**	**2020**	***% change***
Revenue by division			
Aviation	24.7	56.8	*(56.4%)*
Energy	75.0	76.3	*(1.7%)*
Revenue for two main operating divisions	**99.7**	**133.1**	***(25.1%)***
Investments and Non-Strategic infrastructure	10.1	4.9	*105.8%*
Central costs and eliminations	0.9	4.1	*(78.6%)*
Total revenue	**110.7**	**142.1**	***(22.1%)***
EBITDA by division			
Aviation	(6.1)	(0.7)	*(772.8%)*
Energy	10.0	15.0	*(33.2%)*
EBITDA for two main operating divisions	**3.9**	**14.3**	***(72.5%)***
Investments[1] and Non-Strategic infrastructure	(12.1)	(11.8)	*(1.4%)*
Central costs and eliminations	(9.7)	(8.7)	*(13.4%)*
Total adjusted EBITDA[1]	**(17.9)**	**(6.2)**	***(187.9%)***
Non-cash loss on acquisition of Stobart Air and Propius	(58.2)	-	-
Loss before tax	(150.3)	(139.4)	(7.8%)
Discontinued operations, net of tax	(11.9)	(6.9)	(72.6%)
Net debt - excluding IFRS 16	127.4	159.0	19.9%
Net debt - total	250.8	235.5	(6.5%)
Cash and undrawn banking facilities	77.4	14.8	423.0%

[1] Adjusted EBITDA excludes the loss on acquisition of Stobart Air and Propius in 2021, presented within the Investments division.

Uninterrupted global logistics income and tight cost control helped offset the challenges faced in the Aviation division

- Passenger numbers at LSA fell by 93.1% year on year following restrictions on air travel and airlines reducing the number of flights.
- The impact of COVID-19 restrictions on revenue generation led to the Aviation division EBITDA increasing to a loss of £6.1m, from a loss of £0.7m in the prior year.

- This performance was partially offset by a reduction in cost of sales, significant use of the Government's furlough scheme, tight control of overheads and the benefit of uninterrupted income from our global logistics operation.
- The logistics operation handled 28,448,804 packages in the financial year. Having started operations in October 2019, it is already developing a strong reputation and we are exploring further growth opportunities to create a market-leading logistics service.
- LSA should also benefit from its low-cost offering for airlines. LSA is well positioned for a post-pandemic recovery in short-haul leisure travel as travel restrictions ease.

Stobart Energy protected long term value by ensuring certainty of supply for its customers

- The closure of the construction industry and recycling centres nationwide for a three-month period from March 2020 led to a significant reduction in available waste wood across the UK.
- The business took the strategic decision to ensure certainty of supply for customers over the winter period and beyond by building stock levels of waste wood. This action put short-term pressure on margins.
- Whilst revenue and the tonnes supplied of 1.4m (2020: 1.5m) are similar to the prior year, EBITDA reduced by 33.2% to £10.0m (2020: £15.0m).
- However, gate fees, volumes and margins have continued to show an improving trend and the financial performance of the business is anticipated to return to pre-COVID-19 levels in the current financial year.

Outlook

The success of the COVID-19 vaccination programme and the staged release of lockdown measures offer encouragement for the recovery of the business as we look ahead. The differing pace of these measures across Europe will continue to create uncertainty as to the timing of the recovery in passenger demand in the next few months. A consistent vaccine and testing regime across Europe will be required before people will feel confident to travel in numbers, but the short haul leisure market is likely to be the first to recover. The airport continues to benefit from strong activity levels in our logistics operations and there is an opportunity to build on our service track record and develop a market-leading logistics service.

It is anticipated that Stobart Energy's performance will return to pre COVID-19 levels in the current financial year, and opportunities are being explored to seek additional supply contracts and broaden the base of the market offering within the energy from waste space where existing operational expertise can be applied.

While there remains market uncertainty, the proposal to secure the financing for the Group allows us to look ahead with confidence as we navigate the recovery into a post COVID-19 world.

Esken nevertheless cautions that no guarantees can be given at this stage that the discussions with its banks or in respect of an equity raise will result in agreement or a transaction being concluded.

Going concern

The Directors' assessment of the going concern position of the Group is set out in the notes to the 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 2021. I am sure it does not need me to remind our shareholders that this is likely to have been the most eventful and challenging year in decades.

The impact of the pandemic has been significant on people, society and the economy and the ramifications are likely to continue for some period of time. The effort at the outset of the pandemic to respond to these challenges and to ensure that the Group had the resources to manage through the crisis has allowed it to maintain the operational capability of our core businesses. Carlyle Global Infrastructure Opportunity Fund (Carlyle) has now informed us it is seeking final approvals for a definitive transaction agreement in the coming days for a long-term strategic financing partnership in relation to London Southend Airport (LSA). We also intend to conclude a new £20m working capital facility to support treasury management and an equity issue of around £40m by way of a documented prospectus offering. Doing so will enable Esken to repay all outstanding bank debt, meet its ongoing working capital requirements, underpin its business plan going forward and meet certain of its legacy obligations.

Review of the year

As we entered the year we were already aware of the growing threat from the pandemic and the impact which it was likely to have on the business. An early casualty was the failure of Connect Airways in early March 2020 due to its inability to access additional financing given the collapse in demand for air travel. This resulted in a total loss of our investment in the airline and led to a decision by the board to reacquire Stobart Air and Propius, the related aircraft leasing company, from the administrator. This was to allow the board to take control of legacy liabilities which would otherwise have had a significant and immediate impact on the group. In view of the economic outlook for the business, the board took the decision in early March 2020 to review the financial structure for the group to ensure we had the finance to allow it to sustain a prolonged period of reduced activity. We announced a successful capital raise of £100m together with additional bank facilities of £40m in June 2020 which has allowed us to maintain the operational integrity of our businesses through this period of reduced demand while also meeting our legacy obligations.

At that time we announced our intention to focus on two core businesses being energy and aviation with the stated intention of exiting the other businesses by the end of February 2021 and the remaining infrastructure assets by June 2023. We announced the sale of the Rail & Civils business to Bavaria Industries Group AG in July 2020 and embarked on a process to find a buyer for Stobart Air and Propius with the objective being to mitigate the residual liabilities attaching to the group. This process was affected by the extended lockdown in travel between the UK and Ireland and the decision by Aer Lingus to award preferred bidder status in relation to the franchise renewal from January 2023 to another party. While we announced an agreement to sell the business to Ettyl in April 2021, the continuing uncertainties around travel and issues with the prospective purchaser's funding package led the board to the conclusion that it was not possible to complete the transaction. As a result we notified the board of Stobart Air that Esken was no longer prepared to continue to provide funding to the airline. This led the board of Stobart Air to terminate the franchise with Aer Lingus, cease to trade and appoint a liquidator. While this was not the outcome which the board hoped to achieve it was just not possible despite the exhaustive attempts of the respective management teams to save the business. The Group has retained responsibility for the eight ATR aircraft which were the subject of a pre-existing guarantee until the expiry of the leases in April 2023 and will look to sub lease the aircraft to other operators to minimise the impact on the Group. Although the Group retains certain liabilities through the period these are now clear as to quantum and timing (£82m over three years assuming Esken does not successfully sublease the aircraft) and the lease term and associated cost is less than it could have been had the airline not been reacquired by Esken in April 2020 and failed then.

During the year the Group made use of the various government support schemes including furlough, rates relief and deferral of payments to HMRC. In view of the fact that aviation continues to be one of the hardest hit sectors in the economy, a number of our colleagues remain on furlough pending clarity on future demand for passenger travel at the airport.

Results

As mentioned above, Aviation has been particularly affected by COVID-19, with passenger numbers at London Southend Airport ('LSA') falling by 93% year on year following restrictions on air travel and airlines reducing the number of flights at both our airport and across the air travel industry. In addition, easyJet announced it was closing its LSA base from 31 August 2020. The impact of COVID-19 on revenues led Aviation division EBITDA increasing to a loss of £6.1m, from a loss of £0.7m in the prior year. This performance was partially offset by a reduction in cost of sales, tight control of overheads and the benefit of uninterrupted income from our global logistics operation.

Whilst on face value the Energy division appears less exposed to COVID-19, given the nature of its operation, it has had two key challenges. The first was the closure of the construction industry and recycling centres nationwide for a three-month period. This created an abnormal supply and demand issue.

This then drove the second key challenge, which was the weakness in gate fee revenues as wood supply came back online following the return of construction. The impact on gate fees, combined with an increased cost of procuring material, including the decision taken to import waste wood in order to meet contractual obligations, put pressure on margins. The result was that while revenue and the tonnes supplied of 1.4m (2020: 1.5m) are similar to the prior year, EBITDA reduced by 33.2% to £10.0m (2020: £15.0m). During the year, a £3.1m settlement was reached with Tilbury Green Power in relation to issues arising through the commissioning of the plant. A portion of this settlement was recognised in the prior year and £2.4m has been recognised in the current year as a one-off.

The total loss before tax of £150.3m (2020: £139.4m) includes non-cash items, being the loss on acquisition of Stobart Air and Propius and the impairment of investments and fixed assets during the current year, and significant one off impairments in the prior year that have not repeated. Whilst the loss on acquisition of Stobart Air and Propius transaction has been accounted for as a non-cash item this has subsequently resulted in significant cash losses and additional funding requirements

Strategy and funding

The impact of the pandemic being both greater and over a longer period than anticipated last June at the time of the capital raise has led the board to undertake a refresh of the strategy and the medium term funding requirement for the Group. This has concluded that the Group owns two attractive businesses which can generate significant value for shareholders over the medium term as markets recover post COVID-19. The key strategic objective will be to drive shareholder value from these core assets over the medium term and any decision on the realisation of value will be deferred until the businesses recover fully from the pandemic and become mature cash generative business units. While it was intended at the time of the capital raise to seek to monetise the energy business within an 18 to 24 month period, the board has concluded that this is not the right answer from a shareholder value perspective.

Stobart Energy is a recovering cash generative business with a strong market position and long-term supply contracts. The business' performance is returning to pre COVID-19 levels and opportunities are being explored to seek additional supply contracts and look to broaden the base of the market offering within the energy from waste space where existing operational expertise can be applied over the medium term. The business offers the opportunity to generate returns from an infrastructure type asset with an environmental benefit in recycling waste wood to produce energy rather than going to landfill.

In the Aviation business the prime asset is LSA which prior to the pandemic offered passenger services to over 40 destinations to a market of c.8m people living within one hour travel time to the Airport. Whilst aviation has been one of the hardest hit sectors by the pandemic the fundamental long term value drivers of the Airport remain sound. This is soon to be recognised through the strategic partnership transaction in relation to LSA which is covered below.

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

In order to realise the full value potential of LSA we expect to conclude a funding arrangement with Carlyle , subject to shareholder approval and the conclusion of a new £20m working capital facility to support treasury management and an equity issue of around £40m. Carlyle would represent a long term strategic financial partner for the development of the airport. It is a major global funds business with $260b under management and has concluded 16 airport transactions around the globe. Our expectation is Carlyle will provide funding of £120m net of costs by way of a secured loan with an option to convert in to 29.99% of the equity in the airport (which implies a valuation of the airport of £400m). Of this funding, £100m would be released to the rest of the Group to refinance the bank facilities which expire in January 2022 and the remaining £20m would be retained within the LSA business to meet its funding requirements. It is intended that future capex funding of LSA will be arranged on a standalone basis as demand

recovers. The combination of the proven operational capability of the LSA management along with the airport development experience of Carlyle and its financial muscle is expected to provide a strong partnership as we rebuild our commercial relationships with our airline and other partners into the recovery.

We have also put in place plans for a new funding package of £60m gross comprising a new £20m working capital facility to support treasury management and an equity issue of around £40m by way of a documented prospectus offering. Doing this will allow us to refinance fully the existing bank debt, meet certain of our remaining legacy obligations and provide the necessary working capital to underpin our business plan. It is also our intention to actively look to realise the residual infrastructure assets with a net book value of £39m at the year end to provide additional resources for investment.

Board and People

I would like to express my personal thanks to my board and all of our colleagues at Esken for their strong support throughout the last year. It has been a difficult time for everyone, whether at work or on furlough and the continuing dedication and support to each other has been appreciated as we managed our way through these challenging times.

Our Chief Executive Warwick Brady tendered his resignation from the board on 8 February 2021 and stepped down on 30 April 2021 having been head hunted to another CEO role with a large global services business in the sector. Warwick has been in the business for almost five years and during that period has been fully committed to the business during some rather turbulent times. On behalf of the board and personally I would like to express our thanks for his service to Esken and wish him well in his new role. I have taken on the role of Executive Chairman on an interim basis and following completion of the various transactions announced today I will undertake a review on the future leadership structure and requirements for the Group as we move forward.

I was pleased to welcome Clive Condie to our board in July as a Non-Executive Director. Clive has significant experience in the aviation and airport sectors and his advice and counsel has been very valuable to the board over his time with us. It was our stated intention last year to add a further non-executive director to the board in addition to provide for normal succession and add to the board's diversity. In view of the significant disruption in the business it was decided to defer this until after the pandemic and a recruitment process will be undertaken in the months ahead.

Environmental Social & Governance ('ESG')

The board continues to recognise the importance of its ESG responsibilities and its importance to all stakeholder groups.

From the outbreak of the pandemic up to today, the focus on our ESG Framework remained at the core of our business decision making. The Framework developed was shaped into 'Our Five Pillars': Developing Our People; Supporting Sustainable Communities; Taking Climate Action; Excelling in Health & Wellbeing, Safety and Security; and Minimising Our Environmental Footprint. Admittedly, and perhaps unsurprisingly, progress across some priority areas was hindered by the pandemic, with many of our teams placed onto the government furlough scheme. However, we were able to develop and make progress on some initiatives, to place the focus of our business on sustainable growth.

We have focused our attention on processes to gather and monitor data over the past year which will allow us to drive engagement and communication through the business and across its stakeholders. We intend to emerge from the pandemic in a sustainable way and are embedding ESG in our decision making as we implement our long term plans.

Future

The success of the vaccination programme and the staged release of lockdown measures offer some encouragement as we look ahead. The differing pace of these measures across Europe will continue to create uncertainty as to the timing of the recovery in passenger demand in the next few months. A consistent vaccine and testing regime across Europe will be required before people will feel confident to travel in numbers but the short haul leisure market is likely to be the first to recover. The airport continues to benefit from strong activity levels in our logistics operations and our energy operations continue to meet our expectations. While there remains market uncertainty the fact that we are progressing plans to secure new financing for the Group will allow us to look ahead with a degree of confidence as we navigate the recovery into a post COVID-19 world.

David Shearer

Executive Chairman

Aviation operating review

COVID-19 created unprecedented challenges for London Southend Airport and the aviation sector as a whole. The UK Government's policies around movement within and between nations, evolving quarantine arrangements, testing, and the passenger costs associated with those policies, resulted in the almost complete collapse in demand for air travel. In the first two weeks of February 2021, the decrease in passenger traffic at European airports stood at -89% versus 2020, with airports in the UK, at -92%, reporting the sharpest declines. London Southend Airport is very much in line with that overall trend, down 93% in passenger numbers on the previous 12 months.

However, our global logistics operation remained open throughout and heightened demand for home deliveries drove a significant revenue stream. We have taken a proactive approach to finding new revenue streams, for example by using car park space for storage and by increasing general aviation flying.

At the same time, we took steps to manage costs. We suspended all recruitment, modified employment contracts to improve flexibility and cut both bonus and any annual cost of living increases, as well as making some roles redundant. In addition, we took advantage of government support packages, for example putting large numbers of staff on furlough and applying to the Airport and Ground Operations Support Scheme. We have also reduced capex to regulatory and compliance items only, deferring further capex in line with the return of passenger demand.

We also took further steps to reduce costs within Stobart Aviation Services, our check-in, baggage handling and logistics services business. With activity impacted by the restrictions to flying it closed its operations in Edinburgh and Glasgow Airports. This allowed the business to manage costs and focus on operations at London Southend Airport, London Stansted Airport and Manchester Airport. Stobart Aviation Services is developing a strong reputation within global logistics and cargo operations and is exploring further growth opportunities in that sphere.

Whilst our overall performance has been impacted by enduring COVID-19 lockdown restrictions, strict financial discipline has aided the conservation of cash and the delivery of an EBITDA loss of £6.1m for the Aviation division, compared to a £0.7m EBITDA loss in the prior year. The loss before tax was £17.5m compared to a loss before tax of £9.8m in the prior year.

Looking forward, the outlook for FY22 is one of slow but sure recovery, assuming continued progress in the fight against COVID-19. It is clear that there is underlying demand for air travel. This is evident from the reaction to markets like Portugal and the Canary Islands opening up in Autumn and Winter 20/21, or from the response to the Government's announcement of international travel from 17 May 2021, when airline bookings increased by several hundred percent. Once vaccination programmes in the UK and overseas mature and the pandemic-related restrictions ease, it is clear that the air travel market will recover relatively rapidly.

Within that, segments served particularly well by London Southend Airport are widely accepted to be among the first to return. Low-cost leisure travel where London Southend Airport has historically been strongest is likely to see an early return to strong demand. London, a magnet for international travellers and, pre-COVID-19, a generator of more than 60% of London Southend Airport's outbound passengers, is the largest aviation market in the world and, in previous crises, one of the most resilient.

The decision of easyJet to close its base at London Southend was disappointing. However, it opens up opportunities for other carriers to move onto established and profitable routes and we are engaged in several discussions with different airlines.

We do not expect Brexit to have a significant impact on passenger numbers. The majority of our passengers are UK nationals travelling to EU countries for leisure purposes. Given the importance of UK visitors to EU economies, it is unlikely that those economies will want to see Brexit reduce UK visitor numbers. There was a short-term impact on cargo movements through January and February 2021. This has already been resolved and long term we see no significant change due to Brexit.

The continuing uncertainties represented by the ongoing pandemic means that the immediate term will be challenging but the fundamentals of London Southend Airport remain compelling: very low costs, very high service levels and great access to London. The consensus view is that demand will return to and then exceed 2019 levels by the mid-2020s. Capacity will once again be constrained at London's airports and we confidently expect London Southend Airport to play its part in that return to long-term growth.

Energy operating review
Stobart Energy entered the year having made significant operational progress in recent years and was reaching a level of operating maturity.

All customers, with the exception of Port Clarence, had successfully completed commissioning in the prior year. The focus was therefore turning to optimising the efficiency of our supply chain and operations. We were also exploring ways to leverage our strong fuel supply 'platform' for scale, diversifying into additional waste streams.

However, the COVID-19 pandemic impacted in the first month of FY21 with the national lockdown announcement on 23 March 2020. This initially resulted in the closure of Household Waste and Recycling Centres and the construction sector. A significant proportion of UK waste wood is generated via these channels. This caused a national shortage for waste wood.

Waste wood supply is seasonal. A greater proportion of waste wood is generated during the Summer months. As a result, gate fees, the fee Stobart Energy charges third parties for taking waste wood from them, typically peak in the Summer months and reduce in the Winter months.

In the prior year, Winter seasonality was also impacted by the additional demand pressures following the nationwide commissioning of the Biomass plant network. This caused a negative short-term compounding effect on gate fees.

As such, Stobart Energy entered the FY21 year at its lowest level of gate fees in recent years. There was an expectation that the combination of steady demand profiles nationally and established supply chains would mean gate fees would gradually recover upwards.

Unfortunately, the pandemic lockdown coincided with the beginning of the typical 'Summer' months compounded by the COVID-19 supply shortages.

Supply constraints led Stobart Energy to issue force majeure notices to a number of its customers. This resulted in sales volumes being impacted from April through to September 2020. However, by year end, all force majeure notices with customers had been lifted.

Stobart Energy responded by working closely with our customers to co-design forecasting models to help them to mitigate some of the challenges. Utilising the benefits of our scale as the UK's number one biomass fuel supplier, we also leveraged our strong data and market intelligence, facilitating timely data-driven planning decisions by all parties. The combination of these transparent supply forecasts and our long-term contract approach to customer management enabled us to make timely, longer-term supply decisions with our customers. In turn, this helped to protect the long-term value of our businesses by successfully strengthening the working relationships with our customers allowing us to agree a supply plan with each through to Spring 2021.

The actions taken in the face of these significant challenges mean Stobart Energy is able to report EBITDA of £10.0m (FY20: £15.0m). In the prior year there were a number of contractual settlements reached, accounting for c.£5.6m of non-recurring net gains, and adjusting for these non-recurring items, the FY21 trading performance was a 6.7% increase on the prior year.

We are pleased with this outcome, which demonstrates the robustness of our business and the ability to utilise our scale and long-term contractual positions to somewhat mitigate what was a very challenging year.

Our EBITDA performance was largely a result of two factors: the continued maturity of our operations, resulting in a favourable year-on-year positive variance of £6.1m (primarily due to full-year supply of Tilbury Green Power contract); and secondly the impacts of the pandemic, which gave rise to an adverse year-on-year variance of £5.6m (primarily due to adverse volume and supply margin impacts). We are pleased to report that by the end of FY21, all of our customer plants were fully operational once again and our supply margin pricing was trending back towards pre-COVID-19 levels.

Over the next 12 - 24 months, we expect our customer plants to enter the next stages of plant performance optimisation. This should benefit Stobart Energy through increasing reliability and throughput volumes. The continued

focus on strong customer management and collaboration is a complementary focus for us. This should also assist in our supply chain optimisation strategy. Assuming a managed national COVID-19 recovery over the next 12 months, we expect to be able to continue the managed recovery of our supply margins and thus optimise our EBITDA performance.

I would like to thank all our employees, customers and supply partners for the continued support and proactive collaborations over the past 12 months. The whole biomass supply chain was significantly tested during this period. The robustness that we have collectively demonstrated, together with increased collaboration to optimise our collective positions, should place us in an even stronger position to deliver on our long-term strategies.

Financial review

COVID-19

The COVID-19 pandemic has had an undoubted impact on both the Group and the industry sectors in which the divisions operate. It is important to recognise what this means at year end and the continuing impact into the new financial year.

Aviation has been significantly affected by COVID-19, with passenger numbers at London Southend Airport (LSA) falling by 93% year on year following restrictions on air travel and airlines reducing the number of flights at LSA and across the air travel industry. In addition, easyJet announced it was closing its LSA base from 31 August 2020.

Whilst the Energy division appears less exposed to COVID-19, given the nature of its operation, it has had two key challenges. The first was the closure of the construction industry and recycling centres nationwide for a three-month period which created an abnormal supply and demand issue. This then drove the second key challenge, which was the weakness in gate fee revenues as wood supply came back online following the return of construction. This has resulted in a far greater impact on EBITDA than was originally envisaged; however, we have in the remainder of the year started to see this return to normality.

Stobart Air and Propius

During the year, the Group acquired an effective indirect economic interest of 78.75% in Stobart Air and Propius which resulted in these businesses being accounted for as subsidiaries. As previously outlined, the acquisition was necessary to take control of pre-existing obligations the Group has to these businesses. Whilst the costs associated with Stobart Air and Propius have been greater than expected, due to COVID-19 restrictions delaying the return of flights, we are satisfied that the rationale to acquire remains valid. Despite concerted efforts to find new owners to take the Stobart Air business forward a suitable buyer could not be sourced. As a result, post year end the Group was forced to cease providing financial support to Stobart Air leading to Stobart Air to cease trading and appoint a liquidator. The Group has undertaken certain contingency planning measures as a result of this and will continue to fund the lease obligations on the eight ATR aircraft in Propius through to termination of the leases in April 2023 under the terms of its pre-existing guarantee with GOAL.

Financial discipline

Whilst the challenges faced by the Group this year are undoubted, the Group has moved quickly to mitigate their impact and place the business on a sounder footing than would have been the case. Cash outflows from the Group were minimised, through use of the UK government furlough scheme, securing payment holidays on asset financing and deferral of VAT payments. The Group disposed of its investment in Stobart Rail, removing the need to fund the expected ongoing losses of this business. Unfortunately, as part of these measures we had to make a number of our valued members of staff redundant. This decision was not taken lightly but we felt it was necessary for the long-term recovery of the Group. Next, there was a structural change with greater centralising of cash control, with all discretionary divisional expenditure moved to the Group centre and a new procedure for cost sign-off. This enabled quicker decision making as a group and greater oversight on operational spend. The strict centralised cash control will continue for the foreseeable future until we emerge from the current climate.

The Group completed a successful capital raise in June 2020, resulting in greater than expected gross proceeds of £100.1m (£91.0m net). If the Group had not done the raise at this time it may not have been in a position to do it at all. Agreement was reached with the Group's current bank lenders to fund an additional £40m revolving credit facility bringing the Group's total revolving credit facility to £120m, further increasing headroom for the Group.

Looking forward

As announced on 4 February 2021, Stobart Group Limited changed its name to Esken Limited. This allows the Group to move away from its legacy history and gives clarity on what we are about. The disposal of the Stobart brands and trademarks also gave rise to a cash injection of £8.5m in the year.

The Energy division has been the first of the operational divisions to start its recovery from the impacts of COVID-19 and has seen gate fees increase through the year approaching levels seen under pre-COVID conditions. The Aviation division is well positioned to take advantage of the pent-up demand for travel once flights can restart.

Revenue

	2021 £'m	Restated[1] 2020 £'m	Movement
Aviation	24.7	56.8	(56.4%)
Energy	75.0	76.3	(1.7%)
Revenue from two main operating divisions	**99.7**	**133.1**	**(25.1%)**
Investments	9.0	2.1	324.7%
Non-Strategic Infrastructure	1.1	2.8	(61.9%)
Group Central and Eliminations	0.9	4.1	(78.6%)
	110.7	**142.1**	**(22.1%)**

[1]2020 results have been restated where required in line with IFRS 5 Discontinued Operations.

Revenue from continuing operations has decreased by 22.1% to £110.7m. Revenue from our key growth divisions, Aviation and Energy, has decreased by 25.1% to £99.7m. Revenue in the Aviation division has been significantly impacted by COVID-19 with passenger numbers at LSA down by 93.1% year on year. The acquisition of Stobart Air in the year is the main driver for the increase in the Investments revenue.

Profitability

	2021 £'m	Restated[1] 2020 £'m	Movement
EBITDA[2]			
Aviation	(6.1)	(0.7)	(772.8%)
Energy	10.0	15.0	(33.2%)
EBITDA[2] from two main operating divisions	**3.9**	**14.3**	**(72.5%)**
Investments	(10.4)	(7.6)	(35.7%)
Non-Strategic Infrastructure	(1.7)	(4.2)	60.7%
Group Central and Eliminations	(9.7)	(8.7)	(13.4%)
Adjusted EBITDA[2]	**(17.9)**	**(6.2)**	**(187.9%)**
Depreciation	(31.8)	(20.0)	
Amortisation	-	(7.5)	
Loss on acquisition	(58.2)	-	
Impairment	(22.1)	(93.4)	
Impairment of loan notes	(8.0)	(2.8)	
Finance costs (net)	(12.3)	(9.5)	
Loss before tax	**(150.3)**	**(139.4)**	
Tax	7.0	8.4	
Loss for the year from continuing operations	**(143.3)**	**(131.0)**	
Loss from discontinued operations, net of tax	(11.8)	(6.9)	
Loss for the year	**(155.1)**	**(137.9)**	

[1]2020 results have been restated where required in line with IFRS 5 Discontinued Operations.
[2]EBITDA represents loss before interest, tax, depreciation, amortisation and impairments. Adjusted EBITDA is EBITDA excluding loss on acquisition, only impacting the Investments division. Refer to note 3 of the financial statements for reconciliation of divisional EBITDA to loss before tax.

Profitability

In the current year, the Group has moved away from the classification of underlying and non-underlying items in the financial statements. Adjusted EBITDA and profit before tax are the Group's key measures of profitability. Adjusted EBITDA has decreased by 187.9% to £17.9m loss (2020: £6.2m loss) and the loss before tax has increased by £10.9m to £150.3m (2020: £139.4m). The increase in loss before tax is principally driven by losses in the Investments division partially offset by one-off impairments in 2020.

The Aviation division EBITDA has decreased by 772.8% to a loss of £6.1m (2020: £0.7m) due to the impact of COVID-19 on revenues, partially offset by a reduction in cost of sales and tight control of overheads. In the Energy division, challenging market conditions have impacted gate fees and led to increased cost of procuring material, including the need to import waste wood in order to meet contractual obligations. This meant that while revenue and the tonnes supplied of 1.4m (2020: 1.5m) are similar to the prior year, EBITDA has reduced by 33.2% to £10.0m (2020: £15.0m). During the year, a £3.5m settlement was reached with Tilbury Green Power. A portion of this settlement was recognised in the year ending 29 February 2020 and £2.4m has been recognised in the current year.

Investments and Non-Strategic Infrastructure are discussed in more detail below. The Group Central and Eliminations EBITDA loss increased by 13.4% to £9.7m (2020: £8.7m) mainly due to the six-year deferred income from Eddie Stobart ending in the year ended 29 February 2020.

Business segments

The business segments reported in the financial statements are Aviation, Energy, 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 adjusted EBITDA loss of £10.4m (2020: £7.6m) in the Investments division is due to the inclusion of Stobart Air and Propius, which were acquired in the year. The fair value of the investment in Logistics Development Group plc (LDG), formerly Eddie Stobart Logistics plc, increased by £5.7m (2020: £40.2m reduction) due to an increase in the LDG share price and additional investment in the year. The gain 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 2021, the book value of Infrastructure assets held was £39.2m (2020: £47.3m). During the year, there was one (2020: two) property disposal that generated net proceeds of £1.4m (2020: £2.3m). The disposal relates to four acres of Widnes land. Year-on-year EBITDA increased from a loss of £4.2m to a loss of £1.7m, mainly driven by a one-off revaluation loss on investment property in the prior year coupled with a year-on-year decrease in overheads.

Depreciation and amortisation

Depreciation has increased from £20.0m to £31.8m, principally due to right-of-use aircraft acquired as part of the purchase of Stobart Air and Propius in the year. There was no amortisation in the year (2020: £7.5m) due to the Stobart brands being reclassed to assets held for sale at year ended 29 February 2020.

Loss on acquisition

The Group's acquisition of equity interests in Stobart Air and Propius from the administrators of Connect Airways led to the consolidation of both businesses as 100% subsidiaries. A £58.2m loss on acquisition was recorded, due to the settlement of pre-existing relationships, which is presented on its own line in the consolidated income statement.

Impairments

Shareholder loan notes relating to Mersey Bioenergy Holdings Limited, the Widnes biomass plant owner, were impaired from £8.0m to £nil in the year based on discounted forecast future cash flows provided, which had deteriorated over the period with the awaited refinancing still not complete. The loss on revaluation is shown on a separate line, Impairment of loan notes, on the consolidated income statement.

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.

The Group carried out an impairment review of all plant, property and equipment in Stobart Air and the right-of-use aircraft in Propius. The assets were written off in full leading to an impairment charge of £22.9m.

Finance costs
Finance costs increased by £2.8m to £17.2m, mainly due to higher interest charges on the revolving credit facility (RCF) and interest on IFRS 16 leases in Stobart Air and Propius. Finance income decreased by £0.1m to £4.8m primarily due to no interest received on the loans to Connect Airways after it entered administration in March 2020, partially offset by the revaluation of financial liabilities in the current year.

Loss before tax
The total loss before tax of £150.3m (2020: £139.4m) including non-cash items, such as the loss on acquisition of Stobart Air and Propius and the impairment of the loans to Mersey Bioenergy during the current year, and significant one-off impairments in the prior year that have not repeated. This is in addition to the trading performance of the Aviation division and Stobart Air, which has been significantly affected by COVID-19.

Tax
The tax credit on continuing operations of £7.0m (2020: £8.4m) reflects an effective tax rate of 4.4% (2020: 5.3%). The effective rate is lower than the standard rate of 19%, mainly due to deferred tax assets not recognised in respect of certain temporary differences in the year. The deferred tax liabilities have been calculated at 19%, as this was the rate that was substantively enacted at the statement of financial position date.

Discontinued operations
On 14 July 2020, the Group divested of Stobart Rail Limited (Stobart Rail) to Bavaria Industries Group. The operational results of Stobart Rail prior to the date of disposal and the loss on disposal of £9.5m are presented in discontinued operations. The operations of Stobart Rail prior to the date of disposal resulted in a loss of £2.4m, which along with the loss on disposal of £9.5m, are 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.

Loss per share
Loss per share from continuing operations was 26.61p (2020: 35.52p). Total basic loss per share was 28.81p (2020: 37.39p).

Share movements and dividends

	2021	**2020**
Interim per share	-	-
Final per share	-	3.0p
Total dividend per share	**-**	**3.0p**

The Board suspended the dividend during the prior year, therefore no final dividend is proposed. The final dividend in the table for the prior year relates to the year ended 28 February 2019.

On 29 June 2020, the Group issued 250,273,461 new ordinary shares following a Firm Placing and Placing and Open Offer (Capital Raise). The Capital Raise resulted in gross proceeds of £100.1m (£91.0m net).

The number of shares held by the employee benefit trust increased from 2,980,992 at 29 February 2020 to 3,778,457 at 28 February 2021 after the trust purchased 797,465 shares issued on the Capital Raise.

Balance sheet

	2021 **£'m**	**2020** **£'m**
Non-current assets	369.4	388.9
Current assets	55.4	75.3
Non-current liabilities	(172.6)	(222.0)
Current liabilities	(203.9)	(139.1)
Net assets	**48.3**	**103.1**

Net assets have decreased by £54.8m, mainly due to the loss in the year, partially offset by the Capital Raise and the increase in the fair value of the investment in LDG, recognised in other comprehensive income.

The overall value of property, plant and equipment (PPE) of £285.6m (2020: £306.6m) has decreased in the year mainly due to the disposal of Stobart Rail and the annual depreciation charge across the Group. The revaluation of, and further investment in, LDG led to an increase in other financial assets of £5.6m. The impairment of the loans to Mersey Bioenergy Holdings reduced non-current other receivables by £8.0m.

Current assets have reduced principally due to an overall decrease in trade and other receivables across the Group of £12.8m and the disposal of the Stobart brands £10.0m, which were held for sale at the year ended 29 February 2020.

Non-current liabilities have decreased primarily due to the RCF liability of £52.3m being presented as a current liability. There was an increase in provisions of £15.2m, mainly relating to maintenance reserves in Stobart Air and Propius, and reductions in the defined benefit pension and deferred tax liabilities.

Current liabilities have increased primarily due to the £52.3m RCF liability being presented as current and Propius IFRS 16 leases being recognised following acquisition. Year on year the RCF has reduced by £22.4m.

Debt and gearing

	2021	**2020**
Asset-backed finance	£139.8m	£168.9m
IFRS 16 lease obligations	£123.4m	£76.4m
Cash	(£12.4m)	(£9.8m)
Net debt	**£250.8m**	**£235.5m**
Adjusted EBITDA/ interest	-1.4	-0.7
Net debt/total assets	59.0%	50.7%
Gearing	519.2%	228.4%

Note 25 of the financial statements includes details on net debt. The alternative performance measures of net debt and gearing are explained in note 36 of the financial statements.

During the year, the Group agreed an additional £40m variable rate committed RCF with Lloyds Bank plc and Allied Irish Bank plc in addition to the existing £80m RCF. At 28 February 2021, these facilities were drawn at £55.0m (2020: £75.0m).

Asset-backed finance has reduced year on year primarily due to a net repayment of the RCF. Aircraft lease liabilities recognised on the balance sheet following the acquisition of Stobart Air and Propius have driven the increase in IFRS 16 lease obligations.

Cash flow

	2021 **£'m**	**2020** **£'m**
Operating cash flow	(28.7)	(15.1)
Investing activities	6.0	(12.5)
Financing activities	28.8	29.2
Increase in the year	**6.1**	**1.6**
Discontinued operations	(3.5)	(6.2)
At beginning of year	9.8	14.4
Cash at end of year	**12.4**	**9.8**

Discontinued cash flow in the year relate to the operations of Stobart Rail & Civils.

Investing activities include an inflow of £8.5m of the total £10.0m consideration for the disposal of the Stobart brands. There was a cash outflow for the purchase of PPE of £3.1m.

Financing activities includes net proceeds from the Capital Raise of £91.0m. Offsetting this there were outflows for the net repayment of the RCF £24.3m, the repayment of the capital element of lease obligations £24.0m, interest payments £9.4m and the repayment of loans to Virgin and Cyrus £4.5m.

Lewis Girdwood
Chief Financial Officer

Consolidated income statement
For the year ended 28 February 2021

	Year ended 28 February 2021 £'000	Restated[1] Year ended 29 February 2020 £'000
Continuing operations		
Revenue	110,724	142,098
Other income	5,798	4,700
Operating expenses – other	(134,263)	(142,943)
Share of post–tax profits of associates and joint ventures	(218)	(9,765)
Gain/(loss) on swaps	80	(300)
Adjusted EBITDA	**(17,879)**	**(6,210)**
Depreciation	(31,814)	(20,024)
Amortisation	-	(7,456)
Loss on acquisition	(58,182)	-
Impairments – other	(22,097)	(48,330)
Impairments – loan receivables from joint venture	-	(45,105)
Operating loss	**(129,972)**	**(127,125)**
Impairment of loan notes	(8,000)	(2,754)
Finance costs	(17,214)	(14,453)
Finance income	4,849	4,917
Loss before tax	**(150,337)**	**(139,415)**
Tax	7,083	8,390
Loss for the year from continuing operations	**(143,254)**	**(131,025)**
Discontinued operations		
Loss from discontinued operations, net of tax	(11,859)	(6,870)
Loss for the year	**(155,113)**	**(137,895)**
Loss per share expressed in pence per share – continuing operations		
Basic	(26.61)p	(35.52)p
Diluted	(26.61)p	(35.52)p
Loss per share expressed in pence per share – total		
Basic	(28.81)p	(37.39)p
Diluted	(28.81)p	(37.39)p

[1]The 2020 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the financial statements for more details.

Consolidated statement of comprehensive income
For the year ended 28 February 2021

	Year ended 28 February 2021 £'000	Restated[1] Year ended 29 February 2020 £'000
Loss for the year	**(155,113)**	**(137,895)**
Exchange differences on translation of foreign operations	3,826	-
Discontinued operations, net of tax, relating to exchange differences	-	(173)
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent years, net of tax	**3,826**	**(173)**
Remeasurement of defined benefit plan	1,176	(2,049)
Change in fair value of financial assets classified as fair value through other comprehensive income	4,643	(40,212)
Tax on items relating to components of other comprehensive income	(182)	348
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years, net of tax	**5,637**	**(41,913)**
Other comprehensive income/(expense) for the year, net of tax	**9,463**	**(42,086)**
Total comprehensive expense for the year	**(145,650)**	**(179,981)**

[1]The 2020 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the financial statements for more details.

Of the total comprehensive expense for the year, a loss of £133,791,000 (2020: £172,938,000) is in respect of continuing operations and a loss of £11,859,000 (2020: £7,043,000) is in respect of discontinued operations.

Consolidated statement of financial position
As at 28 February 2021

	28 February 2021 £'000	29 February 2020 £'000
Non-current assets		
Property, plant and equipment	285,621	306,584
Investment in associates and joint ventures	1,372	1,590
Other financial assets	10,392	4,776
Intangible assets	54,669	54,669
Net investment in leases	15,824	13,247
Trade and other receivables	1,495	8,000
	369,373	**388,866**
Current assets		
Inventories	15,334	13,893
Trade and other receivables	27,378	40,167
Cash and cash equivalents	12,408	9,802
Assets held for sale	-	11,408
Corporation tax	324	-
	55,444	**75,270**
Total assets	**424,817**	**464,136**
Non-current liabilities		
Loans and borrowings	(122,116)	(177,788)
Defined benefit pension obligation	(2,418)	(4,422)
Other liabilities	(8,271)	(9,687)
Deferred tax	(261)	(5,736)
Provisions	(39,534)	(24,346)
	(172,600)	**(221,979)**
Current liabilities		
Trade and other payables	(52,735)	(61,899)
Financial liabilities	(1,581)	(3,500)
Loans and borrowings	(89,121)	(15,780)
Exchangeable bonds	(52,010)	(51,689)
Provisions	(8,457)	(6,191)
	(203,904)	**(139,059)**
Total liabilities	**(376,504)**	**(361,038)**
Net assets	**48,313**	**103,098**
Capital and reserves		
Issued share capital	62,492	37,465
Share premium	390,336	324,368
Foreign currency exchange reserve	3,826	-
Reserve for own shares held by employee benefit trust	(7,480)	(7,161)
Retained deficit	(400,861)	(251,574)
Group shareholders' equity	**48,313**	**103,098**

Consolidated statement of changes in equity
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**

For the year ended 29 February 2020

	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 2019	37,082	324,379	480	(12,154)	(52,833)	296,954
IFRS 16 transition adjustment, net of tax	–	–	–	–	(2,846)	(2,846)
Balance at 1 March 2019 (adjusted)	37,082	324,379	480	(12,154)	(55,679)	294,108
Loss for the year	–	–	–	–	(137,895)	(137,895)
Other comprehensive expense for the year	–	–	(173)	–	(41,913)	(42,086)
Total comprehensive expense for the year	–	–	(173)	–	(179,808)	(179,981)
Issue of ordinary shares	383	(11)	–	–	(382)	(10)
Employee benefit trust	–	–	–	4,993	(4,937)	56
Removal of exchange reserve on disposal of subsidiary	–	–	(307)	–	–	(307)
Share-based payment credit	–	–	–	–	1,271	1,271
Tax on share-based payment credit	–	–	–	–	(914)	(914)
Dividends	–	–	–	–	(11,125)	(11,125)
Balance at 29 February 2020	**37,465**	**324,368**	**–**	**(7,161)**	**(251,574)**	**103,098**

Consolidated statement of cash flows
For the year ended 28 February 2021

	Year ended 28 February 2021 £'000	Restated[1] Year ended 29 February 2020 £'000
Cash used in continuing operations	**(28,209)**	**(15,077)**
Cash outflow from discontinued operations	(769)	(7,144)
Income taxes paid	(465)	-
Net cash outflow from operating activities	**(29,443)**	**(22,221)**
Purchase of property, plant and equipment	(3,101)	(14,311)
Purchase of investment property	-	(85)
Purchase/development of property inventories	(164)	-
Proceeds from the sale of property inventories	-	226
Proceeds from the sale of property, plant and equipment	426	4,456
Proceeds from the sale of investment property	-	2,111
Proceeds from disposal of assets held for sale	9,867	-
Proceeds from sale and leaseback (net of costs)	-	(62)
Receipt of capital element of IFRS 16 net investment in lease	768	761
Acquisition of subsidiary undertakings (net of cash acquired and fees)	(864)	-
Cash disposed on sale of subsidiary undertaking	(1)	(1,729)
Equity investment in associates and joint ventures	-	(2,667)
Acquisition of other investments	(973)	(70)
Net amounts advanced to joint ventures	-	(2,114)
Interest received	10	999
Cash (outflow)/inflow from discontinued operations	(989)	2,734
Net cash inflow/(outflow) from investing activities	**4,979**	**(9,751)**
Dividend paid on ordinary shares	-	(11,125)
Issue of ordinary shares (net of issue costs)	90,996	(12)
Proceeds from issue of exchangeable bond (net of costs)	-	51,305
Repayment of grants	-	(834)
Principal element of lease payments	(24,018)	(19,022)
Net (repayment)/drawdown from revolving credit facility (net of costs)	(24,286)	16,996
Repayment of other borrowings	(4,500)	-
Interest paid	(9,386)	(8,112)
Cash outflow from discontinued operations	(1,736)	(1,854)
Net cash inflow from financing activities	**27,070**	**27,342**
Increase/(decrease) in cash and cash equivalents	2,606	(4,630)
Cash and cash equivalents at beginning of year	9,802	14,432
Cash and cash equivalents at end of year	**12,408**	**9,802**

[1]The 2020 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 of the financial statements for more details.

Notes to the consolidated financial statements
For the year ended 28 February 2021

Accounting policies of Esken Limited

Basis of preparation and statement of compliance
These Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union (adopted IFRSs). The financial information set out above does not constitute the Company's statutory accounts for the years ended 28 February 2021 and 29 February 2020. 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 2021 Annual Report and Accounts which will be published on the Group's website.

The financial statements of the Group are also prepared in accordance with the Companies (Guernsey) Law 2008. Stobart Group Limited is a Guernsey-registered company. The Company's ordinary shares are traded on the London Stock Exchange. Esken Limited announced on 4 February 2021 that it had changed its name from Stobart Group Limited.

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

Note 25 of the financial statements includes details of the Group's loans and borrowings at the year end together with the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future through to January 2023. 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 very significant degree of judgement in concluding that the Group remains a going concern, in particular the identification of the going concern period and identifying and describing the material uncertainties that exist in concluding that the going concern basis of preparation remains appropriate.

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 the current revolving credit facility (RCF), in the timelines required and anticipated in the forecasts, which cover the period up to January 2023.

As at 28 February 2021, the Group was drawn £55.0m on its £120m existing RCF and had cash balances of £12.4m, resulting in headroom as of that date of £77.4m. However as explained below any further drawdowns from the existing RCF are subject to bank consent. Whilst the Group continues to tightly manage its cash resources during the post year end period, the current position is that the Group has drawn down £95m on its existing RCF and plans to draw down a further £13m during July 2021 and £5m in August 2021. Whilst the banks have indicated in writing their willingness to allow the Group to draw down those funds through to August 2021, there is no certainty that this will be the case. In addition, the banks have indicated in writing their willingness to defer certain covenant tests attached to the existing RCF. Should the bank not defer the covenant tests, or not allow the planned drawdowns to August 2021, the Group may be unable to continue trading.

To enable the Group to repay its current RCF, the Group has announced it has entered into a signed term sheet on a £125m convertible debt instrument issued by its 100% owned subsidiary London Southend Airport Company Limited. The Group is currently still in negotiations with this lender and the agreed exclusivity period expires on 30 June 2021. Should this transaction not complete, the Group, in all likelihood, would need to market London Southend Airport for sale. In addition, the Group has announced its intention to raise net proceeds of approximately £40m by way of a documented equity raise (Capital Raise) that will be conditional upon, among

other things, the approval of shareholders. A combined Prospectus to shareholders containing additional details on the convertible debt instrument and Capital Raise is intended to be published towards the end of July 2021. Should shareholders approve these transactions it is expected that the funds will be received by the Group before the end of August 2021. The funds raised will be used to repay the existing RCF, which is expected to be drawn down by £113m at the end of August 2021.

The completion of the convertible debt instrument is dependent on both the Capital Raise raising at least £40m and the Group securing a new RCF of £20m. In respect of the latter, the Group is in talks with its current banks to enter into a new RCF of £20m that would mature in January 2023. This has not yet been subject to the bank's credit committee approval process so there is a significant risk that this funding will not be secured. However, the banks have indicated in writing their willingness to support a RCF of £20m. The covenant requirements of this new RCF have been proposed but not yet been agreed. In addition, whilst the Group has had communication with a significant shareholder in respect of a Capital Raise of this magnitude, there is no certainty that this will successfully complete. Consequently, particularly given the interdependencies between the three funding transactions (being the convertible debt instrument, Capital Raise and new RCF) meaning all three need to complete or none will complete, there is a high risk that the necessary funds will not be obtained.

The reasonableness of the Group in assuming these funds will be received is a significant judgement and consequently there is a material uncertainty in respect of securing the necessary funds from i) the banks not recalling the existing RCF ii) the banks allowing the further planned drawdowns through to August 2021 iii) executing the heads of terms in respect of the convertible debt instrument, iv) successful completion of the Capital Raise and v) obtaining the new RCF.

The Directors have prepared base case forecasts to January 2023, together with sensitivity analysis on those forecasts, including a severe but plausible downside set of assumptions around the continued COVID-19 recovery for the Group whilst recognising the different recovery periods likely to be seen given the nature of the different operating divisions. Those severe but plausible forecasts reflect the benefit of certain controllable mitigating actions that the directors could take should the group require it, for example the deferral of discretionary cash outflows. On the assumption that the above planned debt and equity raises are substantially successful, the base case forecast indicates headroom of c.£15m, which would increase to c.£27m if non-controllable non-core asset sales of £12m successfully complete, at January 2023; and the severe but plausible downside indicates that the Group will have a shortfall of c.£11m at this point. This excludes any cash inflows from non-core asset sales or sublease of aircraft.

The Energy division has almost recovered to its pre-COVID volumes and the gate fee declines observed as a result of COVID-19 have now reversed. The Aviation division has not shown any signs of recovery as both airlines and passengers continue to be impacted by government COVID-19 restrictions and regular government policy changes making it difficult for airlines to plan and restart commercial flights. In particular, and for the purposes of this going concern analysis only, the base case forecast assumes:

- The banks allow the Group to draw down £13m in July 2021 and £5m in August 2021 and does not require the Group to repay the existing RCF before the end of August 2021;
- The Group completes the Capital Raise and convertible debt issue discussed above, resulting in the receipt of gross proceeds of at least c.£165m which will largely be used to repay the existing RCF, which is expected to be drawn by £113m at the point of completion of the Capital Raise and convertible debt instrument.
- The Group enters into a new RCF of £20m and that this is refinanced prior to maturity in January 2023;
- A gradual resumption of flying from June 2021, with full year passenger volumes from LSA of c.0.3m for the year ending February 2022 and c.2.0m passengers in the year ending February 2023;
- Continued improvements in gate fee income along with the plants we supply experiencing improved availability;
- The liquidation of Stobart Air and payments for the remaining Propius obligations will result in cash outflows of c.£82m through to August 2023, which includes outflows in respect of aircraft lease payments, break fees in respect of the aircraft leases, maintenance obligations in respect of the aircraft, professional fees in respect of the liquidation and a contingency for unforeseen costs of liquidation;
- Significant professional fees in respect of the convertible debt instrument, equity raise and new RCF;

- An expectation that the Group will receive no sublease income in respect of the aircraft that will continue to be held by Propius; and
- No specific sector support from government and withdrawal of the Job Retention Scheme from 30 September 2021.

Should the banks refuse to allow the planned drawdowns or require repayment of the existing RCF before the end of August 2021, or the Capital Raise, convertible debt transaction and new RCF are not successfully completed before the end of August 2021 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 a larger 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. Should this transaction not complete, the Group, in all likelihood, would need to market London Southend Airport for sale.

The Directors have considered a severe but plausible downside forecast. This scenario indicates that, before non-controllable mitigating actions such as non-core asset disposals, the Group will have a shortfall in headroom of c.£11m at January 2023.

The downside detailed above is deemed by the Directors to provide a severe but plausible stress test on forecast trading results. This includes a significant reduction in 2022 and 2023 performance as a result of COVID-19 and reduced trading performance across both operations, resulting in a pre-mitigation cash reduction to forecast. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example, accessing the value of the asset base to support liquidity. Consequently, the Directors have concluded that to stress test a level of increased severity (beyond the downside modelled) that may create circumstances that represent further instances of a material uncertainty and which may cast an additional significant doubt about the group's ability to continue as a going concern, is not currently reasonable.

The severe but plausible downside forecast includes:

- The new £20m RCF is not refinanced before maturity in January 2023;
- Passenger flying from LSA does not start increasing until September 2021 and passenger growth is slowed through to the year ending February 2023 with 1.3m passengers;
- No new incremental business in Aviation Services in the next financial year;
- Volume of waste wood supplied to energy plants is restricted to pre-COVID levels and with raw material in short supply due to low levels of construction activity, average gate fees reduce to c.90% of base case;
- An assumption that the proposed new £20m RCF is not refinanced prior to its maturity in January 2023;
- No aircraft sublease income received; and
- No cash received in respect of non-core asset disposals.

These severe but plausible forecasts beyond 31 August 2021 assume the Capital Raise, convertible debt instrument and new RCF are successfully completed. If they are not completed by the end of August 2021 the Group will have severe liquidity issues and as noted above may not be able to continue trading beyond this point. The Board will of course seek to further mitigate the financial impact of this severe but plausible downside forecast should it arise. The main avenues to mitigate this include the disposal of non-core asset disposals and sub-letting the Propius aircraft. However, in the current environment the timing and value of these transactions may not be sufficient and, should this transaction not complete, the Group, in all likelihood, would need to market London Southend Airport for sale.

Overall, despite the material uncertainty set out above, the directors are satisfied that the group will have sufficient funds to continue to meet its liabilities as they fall due until at least January 2023 from the date of approval of the annual financial statements and therefore have prepared the financial statements on a going concern basis.

However, this is dependent on the successful completion of the Group's refinancing plans (certain of which are interdependent), notably:

- the banks not requiring repayment of the existing RCF before the end of August 2021;

- the banks allowing the Group to draw down from the existing RCF £13m in July 2021 and £5m in August 2021;
- the successful completion of the Capital Raise of net £40m before the end of August 2021,
- successful completion of the convertible debt instrument of gross £125m before the end of August 2021; and
- the successful completion of the new RCF of £20m maturing in January 2023, before the end of August 2021, and it's refinancing on maturity in January 2023.

The successful completion of the Group's refinancing plans, along with other matters referred to above, represent a material uncertainty 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 be necessary if the going concern basis was 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 International Accounting Standards Board issued an amendment to IFRS 16 Leases relating to COVID-19 rent concessions. The amendment introduces a practical expedient that exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The expedient applies to periods commencing on or after 1 June 2020; however, the Group has chosen early adoption and applied the expedient retrospectively.

The Group has also 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:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform - Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)

(b) New standards and interpretations not applied
There are no 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 Stobart Aviation, Stobart Energy, Stobart Investments and Stobart Non-Strategic Infrastructure. In the prior period the results of Stobart Rail were included as a separate reporting segment, Stobart Rail & Civils. However, due to the disposal of Stobart Rail, the results of the division are no longer included as a separate segment but are presented as discontinued operations on the face of the consolidated income statement. The results of Stobart Air are also included in discontinued operations. See note 5 of the financial statements for more detail on discontinued operations.

The Stobart Aviation segment specialises in the operation of commercial airports and the provision of ground handling services. The Stobart Energy segment specialises in the supply of sustainable biomass for the generation of renewable energy. 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 Stobart Investments segment primarily represents the operations of our regional airline operator, Stobart Air, and an aircraft leasing business, Propius. The segment also holds a non-controlling interest in a transport

and distribution business, and a baggage handling business. The Stobart Non-Strategic Infrastructure segment specialises in management, development and realisation of a portfolio of property assets, including Carlisle Lake District Airport, as well as an investment in a renewable energy plant.

The 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 EBITDA, which is calculated as loss before tax, interest, depreciation, loss on acquisition and swaps. Income taxes and certain central costs are managed on a Group basis and are not allocated to operating segments.

Year ended 28 February 2021	**Aviation £'000**	**Energy £'000**	**Investments £'000**	**Non-Strategic Infrastructure £'000**	**Group Central and Eliminations £'000**	**Total £'000**
Revenue						
External	24,611	75,019	9,034	909	1,151	110,724
Internal	131	-	-	150	(281)	-
Total revenue	**24,742**	**75,019**	**9,034**	**1,059**	**870**	**110,724**
Adjusted EBITDA	**(6,075)**	**10,005**	**(10,367)**	**(1,660)**	**(9,782)**	**(17,879)**
Loss on acquisition	-	-	(57,457)	-	(725,)	(58,182)
EBITDA	**(6,075)**	**10,005**	**(67,824)**	**(1,660)**	**(10,507)**	**(76,061)**
Depreciation	(9,362)	(8,635)	(12,390)	(446)	(981)	(31,814)
(Impairment)/impairment reversal	(656)	-	(22,921)	1,480	-	(22,097)
Finance costs (net)	(1,429)	(2,036)	(3,873)	(8,346)	(4,681)	(20,365)
Loss before tax from continuing operations	**(17,522)**	**(666)**	**(107,008)**	**(8,972)**	**(16,169)**	**(150,337)**

Year ended 29 February 2020	**Aviation £'000**	**Energy £'000**	**Investments £'000**	**Non-Strategic Infrastructure £'000**	**Group Central and Eliminations £'000**	**Total £'000**
Revenue						
External	56,655	76,339	2,127	2,440	4,537	142,098
Internal	131	-	-	337	(468)	-
Total revenue	**56,786**	**76,339**	**2,127**	**2,777**	**4,069**	**142,098**
EBITDA	**(696)**	**14,975**	**(7,638)**	**(4,228)**	**(8,623)**	**(6,210)**
Depreciation	(7,824)	(8,467)	-	(1,981)	(1,752)	(20,024)
Amortisation of acquired intangibles	-	(23)	-	-	(7,433)	(7,456)
Impairments	-	-	(46,846)	(26,676)	(19,913)	(93,435)
Finance costs (net)	(1,235)	(1,293)	(2,577)	(2,701)	(4,484)	(12,290)
(Loss)/profit before tax from continuing operations	**(9,755)**	**5,192**	**(57,061)**	**(35,586)**	**(42,205)**	**(139,415)**

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

In the prior year EBITDA was presented before the impact of swaps. This year the loss on swaps of £42,000 (2020: £300,000) is included within EBITDA.

Discontinued operations

Disposal of Stobart Rail Limited

On 14 July 2020, the Group divested of Stobart Rail Limited 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. The contingent consideration, up to £2.9m, relates to the outcome of a single legacy contract and takes into account costs and likelihood to complete the contract. Under the SPA, the Group provided warranties up to a maximum of £500,000. The warranties are title and capacity only, with no trading warranties. There are no material indemnities provided to Stobart Rail by the Group.

The operations of Stobart Rail Limited represented a separate major line of business. The results of the operations, along with the loss on disposal, have been reported as part of the single line loss from discontinued operations, net of tax on the face of the consolidated income statement. The prior year results have been restated on the same basis.

Results of discontinued operations	**2021**	**2020**
	£'000	**£'000**
Revenue	6,309	28,077
Operating expenses	(7,902)	(35,345)
Depreciation	(854)	(2,699)
Impairments	-	(8,474)
Net finance costs	(22)	(128)
Results from operating activities before tax	**(2,469)**	**(18,569)**
Loss on disposal	(9,510)	-
Loss before tax	**(11,979)**	**(18,569)**
Tax	120	-
Loss for the year from discontinued operations, net of tax	**(11,859)**	**(18,569)**

The loss from discontinued operations of £11,859,000 (2020: £18,569,000) 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	**2021**	**2020**
	£'000	**£'000**
Net cash used in operating activities	(769)	(1,133)
Net cash (used in)/generated from investing activities	(989)	419
Net cash used in financing activities	(1,736)	(1,854)
Net cash flows for the year	**(3,494)**	**(2,568)**

Effect of the disposals on individual assets and liabilities	**2021**	**2020**
	£'000	**£'000**
Property, plant and equipment	5,499	-
Inventories	88	-
Trade and other receivables	10,599	-
Deferred tax asset	1,020	-
Cash and cash equivalents	2	-
Trade and other payables	(177)	-
Provisions	(560)	-
Net assets and liabilities	**8,902**	**-**
Consideration received, satisfied in cash	1	-
Cash and cash equivalents disposed of	(2)	-
Net cash outflow	**(1)**	**-**

Disposal of Propius Holdings Limited

In the prior year, the Group completed its disposal of Propius Holdings Limited on 8 November 2019. The profit from operating activities of Propius included was £906,000. The cash consideration received for disposal of

Propius Holdings Limited was £nil. The profit on disposal recorded in discontinued operations was £7,025,000 after deducting net liabilities of £7,025,000. The cash disposed amounted to £1,729,000. As part of the disposal, £2,697,000 of an onerous lease contract provision, that had been provided for by the Group, was released and included in discontinued operations.

In the prior year, £1,645,000 was released from the provision for the costs of the UK Flybe Franchise Operation (UKFFO), which was operated by the group headed by Everdeal Holdings Limited, and £574,000 was provided for litigation and claims in Everdeal Holdings Limited. These amounts were included in discontinued operations in the prior year. In the current year Propius was re-acquired, see note 6 of the financial statements.

The operations of the subsidiary represented a separate major line of business. The results of the operations 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 the Propius results included in discontinued operations is as follows:

Results of discontinued operations	**2021** **£'000**	**2020** **£'000**
Revenue	-	8,137
Operating expenses	-	(8,377)
Depreciation	-	-
Net finance income	-	426
Results from operating activities before tax	**-**	**186**
Profit on disposal of Propius	-	7,025
Propius provision released	-	2,697
Everdeal provision made	-	(574)
UKFFO provision released	-	1,645
Profit before tax	**-**	**10,979**
Tax	-	720
Profit for the year from discontinued operations, net of tax	**-**	**11,699**

The loss from discontinued operations of £nil (2020: £11,699,000 profit) is attributable to the owners of the Company. Of the revenue included in the above table, £nil (2020: £8,137,000) was from the group headed by Everdeal Holdings Limited.

The revenue from one customer amounted to more than 10% of the Group's discontinued revenue in the prior year. The revenue from this one customer reported within discontinued operations was £8,137,000 for the year to 29 February 2020.

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

Cash flow used in discontinued operations	**2021** **£'000**	**2020** **£'000**
Net cash used in operating activities	-	(6,011)
Net cash generated from investing activities	-	2,315
Net cash used in financing activities	-	-
Net cash used in discontinued operations	**-**	**(3,696)**

Summary of discontinued operations recognised within the consolidated income statement

	2021 **£'000**	**2020** **£'000**
Stobart Rail	(11,859)	(18,569)
Propius	-	11,699
Loss for the year from discontinued operations, net of tax	**(11,859)**	**(6,870)**

Summary of cash flows from discontinued operations

	2021 £'000	2020 £'000
Stobart Rail	(3,494)	(2,568)
Propius	-	(3,696)
Net cash flows for the year	**(3,494)**	**(6,264)**

Loss on acquisition

In April 2017, when Propius Holdings Limited was a subsidiary of the Group it entered into the sale and leaseback of eight ATR72-600 aircraft to a third party. The Group provided guarantees to the third party over the $15.4m annual rentals payable by Propius which expire in April 2027. These guarantees remained in place on disposal of Propius to Connect Airways Limited (Connect Airways). On 18 March 2020, Connect Airways, the parent company of Stobart Air and Propius, entered administration. The administration of Connect increased the probability of cash outflows in respect of the guarantees provided and the likelihood of these being called upon increased as a result of the administration, and hence the Group recognised a provision of £57.5m in respect of these guarantees (see note 28 of the financial statements). Once Stobart Air and Propius were reacquired by the Group, these provisions were reversed, due to both companies being accounted for as 100% subsidiaries, therefore the liabilities on which the Group had PCGs were recognised in full on the consolidated statement of financial position. The Directors reviewed all options available to the Group in relation to the future of Stobart Air and Propius, and concluded that the best course of action was to buy back Stobart Air and Propius to give the Group effective control over the pre-existing guarantee obligations it has in respect of those businesses. Accounting for the recognition of these pre-existing guarantee arrangements has resulted in the current period 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 initial cash consideration of £343,000, deferred consideration of £2,000,000 paid on 15 December 2020, 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 has a £nil fair value. On completion of the disposal of Stobart Air post year end there is no deferred consideration payable. These businesses have been accounted for as 100% subsidiaries due to them being solely reliant on the Group for funding in addition to the equity voting rights held.

In the period between acquisition and year ended 28 February 2021, Stobart Air and Propius contributed revenue of £9,034,000 and a loss before tax of £48,124,000 in the consolidated income statement. If the acquisition had occurred on 1 March 2020, management estimates that Stobart Air and Propius' revenue would have been £15,993,000 and loss before tax would have been £52,021,000. In determining these amounts management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 March 2020.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	2021 £'000
Cash	343
Deferred consideration	2,000
Deferred contingent consideration	-
Total consideration transferred	**2,343**

Acquisition-related costs

The Group incurred acquisition-related costs of £725,000 on legal and due diligence costs. These costs have been included as part of the loss on acquisition in the consolidated income statement and as part of the net cash outflow from operating activities in the consolidated statement of cash flows.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition:

	2021

	£'000
Right-of-use assets	35,171
Property, plant & equipment	1,561
Inventory	4,208
Cash and cash equivalents	1,479
Trade and other receivables	28,993
Trade and other payables	(34,270)
Current tax liability	(879)
Lease obligations	(64,884)
Provisions	(32,457)
Derivative financial instruments	(3,661)
Net identifiable assets and liabilities at fair value	**(64,739)**

Fair values

The aircraft lease liabilities have been calculated using the lease cashflows with the lease being terminated at the break clause in April 2023 on the payment of the termination charge, in line with what a market participant would do. An interest charge based on an incremental borrowing rate has been reflected.

Spare part inventory held by Stobart Air for Embraer aircraft was fair valued to £nil in line with the expected hand back of aircraft.

The right-of-use aircraft in the Propius balance sheet following transition to IFRS 16 was based on the contractual monthly lease charge of $160,000 per aircraft. Under IFRS 3, the fair value of these right-of-use assets was recalculated using a market lease rate of $90,000 per aircraft over the lease term to the break clause in April 2023, which became effective following the loss of the Aer Lingus franchise. This adjustment did not impact the liability as that is based on the contractual lease obligation. The estimate of the lease liabilities is materially sensitive to the discount rate used, being 8.5%. A 1% movement in discount rate equates to a $1,103,000 change in lease liabilities.

Post acquisition and prior to the year end an impairment review was carried out on all plant, property and equipment in Stobart Air and the right-of-use aircraft in Propius. This led to these assets being written off in full. Post year end Stobart Air entered liquidation.

Propius held deferred profit on disposal on its balance sheet relating to a sale and leaseback transaction. As this liability will never be settled in cash in the future, as it relates to a past transaction that has been settled in cash, it has been attributed a fair value of £nil on acquisition. In the Group's 31 August 2020 Interim Statement it was disclosed that a deferred tax asset of £1,790,000 was recognised on acquisition of Propius. However, as the majority of the asset is related to deferred sale and lease back profit it has been fair valued to £nil.

For all other assets and liabilities book value was equal to fair value.

Onerous lease contract provision

Esken Limited held a provision for an onerous lease contract for £9,625,000 relating to amounts payable to Connect Airways in connection with the lease of aircraft which has now been acquired as part of the transaction. Following the acquisition, there is no obligation for Esken Limited to settle this liability in cash, as the lease liability is now on the Group's balance sheet, and so the reversal of the provision has been reflected in the acquisition assessment.

	2021 £'000
Cash and deferred consideration	2,343
Costs of acquisition	725
Reversal of onerous lease contract provision held as at 29 February 2020	(9,625)
Loss on Stobart Air and Propius transactions reflected in subsequent acquisition	(58,182)
Fair value of identifiable net liabilities	**(64,739)**

Dividends

	2021 Rate P	2021 £'000	2020 Rate P	2020 £'000
Final dividend for 2019 paid 31 July 2019	-	-	3.0	11,125
	-	**-**	**3.0**	**11,125**

In the prior year, the Board took the decision to suspend dividends therefore no final dividend is proposed.

Assets classified as held for sale

At the year ended 29 February 2020, brand assets totalling £10,000,000 were transferred from intangible assets to assets classified as held for sale. On 20 May 2020 the brand assets were sold to Eddie Stobart Logistics plc (ESL) for cash consideration of £10,000,000. The consideration equalled the carrying value of the asset held for sale so there was no gain or loss on disposal. Cash of £6,000,000 was received upon completion, a further £2,500,000 was paid on 1 December 2020 and £1,500,000 is to be paid 36 months after completion.

At the year ended 29 February 2020, four acres of land at Widnes within the Non-Strategic Infrastructure division, with a carrying value of £1,408,000 was reclassified from property inventories to assets held for sale. During the year, development of the land held for sale, relating to the addition of a cycle path, increased its carrying value by £164,000. The land was sold on 2 October 2020 for cash proceeds of £1,364,000 leading to a loss on disposal of £208,000.

Financial assets and liabilities

Loans and borrowings	2021 £'000	2020 £'000
Non-current		
Obligations under leases (pre IFRS 16)	22,709	29,903
Revolving credit facility (net of arrangement fees)	-	74,757
	22,709	**104,660**
Current		
Exchangeable bonds	52,010	51,689
Obligations under leases (pre IFRS 16)	12,784	12,499
Revolving credit facility (net of arrangement fees)	52,329	-
	117,123	**64,188**
Total loans and borrowings (pre IFRS 16)	**139,832**	**168,848**
Cash	(12,408)	(9,802)
Comparable net debt (pre IFRS 16)	**127,424**	**159,046**
Non-current		
IFRS 16 obligations	99,407	73,128
Current		
IFRS 16 obligations	24,008	3,281
Net debt	**250,839**	**235,455**

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

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)
Total changes from financing cash flows	**(51)**	**(24,286)**	**(24,205)**	**(48,542)**
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	-	-	2,391	2,391
Balance at 28 February 2021	**52,010**	**52,329**	**158,908**	**263,247**

Liabilities	Exchangeable bond £'000	Revolving credit facility £'000	Obligations under leases £'000	Total £'000
Balance at 1 March 2019	-	57,567	39,987	97,554
Changes from financing cash flows:				
Proceeds from bond issue (net of costs)	51,305	-	-	51,305
Net cash drawn	-	17,000	-	17,000
Cash outflow from debt issue costs	-	(4)	-	(4)
Principal elements of lease payments	-	-	(20,783)	(20,783)
Total changes from financing cash flows	**51,305**	**16,996**	**(20,783)**	**47,518**
Release of deferred issue costs	260	194	-	454
Exchange derivative recognised	124	-	-	124
New leases entered into	-	-	21,037	21,037
Unwind of discount	-	-	134	134
Transition liability recognised	-	-	78,252	78,252
Non-cash interest accruals	-	-	184	184
Balance at 29 February 2020	**51,689**	**74,757**	**118,811**	**245,257**

Any variable lease payments that were not included in the calculation of IFRS 16 lease obligations have been expensed as incurred in the consolidated income statement. These amounts are not material.

The £120m variable rate committed RCF, with end date January 2022, was drawn at £55,000,000 (2020: £75,000,000) at the year end. The RCF variable rate is based on LIBOR plus a margin. Under the RCF, Esken Limited and all material subsidiaries have charged security to the lenders via a debenture, and the material subsidiaries are also guarantors and obligors in relation to the facility agreement. There are fixed charges over land and properties including LSA, CLDA, Widnes and Runcorn, in addition to floating charges and charges over shares. The facility agreement contains typical security protections for the lender including negative pledge, and restrictions on disposals and financial indebtedness, together with allowances for permitted disposals, permitted security and permitted financial indebtedness.

Included in the RCF and bond liabilities on the balance sheet at the year end are deferred issue costs of £2,671,000 and £1,189,000 respectively.

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 Energy 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.

Contingent liabilities

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

Logistics Development Group (LDG), formerly Eddie Stobart Logistics plc (ESL), property rent guarantees have been in place since the disposal of ESL in April 2014. The Group believes that the possibility of any outflow in settlement is no longer remote. However, an outflow would only materialise if LDG failed in its lease obligations to the landlord, in addition to a new tenant not stepping into the lease. The Group's maximum exposure over the period to February 2034 is £54.9m.

During the year, a claim made against the Aviation division relating to land compensation, that was classed as a contingent liability at year ending 29 February 2020, has been recognised as a provision, see note 28 of the financial statements.

Post balance sheet events

On 14 June 2021, the Ireland High Court appointed liquidators to Stobart Air. The total cash outflow resulting from the liquidation of Stobart Air and ongoing Propius leases is £82 million over three years, on the basis that Esken is unsuccessful in subleasing its aircraft. Of these cash flows, £43m relates to aircraft lease payments and break fees, £20m relates to maintenance and £7m of other obligations which are all included within the liabilities on the consolidated statement of financial position as at 28 February 2021. In addition, a further £4m of maintenance and up to £8m of other liquidation costs, including legal and advisor fees, are estimated to be incurred and recognised post year end. The current estimation of the post year end profit on liquidation is believed to be in the range of £15m to £25m, which has predominantly arisen due to the derecognition of liabilities in respect of Stobart Air, however, this is subject to final costs and detailed workings. As such, the final reported number could be materially different.

The Group received a grant of £1.2m post year end from the Department for Transport, relating to the Airport and Ground Operations Support Scheme. The grant funding scheme provides financial support to airports and ground handling operators which have been adversely impacted by COVID-19. The grant award covers the year from 1 April 2021 to 31 March 2022.

Notes to the consolidated cash flow statement

	Year ended 28 February 2021 £'000	Restated Year ended 29 February 2020 £'000
Loss before tax from continuing operations	**(150,337)**	**(139,415)**
Adjustments to reconcile loss before tax to net cash flows:		
Non-cash:		
Loss in value of investment properties	-	1,835
Realised (profit)/loss on sale of property, plant and equipment and investment properties	(98)	155
Share of post-tax profits of associates and joint ventures accounted for using the equity method	218	9,765
Loss on disposal of assets held for sale	208	-
Loss on sale and leaseback, net of costs	-	62
Loss on sale of property inventories	-	49
Depreciation of property, plant and equipment	31,814	20,024
Finance income	(2,406)	(4,346)
Finance costs	23,622	13,269
Release of grant income	(479)	(565)
Release of deferred premiums	(167)	(2,617)
Impairment	22,097	96,189
Amortisation of intangibles	-	7,456
Loss on acquisition	57,457	-
Chare for share-based payments	81	1,271
Foreign exchange retranslation	579	-
(Gain)/loss on swaps mark to market valuation	(3,761)	300
Retirement benefits and other provisions	(137)	(4,400)
Working capital adjustments:		
Decrease in inventories	1,253	14
Decease/(increase) in trade and other receivables	6,434	(18,381)
(Decrease)/increase in trade and other payables	(7,397)	4,258
Decrease in maintenance reserves	(7,190)	-
Cash used in continuing operations	**(28,209)**	**(15,077)**

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 (2020: £63,000) was due from WA Developments International Limited. The reduction in the year is due to the disposal of Stobart Rail Limited with which part of the balance was due. 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 (2020: £83,000) was owed by the Group and £46,000 (2020: £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 (2020: £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 (2020: £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 £4,000 (2020: £285,000) relating to equipment hire of which £1,000 (2020: £5,000) was owed by the Group at the year end.

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 (2020: £7,302,000) at the year end due to the loans being impaired by £8,000,000. At 28 February 2019, the balance was shown within trade and other receivables in non-current assets. The interest outstanding at the year end, net of amounts provided, was £nil (2020: £698,000) and was disclosed within trade and other receivables in non-current assets at 28 February 2019. The loans are unsecured and have a ten-year term ending in November 2024.

During the year, the Group made sales of £5,937,000 (2020: £6,684,000) to Mersey Bioenergy Limited (a subsidiary of Mersey Bioenergy Holdings Limited) relating to the sale of material. At the year end, £507,000 (2020: £535,000) was owed to the Group.

At 28 February 2020, the Group had loans outstanding to a subsidiary of Connect Airways Limited, of £18,038,000. This amount is no longer a related party balance at the year end due to the Group acquiring the subsidiary from Connect Airways Limited during the year. During the year, the Group made sales of £5,000 relating to fuel and landing fees to subsidiaries of Connect Airways Limited of which £5,000 was owed to the Group at the year end.

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.