4 June 2020

Stobart Group Limited

(“Stobart” or the “Group”)

Results for the 12 months ended 29 February 2020

Stobart Group Limited, the aviation and energy group, today announces its full year results for the 12 months to 29 February 2020 and announces a proposed capital raise of in excess of £120m, comprising of in excess of £80m Firm Placing and Placing and Open Offer and a £40m additional revolving credit facility.

Overview of the year under review

- The business continued to make positive progress at an operating level in its core businesses. Passenger numbers at London Southend Airport were up by 43.1% to 2.1m and waste wood tonnage supplied by our Energy from Waste business was up by 11.5% to 1.5m tonnes. As a result, combined underlying EBITDA from our two main operating divisions increased by 36% to £32.8m.

- During the year, all amounts receivable from Connect Airways were impaired to nil. Post year end, Connect Airways and its subsidiary Flybe entered administration after the proposed rescue finance package for Flybe was impacted by the emerging COVID-19 crisis. The equity accounted losses and the impairment of receivables totalled £54.2m.

- Further non-cash costs included £56.8m of impairments, depreciation (£22.7m), brand amortisation (£7.5m) and equity accounted losses (£9.8m). Significant cash items included new business and contract set-up costs of £19.1m, including £9.3m of new business and contract set-up costs associated with London Southend Airport. This resulted in a loss for the year of £137.9m.

Financial summary

£’000	29 February 2020	28 February 2019	% change
Revenue	170,175	146,889	15.9%
Underlying EBITDA[1]	16,042	10,828	48.2%
Loss for the year	137,895	58,179	-137.0%

[1] Underlying EBITDA represents loss before interest, tax, depreciation, amortisation, swaps and non-underlying items.

Actions taken to respond to the COVID-19 crisis

- Current trading has been severely impacted as a result of the COVID-19 pandemic. In March, the Board moved swiftly to preserve liquidity, implementing a freeze on all discretionary expenditure and recruitment, placed over 50% of employees on furlough and reduced the pay of the Board and Senior Leadership team;

- In order to stabilise the Group’s financial position while maintaining its operational capability through the current crisis period, the Group has today announced its intention to raise in excess of £120m through a combination of additional bank facilities of £40m and new equity in excess of £80m; and

- Recognising the changes in the economic and social environment as a result of the COVID-19 pandemic, the Board has agreed a focused strategy to deliver shareholder value in the new environment. The basis of this strategy is to:

  - **Focus on Aviation**. At London Southend Airport we will specifically design and implement an improved passenger experience for post-COVID 19 travel, making use of significant unutilised space and technology to enhance passenger confidence, while providing a cost-efficient base of operation to airlines;

  - **Realise value from the Energy business as a maturing, cash generative and stable business.** This business is starting to benefit from a restart in the construction sector and is likely to be attractive to strategic partners and infrastructure investors and we will look to monetise value for shareholders over the next 18 to 24 months;

  - **Withdraw from the Rail & Civils business during the course of FY21.** This business was impacted by continuing costs on a legacy contract and is unlikely to generate an appropriate return for shareholders given the risks associated to it; and

  - **All other non-core businesses or assets will be realised for value over the next three years.**

Warwick Brady, Chief Executive of Stobart Group, said:

"We are today announcing a clear plan to stabilise the business and provide a secure platform to move forward. We have a cost-efficient proposition for airlines and will further develop our passenger-focused airport experience that seeks to maintain passenger flow and provide enhanced customer confidence. Therefore, we will focus our investment and our business in this asset by seeking to dispose of our non-core businesses and, in due course, monetise Stobart Energy.

"The launch of the capital raise that we have announced today will provide the Group with the financial resilience necessary in the current environment and ultimately to position the business for success in the post COVID environment."

A presentation will be held today at 18.30 via the Investis Webcast System and can be accessed via the following link:
https://www.investis-live.com/stobartgroup/5ed4dec47b676e1e00ce2a7c/etry

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("Stobart" or the "Group")

Results for the 12 months ended 29 February 2020

Divisional Revenue Summary	**29 February 2020 £m**	**28 February 2019 £m**
Aviation	56.8	39.4
Energy	76.3	65.1
Revenue from two main operating divisions	**133.1**	**104.5**
Rail & Civils	41.5	52.3
Investments	2.1	2.7
Non-Strategic Infrastructure	2.8	2.2
Central function and eliminations	(9.3)	(14.8)
Revenue	**170.2**	**146.9**

Divisional Continuing Profit Summary	**29 February 2020 £m**	**28 February 2019 £m**
Aviation	8.6	4.9
Energy	24.2	19.2
Underlying EBITDA from two main operating divisions[1]	32.8	24.1
Rail & Civils	(7.1)	(4.8)
Investments	1.5	2.4
Non-Strategic Infrastructure	(3.6)	(3.0)
Central costs and eliminations	(7.6)	(7.9)
Underlying EBITDA[1]	16.0	10.8
Non-underlying items	(138.6)	(28.8)
Impact of swaps	(0.3)	(0.4)
Depreciation	(22.6)	(16.3)
Impairment of loan notes	(2.8)	(3.2)
Finance costs (net)	(9.7)	(4.2)
Tax	8.4	(0.5)
Loss for the period	**(149.6)**	**(42.6)**

[1] Underlying EBITDA represents loss before interest, tax, depreciation, amortisation, swaps and non-underlying items.

Chairman's Statement

I am pleased to present my first statement as Chairman since taking on the role at the AGM in July 2019. It seems strange to be reporting now on a set of results to the end of February 2020 given the unprecedented changes which have taken place in the months since as a result of the COVID-19 pandemic. In light of that I will begin by setting the context to my statement with a reference to our response to the current crisis and its impacts.

COVID-19

The world has become a very different place and the significant impact on our core markets could not have been anticipated a few months ago. Our operating environment has changed significantly and while challenges and uncertainty are likely to remain at a raised level for the foreseeable future, Governments around the world are beginning to shift their focus to the question of how we return to some form of normality. It is improbable that over time people will not wish to return to their passion for air travel with leisure markets and short haul destinations in Europe likely to be the first to recover. These remain key target sectors for London Southend Airport.

In addition, the demand for green energy from recycled waste will continue and underpins the future of our Energy from Waste business. It appears that the UK Government sees the construction industry playing an important role in re-opening the economy and this will assist in the supply of recycled wood for our operations.

The Board and Senior Management team reacted quickly in response to the pandemic ahead of the lockdown. We took immediate action to protect our people and customers with their safety being paramount. All discretionary expenditure was frozen including capital expenditure except where required for safety critical purposes. We maintained firm control over cash flow and reviewed our short- and medium-term plans to ensure that we could sustain the business through lockdown while also engaging in discussions around seeking further funding for the Group. We have today announced an equity issue and additional bank facilities which I refer to below.

As a result of the significant drop in activity levels it was necessary to place a number of staff on furlough and in line with many other businesses, we utilised support from the Government. We continue to maintain support for all those members of staff as a part of the Stobart Community. In addition, the Board and the Senior Management Team across the business agreed to voluntary pay cuts. We are putting in place enhanced health and safety processes to protect colleagues and customers and give them confidence as we start to return gradually from lockdown.

Results

The business continued to make positive progress at an operating level in its core businesses during the year. Passengers at London Southend Airport were up by 43% and waste wood tonnage supplied by our Energy from Waste business was up by 12%. We made good progress with our key airline partners easyJet, Ryanair and Wizz Air and secured a contract with a major global logistics business which has maintained its activity levels during the lockdown period.

These results were adversely affected by the impact of issues which continued to affect our non-core operations, resulting in a loss for the year of £137.9m. The Rail & Civils business was impacted by continuing costs on a legacy contract which necessitated a further provision in the year. This business is unlikely to generate the appropriate returns for shareholders given the risks and we have decided to withdraw from this sector during the course of FY21. An impairment of £8.5m to the carrying value of this business was recognised in the half year results.

The widely reported issues experienced by Eddie Stobart Logistics plc ('ESL') during the latter part of last year led to a reduction in the value of the residual investment in that business. These issues also brought into focus the confusion which existed with our stakeholders around the Stobart name and led to the recently announced sale of the Stobart brands to ESL for £10m. We will announce a new name for the Group in the course of FY21 and over the next three years will remove the use of the Stobart name from all operations. The reduction in value of the ESL investment recognised during the year along with the amortisation and impairment of the brand, totaled £67.5m.

Our investment, including receivables, in Connect Airways was impaired fully at the year end leading to a loss in value of £54.2m. Post year end, Connect Airways and its subsidiary Flybe entered Administration. The proposed rescue finance package for Flybe was impacted by the emerging COVID-19 crisis and led to the unfortunate failure of that business. The Stobart Air and Propius aircraft leasing businesses had been sold into Connect as part of the consortium deal to acquire Flybe and continued to operate outside of the Administration servicing a viable franchise arrangement with Aer Lingus. In view of certain legacy guarantees and obligations associated with the Group's previous ownership it was decided to buy back these businesses from the Administrator and this deal completed in April 2020. The Group plan to continue to operate this business while working with Aer Lingus to identify a new partner to take business forward. The Group will seek to mitigate its legacy liabilities and plans to exit the business fully once the crisis period has passed.

Finally, a realistic assessment of all legacy infrastructure assets was taken with further impairments totalling £29.4m being made in light of expected market conditions. The Group is committed to realising these assets over the next three years with the clear objective being on achieving value for shareholders.

Strategy & Funding

The Board undertook its annual review of strategy in September 2019 and commenced a number of work streams to determine the future opportunities for each business segment and the funding needs to support its ambitious growth plans. One of the decisions made at the half year was to suspend the payment of dividends to preserve the resources for investment in the business. The dividend policy will be revisited in the future when the business is generating sustainable cash earnings and in the context of a prudent capital structure.

We also embarked on discussions in relation to raising long term debt finance and separately with a global strategic partner considering making a minority investment in London Southend Airport and participating in its development. These discussions were at an advanced stage when stalled by the onset of the COVID-19 crisis. Such opportunities will be revisited as part of a review of a long-term capital strategy for the Group once we have returned fully to a normal market situation.

As a result of these factors we started a process to raise additional funding for the Group which we announced today. A combination of additional bank facilities of £40m and new equity in excess of £80m will allow the Group to stabilise its financial position while maintaining its operational capability through the anticipated crisis period. This will allow the Group to position the business to focus on our core operations as we get visibility of and adapt to the post COVID environment.

A consequence of the work done in the last six months has led to the conclusion that the Group should focus on its Aviation division, being Airports and Aviation Services, and the Energy from Waste logistics business. All other non-core businesses or assets will be realised for value over the next three years. In London Southend Airport we own and operate a prime London Airport asset with the potential to adapt to passenger demands and grow in a post COVID world. The current planning consents for the airport support total passengers of between 7 and 8 million. While the timing is uncertain the target of serving 5 million passengers remains an achievable objective.

The Energy business is a maturing, cash generative and stable business with current capacity to supply 2 million tonnes of waste wood per annum. This business is likely to be attractive to strategic partners and infrastructure investors and we will look to monetise value for shareholders over the next 18 to 24 months.

We believe that this new clarity around our future strategy and the medium term move to a pure play airport and aviation services business will prove attractive for shareholders.

Board & People

While it now seems some time ago, I would like to thank my predecessor Iain Ferguson and Senior Independent Director Andrew Wood who both stood down at the AGM in 2019 after a number of years' service. In view of these and previous changes to the Board and the clearer focus on the strategic direction, we were at an advanced stage of a process to recruit two additional non-executive directors when we entered lockdown and initiated the fundraising process. This recruitment process will now resume and aims to add additional sector specific experience to the Board in our core business segments. It will also address the issues of planning for succession, improving board diversity and the appointment of a Senior Independent Director. I am also pleased to announce that Ginny Pulbrook has become the Board People Engagement representative to reinforce the importance of this key stakeholder group and I thank her for taking on this important role.

The last six months have been a particularly challenging time for the business and my colleagues in every part of it. Whether you have been at home on furlough or working in difficult circumstances can I take the opportunity to offer my personal thanks to each one of you in the Stobart Community for your dedication and resilience through this challenging time.

Environmental, Social and Governance

It is important with everything else which has been happening not to lose sight of our ESG responsibilities and the importance to all stakeholder groups. The Board is fully committed to its ESG principles which it aims to embed in its business as usual activities. During the year we undertook a comprehensive review of our ESG principles and put in place a framework for continuous improvement. We report on this in detail in the ESG section of the annual report.

Future

While it is difficult to look ahead in the middle of a crisis, the work which has been undertaken to focus the Group on its core businesses and resolve the legacy issues will offer clarity to shareholders. The fundraising which we have announced today will stabilise the business and give us a secure platform to move forward. The Board will continue to anticipate and react swiftly to developments in our markets and engage actively with key stakeholders. Through this we will seek to position the Group to respond positively to market opportunities as we move from the crisis through the recovery phase into the post COVID world.

David Shearer
Non-Executive Chairman

Chief Executive's Review

What has been your focus for the year under review?

Our strategy is to focus on developing valuable growth assets in two sectors; aviation and energy from waste. We have two core assets: London Southend Airport, which will be developed to respond to the challenges presented by the COVID-19 pandemic; and a highly cash generative energy from waste feedstock supply business, Stobart Energy. Both these businesses saw significant operational progress in 2019.

So that we are free to focus on developing these valuable assets we are also taking action to clean up the non-core legacy investments and infrastructure across the Group. By taking sometimes difficult decisions we can draw a line under the past and improve the balance sheet for future periods. That in turn will enable us to set this business on a path to creating significant shareholder value.

What progress was made in the Aviation division during the year?

London Southend became the UK's fastest growing airport in 2019 according to Civil Aviation Authority data with passenger numbers for the full year up 43.1% to 2.1 million. From April 2019, Ryanair based three aircraft at the airport and operated flights to 13 destinations. Loganair commenced operations in May, and Wizz Air launched new routes in October and November 2019. The established easyJet routes also continued to see improvements in load factors.

However, perhaps the biggest boon to our long-term non-aeronautical revenues was the commencement of operations to support the import and export of goods at our new global logistics operation in October 2019.

The airport has an improved retail offering, optimised its surface access income and added a logistics operation. These improvements contributed to underlying EBITDA per passenger increasing 36.6% to £4.33 during the year.

What about your other aviation assets?

Stobart Aviation Services made significant gains through delivering a differentiated, technology-led model. It now provides airline services across five airports, working with 16 airlines. This operational progress across our aviation assets meant that we were able to increase revenues for the division by 44.1% to £56.8m. Underlying EBITDA went up by 73.8% to £8.6m. The Aviation division made a total loss before tax of £9.8m, with almost all of this loss reflecting new business and contract set-up costs.

How did Stobart Energy perform during the year?

Stobart Energy enjoyed a transformational year where plants were all operational with the exception of one. The one plant, Port Clarence, that was not commissioned negotiated the termination of its fuel supply agreement in the year. This generated £4.7m which is stated in other income in our accounts.

The Tilbury renewable energy plant experienced a seven-month unexpected outage caused by a dust explosion. Stobart Energy has protections against loss of revenue associated with that outage through the 'take or pay' provisions of its contract. The exact amount owed under these provisions is being finalised.

The investment in processing and storage sites is now largely complete and the fleet of trucks and trailers has been replenished. Going forwards we will benefit from a newly appointed management team. Richard Jenkins joined the Executive Board as Chief Executive in June 2020. He has significant experience having managed the Greater Manchester Waste contract. Gareth Aylward joined Stobart Energy in May 2020 as Finance Director from Ornua Co-operative Limited.

What are your plans for your non-core assets?

The performance of Stobart Rail & Civils has been poor in recent years, reflecting the impact of legacy contracts. COVID-19 has further exacerbated the loss-making position of the division and we see no prospect of the business making a profit in the short term. The Group has therefore taken the decision to exit the business during FY21. To that end, the Group is in active dialogue with interested parties.

We were disappointed that we were unable to keep Flybe flying. Despite the best efforts of everyone involved, the delay to receiving EU merger clearance, coupled with the impact of COVID-19 meant the Connect Airways consortium was not in a position to continue funding it. Flybe entered administration in March 2020 with Connect Airways following it shortly afterward. This resulted in the £45.1m impairment of loans to £nil. This impairment has been presented within non-underlying items.

What has been the impact of COVID-19 on the business and what is the outlook for the year?
Like most businesses we have experienced significant challenges since the end of our financial year due to the COVID-19 crisis.

The crisis meant that the airport was largely closed to commercial passengers from late March 2020. However, our logistics operation continued throughout the COVID-19 crisis, providing a valuable source of income. It's not possible right now to say what will happen in terms of passenger demand in the immediate term. What we do know is that people will ultimately return to flying and that airlines will be focused on cost management. We will be well placed to deliver a cost-efficient proposition that reflects the relative low-cost development of the airport to date compared to London airport peers.

We also want to take this opportunity to build on London Southend Airport's legacy as a customer-friendly airport, as repeatedly recognised by Which?, and modernise it for the new decade and the post-COVID-19 world we will be living in. At the heart of our strategy is a frictionless approach, where touchpoints will be minimised, bottlenecks will be eased and the overall time between arrival and take-off is reduced.

The challenge that Stobart Energy faced was the supply of waste wood. The halt to construction work and the closure of Household Waste and Recycling Centres due to the lockdown impacted on the availability of waste woods and had a knock-on effect on gate fees. However, the supply of waste wood is improving as the lockdown begins to ease and we are benefiting from a proven national supply chain including over 300 suppliers to ensure we can access the waste wood that is available. We have strong relationships with plants across the UK and have maintained continuous dialogue regarding supply expectations during this crisis. As a result, we are now well placed to consolidate our market position further once construction resumes in earnest.

That airport passenger-focused future, which is ready to capitalise on a recovery in the wider short-haul aviation sector, sits squarely next to a strong performing energy from waste business. We will ultimately seek to monetise the energy business in the next 18 to 24 months, providing further capital that can be invested in our aviation businesses. We plan to dispose of our non-core assets within the next three years.

Our core businesses, supported by our great teams, show therefore that Stobart Group is ready for the opportunities of the new decade.

Warwick Brady
Chief Executive

Operational Review - Stobart Aviation

London Southend Airport made considerable progress throughout 2019, ending the year as the UK's fastest growing airport according to Civil Aviation Authority data. However, there is no escaping the challenges that the aviation industry and the world as a whole continues to face since our year end.

Since the outbreak of the COVID-19 pandemic, London Southend Airport has worked to support its airline partners, as they reduce operations to zero in the short term and ground their fleets. A large number of aircraft were subsequently parked at the airport and the key now is to maintain strong relationships so that we are well placed to return to normal operations as soon as services are reinstated.

The strength of those relationships became clear in 2019. We have a long-standing partnership with easyJet and its four based aircraft saw a strong load factor performance across the year. In April 2019, we welcomed three Ryanair aircraft, flying 16 routes. In October 2019, we announced that Wizz Air would be operating three routes from Winter 2019/20.

Along with the major low-cost carriers, we developed new relationships with Loganair and FlyOne and all of this helped us to record a 43.1% increase in passenger numbers in the year, to 2.1 million (2019: 1.5 million).

Of course, like everyone within the aviation industry, we were greatly saddened by the news that Flybe was entering administration. It is important to acknowledge the great customer experience delivered by their more than 2,000 employees.

The 43.1% increase in passenger numbers during the year was achieved without compromising our own customer experience. Over 84% of flights departed on time (up 5% on last year) and our quick and easy passenger experience was maintained. Passengers waited in security queues for just 124 seconds on average. Getting passengers through security quickly meant they had more time to enjoy our growing range of retail outlets. During the year, we added Dixons and hope to shortly add Boots to a range that already included Costa Coffee, Giraffe, WHSmith, Bourgee and our bespoke pub, The Navigator.

The quick and easy passenger experience and growing retail offering created even more happy passenger experiences. The airport recorded an 84% Happy or Not score during the year. That reputation for great passenger experience will be important as we work to attract airlines and passengers once flights return in earnest.

It's not just the airport itself that made progress. New early and late trains and bus services were introduced. We changed our car parking policies to introduce a new fee structure. And Stobart Jet Centre also continued to improve its brand awareness and appointed a new Managing Director, Fiona Langton.

These changes, the improvement in income from passengers travelling to the airport, and the wider range of retail outlets all helped to increase passenger income. Underlying EBITDA per passenger, a key metric for profitability, improved 36.6% to £4.33 (2019: £3.17). This, combined with the 43.1% increase in passenger numbers, led to a 73.8% increase in underlying EBITDA for the Aviation division to £8.6m (2019: £4.9m). The Aviation division however made a total loss before tax of £9.8m, with almost all of this loss reflecting new business and contract set-up costs.

Underlying EBITDA in future periods will also benefit from contributions from our global logistics operation. This new service, which was announced in October 2019, brings together London Southend Airport's facilities and Stobart Aviation Services' expertise to support the import and export of goods.

That agreement sees London Southend provide airport services, with Stobart Aviation Services using its logistics heritage to then move goods to and from our customer's aircraft and through a newly converted warehouse quickly, safely and securely.

Stobart Aviation Services enjoyed progress throughout the year. It now provides airline services across London Southend, London Stansted, Manchester, Edinburgh and Glasgow airports, working with 16 airlines including easyJet, Scandinavian Airlines (SAS), Loganair, Wizz Air, Titan Airlines, Ryanair, Norwegian, Eurowings and SN Brussels.

Both London Southend Airport and Stobart Aviation Services now have great airline partnerships. They deliver a first-class customer experience and they have experienced management teams in place. These qualities combined mean we are well positioned to play a leading role in the recovery of the aviation sector once the COVID-19 crisis passes.

Operational Review - Stobart Energy

Stobart Energy continued to make operational progress. This is largely due to the maturing state of the renewable energy plants it supplies, which have now successfully completed commissioning and are fully operational.

With plants now operating more consistently, the volume of waste wood that it was able to supply to plants increased to 1.5 million tonnes, representing a 11.5% improvement on the previous year (2019: 1.3 million). Stobart Energy finished the year delivering 33,000 tonnes per week of fuel, equivalent to a run rate of 1.7 million tonnes per annum.

While the majority of the renewable energy plants operated at or above contractual specifications, the plant at Tilbury experienced a seven-month unexpected outage caused by a dust explosion. This meant that the plant was not in a position to receive its contracted supply of waste fuel, leading to in excess of 100,000 tonnes of raw fuel being diverted across the UK, incurring costs. Stobart Energy has protections against loss of revenue and additional associated costs through the ‘take or pay’ provisions of its contract. Finalising the exact amount owed under these provisions is ongoing.

The one plant that did not reach the commissioning phase and therefore qualify for ROC subsidies is Port Clarence. Stobart Energy had a contract in place to supply 250,000 tonnes a year to the plant. We secured compensation from Port Clarence to reflect the lost revenue associated to that contract.

Despite the challenges experienced with these two plants, the consistent operation across the majority of plant partners, alongside the contractual protections for the Tilbury outage led to a 25.9% increase in underlying EBITDA to £24.2m (2019 £19.2m). We also made a profit before tax of £5.2m.

The division is now well placed to improve its financial performance further with the capital investment phase of its development now largely complete. The majority of the infrastructure that Stobart Energy requires to deliver on its long-term contracts is now in place. During the year, we completed the development of our Pollington site which can store 30,000 tonnes of product. The transport fleet was also renewed with the majority of our 150 vehicles now under two years old.

With that investment in place, the focus now turns to optimising our supply chain and taking more direct control of the source of our fuel. Those supply chains are now more robust having recovered from the challenges brought about by the delay to commissioning experienced in previous years. As a result, inbound volumes of supply were fairly consistent during the year.

However, the gate fees Stobart Energy is able to charge third parties for taking wood from them was variable and reduced significantly from November 2019 to the end of the financial year. We believe this reflects the significant increase in demand for waste wood caused by more plants reaching full operations at the same time. This demand has now peaked, and we expect gate fees to rise gradually as the market stabilises post-COVID-19.

The new financial year has brought fresh challenges. While the demand for clean energy continues, the sources of wood waste was constricted by the slowdown in construction and the closure of Household

Waste and Recycling Centres. This situation however has drawn into sharp focus the benefits of supplying diversified waste products.

Stobart Energy now has the infrastructure in place, a more reliable waste wood supply chain and renewable energy plant partners operating more consistently. In the coming periods, Stobart Energy will explore further opportunities to utilise its existing infrastructure and supply chain expertise to identify new opportunities alongside a strategic partner to support the collection, processing and supply of different sources of waste fuel to new partners.

On a personal note, I would like to add my thanks to the Stobart Energy team for their dedication and teamwork as we navigated the COVID-19 crisis. I am delighted to have joined the Stobart Energy team and excited about taking the core business forward and establishing new opportunities over the coming years.

Operational Review – Non-Strategic Assets

Stobart Rail & Civils
Stobart Rail & Civils has been making significant losses in recent years, largely as a result of unprofitable legacy contracts. Despite the admirable efforts of the current management team, they have been unable to turn this position around. As at 29 February 2020, the existing Rail & Civils contracts were mostly unwound, with only one material legacy contract outstanding. This contract relates to the Newton Heath project with Northern Rail, for which we have derecognised £3.6m of revenue and recognised a £0.6m provision in the financial year ending 29 February 2020.

COVID-19 has adversely impacted all of the trading divisions in the Group and has exacerbated the loss-making position of Rail & Civils. There is no prospect of the business making a profit in the short-term given the impacts of the COVID-19 pandemic. Given this outlook, the Group needs to ensure cash going forward is utilised to create returns for our shareholders. It has therefore taken steps to address the risk of further losses and taken the decision to exit the Rail & Civils business by the end of FY21. To that end, the Group is in active dialogue with a number of interested parties.

Non-Strategic Infrastructure
Stobart Group owns Carlisle Lake District Airport and a number of brownfield development properties across the UK. Stobart Group will realise value from its property assets in the next three years.
As at 29 February 2020, the book value of Infrastructure assets held is £47.3m (2019: £82.6m) following write downs and disposals.

Investments - Eddie Stobart Logistics
Stobart Group is an 11.8% shareholder in Eddie Stobart Logistics, which returned to trading on the London Stock Exchange following its suspension.

On the 20 May 2020, the Group disposed of its Eddie Stobart and Stobart trademarks and designs to Eddie Stobart Limited for cash consideration of £10.0m. That sale resulted in an immediate cash receipt of £6.0m with a further £2.5m due by December 2020, and the remainder payable in 36 months.

Stobart Group is proud of the brand it has built over many years. It is an iconic and highly recognisable name, associated with great customer service. However, the brand is primarily associated with the highly visible Eddie Stobart lorries. This has often created confusion for investors and other stakeholders between the Eddie Stobart business and Stobart Group's focus on developing a London airport and its energy business.

By selling the brand we were able to bring in cash immediately and start to differentiate our businesses, establishing a new name that reflects our future. Stobart Group will change its name prior to February 2021, and is in the process of identifying a new name. There are a number of Stobart divisions that will continue to use the brand for up to 36 months and this will be licensed on a royalty free basis from Eddie Stobart Logistics.

Investments - Connect Airways
Connect Airways was made up of a consortium of shareholders encompassing Cyrus Capital (40%), Virgin Atlantic (30%) and Stobart Group (30%) that received EU merger clearance to take control of the assets of Flybe Limited on 5 July 2019.

Flybe was a subsidiary of Connect Airways, and we were deeply disappointed to announce on 5 March 2020 that the airline ceased trading and was to enter administration. Flybe had shown promising signs of a turnaround despite the delay to receiving merger control clearance. However, given the COVID-19 pandemic and despite the best efforts of all, the Connect Airways consortium was no longer able to continue fund it.

With Flybe ceasing to trade, Connect Airways also entered administration. Loans to Connect Airways have subsequently been impaired as they are no longer deemed recoverable. The impairment of the loans totals £45.1m and is presented on the impairment line within non-underlying items. The results of the joint venture received prior to administration are recognised in the consolidated income statement on the share of post-tax profits of associates and joint ventures line within non-underlying EBITDA.

Investments - Stobart Air
Stobart Group's initial investment In Connect Airways was largely made up through the sale of Stobart Air and its aircraft leasing business, Propius. Unlike Flybe, Stobart Air was not a wholly owned subsidiary of Connect Airways, with Stobart Air's Employee Benefit Trust (EBT) controlling 60% of the voting, meaning its ongoing ability to trade was not directly impacted by Flybe's administration.

However, Stobart Group had remained as a guarantor for various obligations that Propius had entered in to in April 2017 following a sale and leaseback of aircraft arrangement, resulting in annual commitments under aircraft leases totalling $15.4m per annum until April 2027 with a break clause in April 2023. Guarantees had also been granted for obligations owed by Stobart Air. These guarantees remained with Stobart Group following the completion of the sale to Connect Airways, as the holders of the guarantees were not prepared to see them released considering the perceived covenant quality of Connect Airways.

In light of these continuing guarantees, the Board of Stobart Group reviewed all options to safeguard the future of Stobart Air and Propius following the administration of Connect Airways. The Board concluded the best course of action was to buy back Stobart Air and Propius, and it announced an agreement with EY, the administrators of Connect Airways on 27 April 2020. Doing so gave Stobart Group effective control over the obligations.

The intention is that Stobart Group will continue its current positive dialogue with Aer Lingus to conclude a long-term franchise extension and ensure that the businesses are put on a sound financial footing. Stobart Group intends to exit its involvement in a controlled way at the appropriate time.

Financial Review

Challenging Year

Aviation and Energy, our key growth divisions, both performed well during the year, however, the overall business has made a significant loss before tax of £158.0m due to the impact of impairments and other non-underlying items.

As we conclude the first anniversary since my appointment as Chief Financial Officer, the Group has seen a challenging year which culminated in the reduction in value of both our investments and assets. This has clearly been a key contributor to the loss before tax of £158.0m presented in the current year. However, the business is now better placed to focus on its two main operating divisions, Aviation and Energy, and develop stronger profitability through trading performance, therefore providing longer-term value from the remaining assets of the Group.

Business investment challenges

Recognising the significant non-underlying items in the current year, it is important to explain the drivers of these and what this means for the shape and progress of the Group in the future.

During the year, the business faced challenges with the Connect Airways investment, which required further investment to maintain its position in January 2020, but sadly with the advent of COVID-19 culminated in Flybe and Connect Airways entering administration in March 2020, despite our best efforts to maintain the business. This resulted in a £45.1m impairment of loans receivable from Connect Airways, to £nil.

Carlisle Lake District Airport (CLDA) commenced commercial operations in July 2019 with regional airline Loganair. Whilst recognising the importance of regional connectivity and in particular the Northern Powerhouse project's support in enabling us to open the airport, the administration of Connect Airways had led us to recognise the likely importance of the land ownership as opposed to the commercial aviation opportunities at CLDA, which resulted in a write down of £21.0m.

In addition, the Group has amortised and impaired the Eddie Stobart and Stobart designs and trademarks (Brands) by a total of £27.3m, reflecting the fair value of disposal proceeds as part of the post year end disposal of Brands to Eddie Stobart Limited.

There has been no change to the decision to write down the Rail & Civils intangible assets by £8.5m, as announced in the August 2019 interim results. We have continued to look at the remaining Non-Strategic Infrastructure assets which resulted in additional write downs of £5.7m.

Contract disputes

The Energy division continued its successful development as all of the remaining planned plants, supplied under long-term fuel supply agreements, entered commercial operations. This excludes Port Clarence which is no longer intending to operate a waste wood fuel boiler. During the year, one of the largest plants had a major shut down for a period of nearly seven months, resulting in a significant change of supply requirements for the division. This meant that whilst the Energy division should have seen recompense for loss of volumes due to be supplied, it had to derecognise the equivalent net EBITDA of £1.4m that it should have achieved under the contract, because this is an ongoing dispute not recognisable under IFRS 15.

The Rail & Civils division continued to face challenges on legacy contracts, culminating in a significant adjustment to revenue under IFRS 15 on one major contract, which resulted in £3.6m of revenue not being recognised in the current year.

Both of these end of year adjustments resulted in reduced underlying performance.

Revenue

	2020 £'m	2019 £'m	Movement
Aviation	56.8	39.4	+44%
Energy	76.3	65.1	+17%
Revenue from two main operating divisions	**133.1**	**104.5**	**+27%**
Rail & Civils	41.5	52.3	-21%
Investments	2.1	2.7	-20%
Non-Strategic Infrastructure	2.8	2.2	+27%
Central function and eliminations	(9.3)	(14.8)	+37%
	170.2	**146.9**	**+16%**

Revenue from continuing operations has grown by 15.9% to £170.2m. Revenue from our key growth divisions, Aviation and Energy, has increased by 27.4% to £133.1m. The Rail & Civils division recognised a revenue reduction of 20.8% following significant delays in Network Rail issuing Control Period 6 contracts.

Profitability

	2020 £'m	2019 £'m	Movement
Underlying EBITDA[1]			
Aviation	8.6	4.9	+74%
Energy	24.2	19.2	+26%
Underlying EBITDA[1] from two main operating divisions	**32.8**	**24.1**	**+36%**
Rail & Civils	(7.1)	(4.8)	-48%
Investments	1.5	2.4	-38%
Non-Strategic Infrastructure	(3.6)	(3.0)	-18%
Central function and eliminations	(7.6)	(7.9)	+4%
Underlying EBITDA[1]	**16.0**	**10.8**	**+48%**
Non-underlying items	(138.6)	(28.8)	
Impact of swaps	(0.3)	(0.4)	
Depreciation	(22.6)	(16.3)	
Impairment of loan notes	(2.8)	(3.2)	
Finance costs (net)	(9.7)	(4.2)	
Tax	8.4	(0.5)	
Loss for the year from continuing operations	**(149.6)**	**(42.6)**	

[1] Underlying EBITDA represents loss before tax and before swaps, interest, depreciation and non-underlying items.

Underlying EBITDA

Underlying EBITDA, the Group's key measure of profitability, has increased by 48.2% to £16.0m. £5.6m of this increase has been driven by the IFRS 16 transition on 1 March 2019, as a result of operating lease charges previously recognised within underlying EBITDA, now recognised as depreciation and interest.

The Aviation division underlying EBITDA has increased by 73.8% to £8.6m (2019: £4.9m) after London Southend Airport (LSA) hit a milestone by welcoming over 2 million (2019: 1.5 million) passengers.
This year also saw all but one of the renewable energy plants that Stobart Energy is contracted to supply complete the commissioning phase and begin to operate more consistently. This meant tonnes supplied increased by 11.5% to 1.5 million (2019: 1.3 million) and underlying EBITDA increased by 25.9% to £24.2m (2019: £19.2m). In addition, the one plant not commissioned negotiated the termination of their fuel supply agreement in the year, which generated other income of £4.7m.

Underlying EBITDA in the Rail & Civils division is a loss of £7.1m, compared to a loss of £4.8m in the prior year. The reorientation to focus on external works and prudent operations management, implemented by the new management team, has not had the desired impact. In addition, performance was hampered by delays in Network Rail awarding work at the start of Control Period 6 and the divisions continued exposure to a poor performing legacy project. Investments and Non-Strategic Infrastructure are discussed in more detail below. Central function and eliminations costs continues to be tightly managed, with a 4.2% improvement year on year.

Business segments
The business segments reported in the financial statements are Aviation, Energy, Rail & Civils, 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 Investments division received a dividend of £2.1m (2019: £2.7m) from Eddie Stobart Logistics plc (ESL) during the year, which was passed through to the bondholders. This dividend is shown gross in the consolidated income statement, with the dividend income presented as revenue and the corresponding payment to bondholders included in finance costs. Following a change in dividend policy, ESL announced that they were cutting their dividend to nil, so this income is not expected to repeat in future years. Underlying EBITDA for the Investments division was £1.5m (2019: £2.4m) after equity accounting for losses. The fair value of the ESL investment reduced by £40.2m (2019: £18.8m) as a direct result of the reduction in the ESL share price. This loss in value 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 29 February 2020, the book value of Infrastructure assets held was £47.3m (2019: £82.6m). A total of £29.4m was written down in the year and there were two (2019: four) property disposals that generated net proceeds of £2.3m (2019: £38.4m). The disposals were the remainder of the site at Speke and the old office building in Widnes. Underlying EBITDA can be changeable in this division year on year depending upon property valuations and disposals, as seen by the increased loss from £3.0m to £3.6m. This year saw commercial flights commence from CLDA, which is included in this division due to the infrastructure potential at the site.

Non-underlying items

	2020 £'m	2019 £'m
Impairments	101.9	7.8
New business and contract set-up costs	19.1	11.6
Amortisation of brand	7.5	3.9
Litigation and claims	1.0	5.2

Restructuring costs	–	0.4
Share of joint venture costs	9.1	–
	138.6	**28.9**

Impairments includes the write down of the Connect Airways loans (£45.1m) that are deemed to have nil value following Flybe and Connect Airways entering administration post year end. Infrastructure assets have been written down by £26.6m, including CLDA (£21.0m) and Widnes development land (£5.0m). Post year end, the Group disposed of the Stobart and Eddie Stobart brands, driving a £19.9m impairment to align the year end value with the contractual consideration. The Group's investment in AirPortr has been impaired by £1.8m to value the investment at £1 per share. The write off of goodwill and other intangible assets attributable to Rail & Civils totalled £8.5m.

New business and contract set-up costs in the Aviation division (£9.3m) relate to route development at LSA. These costs were incurred to secure new contracts, any future trading revenue and costs under the contract are reflected within the underlying results. In the Energy division, delayed commissioning costs of £2.3m were incurred and £6.9m of costs relating to a significant unplanned shut down at one of the third-party biomass plants Stobart Energy are contracted to supply. All major plants Stobart Energy are contracted to supply had passed commissioning by the year end. In the Non-Strategic Infrastructure division CLDA incurred development costs of £0.6m, prior to commercial flights operating.

Amortisation of brand relates to the Eddie Stobart brand which increased in the year to £7.5m following a review of the residual value.

Litigation and claims relate to the dispute with a former Director and include trial costs, partly offset by amounts recovered following cost orders issued by the court.

The share of joint venture non-underlying costs of £9.1m is due to the Group's decision to increase its share of the equity accounted losses of Connect Airways up to the value of its investment, based on information provided by the auditors of Connect Airways.

Impact of swaps
The impact of mark-to-market (MTM) valuations of swaps is £0.3m (2019: £0.4m) adverse in the year, mainly due to a downturn in fuel prices partly offset by currency exchange rates.

Depreciation
Depreciation has increased from £16.3m to £22.6m, principally due to additional assets recognised on transition to IFRS 16 (£3.7m) and the further development of LSA (£1.0m) in the Aviation division.

Finance costs (net)
Finance income increased to £4.3m, due to interest receivable on the Connect Airways loans, which were impaired to nil at the year end, therefore this finance income will not continue next year. Finance costs increased by £8.2m to £13.4m, as a result of interest on liabilities recognised following the transition to IFRS 16. Other new finance costs in the year include the coupon payable on the Bond (£1.2m), ESL dividend received that is passed to bondholders (£2.1m) and the fair value of financial liabilities (£3.5m). Also included in finance costs are foreign exchange losses of £0.6m (2019: £0.9m gains).

An impairment charge of £2.8m has been recognised in relation to the shareholder loan notes relating to Mersey Bioenergy Holdings Limited, the Widnes biomass plant owner, which may reverse when the owners complete the refinancing of the biomass plant and their cash flow benefits materialise.

Loss before tax
The total loss before tax of £158.0m (2019: £42.1m) is principally driven by non-cash transactions. Non-cash items include impairments (£101.9m), amortisation of brand (£7.5m) and equity accounted losses

(£9.8m). Significant cash items include new business and contract set-up costs, and litigation and claims totalling £20.1m. The loss before tax, after removing non-underlying items, has increased by 46.5% this year to £19.4m (2019: £13.3m).

Tax

The tax credit on continuing operations of £8.4m (2019: £0.5m charge) reflects an effective tax rate of 5.3% (2019: -1.3%). The effective rate is lower than the standard rate of 19%, mainly due to deferred tax assets not recognised in respect of losses carried forward. The deferred tax liabilities have been calculated at 17%, being the rate enacted at the year end date, however, post year end the tax rate has increased to 19%. If this rate was applied to the year end deferred tax liabilities, an additional charge of £0.7m would be recognised.

Discontinued operations

On 8 November 2019, following the signing of an indemnity agreement between the Group and Connect Airways, the subsidiaries headed by Propius Holdings Limited (Propius) were disposed. The operational results of Propius prior to the date of disposal and the profit on disposal of £7.0m are presented in discontinued operations.

The Group holds a provision of £9.6m at year end that was estimated in US Dollars, translated at the year end rate to GBP and discounted to the year end date. The benefit from the reduction in the provision in the current year of £2.7m has been presented within discontinued operations. On 27 April 2020, the Group reached an agreement to acquire Stobart Air and Propius from the administrator of Connect Airways to provide the Group with effective control over the pre-existing obligations. It is the intention to identify a new financial partner to support these businesses in the future so the Group can exit its involvements in a controlled way at the appropriate time.

A £7.0m provision for costs relating to the UK Flybe Franchise Operation was recognised in discontinued operations in the year ended 28 February 2019. A £1.6m benefit following a reduction in actual costs incurred has been included in discontinued operations this year. This is partly offset by a £0.6m increase in the provision for claims against Stobart Air, indemnified as part of the disposal in the prior year.

Loss per share

Loss per share from underlying continuing operations was 4.57p (2019: 4.74p). Total basic loss per share was 37.39p (2019: 16.64p).

Share movements and dividends

	2020	**2019**
Interim per share	–	6.0p
Final per share	3.0p	3.0p
Total dividend per share	**3.0p**	**9.0p**

As announced previously, the Board has taken the decision to suspend the dividend, therefore no final dividend is proposed. The final dividend in the table relates to the year ended 28 February 2019.

On 12 September 2019, the Group issued 3,830,947 new ordinary shares to partly satisfy the Stobart Energy Incentive Plan (SEIP).

The number of shares held by the employee benefit trust reduced from 5,059,362 at 28 February 2019 to 2,980,992 at 29 February 2020 after shares were issued to settle employee share options, including 665,251 shares to partly satisfy the SEIP.

Balance Sheet

	2020 £'m	2019 £'m
Non-current assets	388.9	467.4
Current assets	75.3	79.7
Non-current liabilities	(222.0)	(137.7)
Current liabilities	(139.1)	(112.4)
Net assets	**103.1**	**297.0**

Net assets have decreased by £193.9m, mainly due to the loss in the year, dividends paid and the reduction in the fair value of the investment in ESL, recognised through other comprehensive income.

Property, plant and equipment (PPE) of £306.6m (2019: £262.9m) has increased over the year due to IFRS 16 (£71.5m), which saw assets recognised for the first time for leased properties and vehicles. Other non-current asset movements since last year end include the reduction in value of the ESL investment (£40.2m), reduction in value of Connect Airways investment and loans (£54.2m), write down of CLDA (£19.0m) and the sale of the final investment property at Speke (£4.0m). Intangible assets have reduced due to the write off of intangibles attributable to Rail & Civils (£8.5m), impairment of the brand (£19.9m) and amortisation of the brand (£7.5m).

Current assets have reduced principally due to property inventory impairment (£7.0m) and a reduction in cash (£4.6m), offset by an increase in trade receivables and the transfer of brand assets to assets held for sale.

Non-current liabilities have increased due to increased loans and borrowings from additional liabilities recognised following the transition to IFRS 16 (£76.4m) and an increased draw down on the revolving credit facility (£17.2m), partly offset by a reduction in deferred tax (£7.8m).

Current liabilities have increased overall as a reduction in liabilities held for sale following the disposal of Propius (£27.5m) was offset by the Bond (£51.7m), issued in May 2019, the recognition of financial liabilities (£3.5m) and an increase in trade payables.

Current liabilities include the Bond as in accordance with IAS 1 it is necessary for the Bond, issued on 3 May 2019, to be presented as a current liability because the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. The bondholders have an unconditional right to require the Group to settle the Bond by giving the bondholders shares in ESL at any time. The Group has no obligation to settle the Bond in cash within 12 months of the year end.

Debt and gearing

	2020	2019
Asset-backed finance	168.9m	£97.5m
IFRS 16 lease obligations	£76.4m	–
Cash	(£9.8m)	(£14.4m)
Net debt	**£235.5m**	**£83.1m**
Underlying EBITDA/Underlying interest	1.8	2.1
Net debt/total assets	50.7%	15.2%
Gearing	228.4%	28.0%

See financial assets and liabilities for more details on net debt.

In May 2019, the Group placed £53.1m of Bond issued out of its wholly owned subsidiary Stobart Finance plc. The Bond has a five-year maturity and will be unconditionally and irrevocably guaranteed by the Company and will be exchangeable into ordinary shares of one penny each in the capital of ESL.

On 1 March 2019, the Group adopted IFRS 16 which created lease liabilities of £78.2m. These liabilities have replaced operating lease charges for nearly all leases held. At the year end, the Group held an £80m variable rate committed revolving credit facility with Lloyds Bank plc and Allied Irish Bank that was drawn at £75.0m (2019: £58.0m).

Cash flow

	2020 **£'m**	**2019** **£'m**
Operating cash flow	(16.2)	(1.7)
Investing activities	(12.0)	14.4
Financing activities	27.3	(25.7)
Decrease in the year	**(0.9)**	**(13.0)**
Discontinued operations	(3.7)	(15.7)
At beginning of year	14.4	43.1
Cash at end of year	**9.8**	**14.4**

Operating cash flow in the year was adversely impacted by the cash outflows relating to new business and contract set-up costs, litigation and claims, and other non-underlying items as well as working capital requirements in the divisions. There has been a significant outflow from increased receivables, relating to a large ongoing project in the Rail & Civils division that will complete next year.

Investing activities include purchase of PPE (£14.6m), partly offset by proceeds from the sale of PPE. The prior year included one-off proceeds from a sale and leaseback (£30.0m).

Financing activities includes net proceeds from the issue of the Bond (£51.3m) and lower dividends paid of £11.1m (2019: £52.5m). On 14 November 2019, the Group announced it was suspending the dividend until the Group becomes significantly cash generative at an operating level, subject to investment requirements to maximise shareholder returns. The prior year included one-off proceeds from the issue of ordinary shares (£24.7m).

Lewis Girdwood
Chief Financial Officer

Consolidated Income Statement
For the year ended 29 February 2020

	Year ended 29 February 2020			Year ended 28 February 2019		
	Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations						
Revenue	170,175	–	170,175	146,889	–	146,889
Other income	4,700	–	4,700	1,310	–	1,310
Operating expenses – other	(158,176)	(20,112)	(178,288)	(135,631)	(17,135)	(152,766)
Share of post–tax profits of associates and joint ventures	(657)	(9,108)	(9,765)	(1,740)	–	(1,740)
EBITDA	**16,042**	**(29,220)**	**(13,178)**	**10,828**	**(17,135)**	**(6,307)**
Loss on swaps	(300)	–	(300)	(353)	–	(353)
Depreciation	(22,723)	–	(22,723)	(16,305)	–	(16,305)
Amortisation	–	(7,456)	(7,456)	–	(3,938)	(3,938)
Impairments – other	–	(56,804)	(56,804)	–	(7,800)	(7,800)
Impairments – loan receivables from joint venture	–	(45,105)	(45,105)	–	–	–
Operating loss	**(6,981)**	**(138,585)**	**(145,566)**	**(5,830)**	**(28,873)**	**(34,703)**
Impairment of loan notes	(2,754)	–	(2,754)	(3,208)	–	(3,208)
Finance costs	(14,017)	–	(14,017)	(5,213)	–	(5,213)
Finance income	4,353	–	4,353	1,010	–	1,010
Loss before tax	**(19,399)**	**(138,585)**	**(157,984)**	**(13,241)**	**(28,873)**	**(42,114)**
Tax	2,559	5,831	8,390	(3,321)	2,791	(530)
Loss for the year from continuing operations	**(16,840)**	**(132,754)**	**(149,594)**	**(16,562)**	**(26,082)**	**(42,644)**
Discontinued operations						
Profit(loss) from discontinued operations, net of tax			11,699			(15,535)
Loss for the year			**(137,895)**			**(58,179)**
Loss per share expressed in pence per share – continuing operations						
Basic	(4.57)p		(40.56)p	(4.74)p		(12.19)p

Diluted	(4.57)p	(40.56)p	(4.74)p	(12.19)p

Loss per share expressed in pence per share – total

Basic		(37.39)p		(16.64)p
Diluted		(37.39)p		(16.64)p

Consolidated Statement of Comprehensive Income
For the year ended 29 February 2020

	Year ended 29 February 2020 £'000	Year ended 28 February 2019 £'000
Loss for the year	**(137,895)**	**(58,179)**
Discontinued operations, net of tax, relating to exchange differences	(173)	2,041
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent years, net of tax	**(173)**	**2,041**
Remeasurement of defined benefit plan	(2,049)	(260)
Change in fair value of financial assets classified as fair value through other comprehensive income	(40,212)	(18,772)
Tax on items relating to components of other comprehensive income	348	45
Other comprehensive expense not being reclassified to profit or loss in subsequent years, net of tax	**(41,913)**	**(18,987)**
Other comprehensive expense for the year, net of tax	**(42,086)**	**(16,946)**
Total comprehensive expense for the year	**(179,981)**	**(75,125)**

Of the total comprehensive expense for the year, a loss of £191,507,000 (2019: £61,631,000) is in respect of continuing operations and a profit of £11,526,000 (2019: £13,494,000 loss) is in respect of discontinued operations.

Consolidated Statement of Financial Position
As at 29 February 2020

	29 February 2020	28 February 2019
	£'000	**£'000**
Non-current assets		
Property, plant and equipment	306,584	262,915
Investment in associates and joint ventures	1,590	10,459
Other financial assets	4,776	44,918
Investment property	–	4,000
Intangible assets	54,669	100,482
Net investment in lease	13,247	–
Trade and other receivables	8,000	44,642
	388,866	**467,416**
Current assets		
Inventories	13,893	22,559
Trade and other receivables	40,167	41,271
Cash and cash equivalents	9,802	14,432
Assets held for sale	11,408	1,474
	75,270	**79,736**
Total assets	**464,136**	**547,152**
Non-current liabilities		
Loans and borrowings	(177,788)	(84,121)
Defined benefit pension obligation	(4,422)	(3,170)
Other liabilities	(9,687)	(11,096)
Deferred tax	(5,736)	(13,560)
Provisions	(24,346)	(25,775)
	(221,979)	**(137,722)**
Current liabilities		
Trade and other payables	(61,899)	(53,648)
Financial liabilities	(3,500)	–
Loans and borrowings	(15,780)	(13,433)
Exchangeable bonds[1]	(51,689)	–
Corporation tax	–	(12,412)
Provisions	(6,191)	(5,438)
Liabilities held for sale	–	(27,545)
	(139,059)	**(112,476)**

Total liabilities	**(361,038)**	**(250,198)**
Net assets	**103,098**	**296,954**
Capital and reserves		
Issued share capital	37,465	37,082
Share premium	324,368	324,379
Foreign currency exchange reserve	–	480
Reserve for own shares held by employee benefit trust	(7,161)	(12,154)
Retained deficit	(251,574)	(52,833)
Group shareholders' equity	**103,098**	**296,954**

Consolidated Statement of Changes in Equity
For the year ended 29 February 2020

	Issued share capital	Share premium	Foreign currency exchange reserve	Reserve for own shares held by EBT	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2019	37,082	324,379	480	(12,154)	(52,833)	296,954
IFRS 16 transition adjustment, net of tax	–	–	–	–	(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 Changes in Equity
For the year ended 28 February 2019

	Issued share capital	Share premium	Foreign currency exchange reserve	Reserve for own shares held by EBT	Retained (deficit)/ earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2018	35,434	301,326	(1,884)	(330)	71,374	405,920
IFRS 15 transition adjustment, net of tax	–	–	–	–	(3,278)	(3,278)
Balance at 1 March 2018 (adjusted)	35,434	301,326	(1,884)	(330)	68,096	402,642
Loss for the year	–	–	–	–	(58,179)	(58,179)
Other comprehensive income/ (expense) for the year	–	–	2,041	–	(18,987)	(16,946)
Total comprehensive income/ (expense) for the year	–	–	2,041	–	(77,166)	(75,125)
Issue of ordinary shares	1,648	23,053	–	–	–	24,701
Employee benefit trust	–	–	–	(11,824)	12,380	556

Reclassification of exchange differences on disposal of subsidiaries	–	–	323	–	–	323
Share-based payment credit	–	–	–	–	714	714
Tax on share-based payment credit	–	–	–	–	(925)	(925)
Purchase of treasury shares	–	–	–	–	(3,416)	(3,416)
Dividends	–	–	–	–	(52,516)	(52,516)
Balance at 28 February 2019	**37,082**	**324,379**	**480**	**(12,154)**	**(52,833)**	**296,954**

Consolidated Statement of Cash Flows

For the year ended 29 February 2020

	Year ended 29 February 2020	Year ended 28 February 2019
	£'000	£'000
Cash used in continuing operations	**(16,210)**	**(1,737)**
Cash outflow from discontinued operations	(6,011)	(11,059)
Income taxes paid	–	–
Net cash outflow from operating activities	**(22,221)**	**(12,796)**
Purchase of property, plant and equipment, and investment property	(14,570)	(23,731)
Purchase/development of property inventories	–	(1,282)
Proceeds from the sale of property inventories	226	–
Proceeds from the sale of property, plant and equipment	5,049	8,501
Proceeds from the sale of investment property	2,111	–
Proceeds from disposal of assets held for sale	–	6,217
Proceeds from sale and leaseback (net of costs)	(62)	30,049
Receipt of capital element of IFRS 16 net investment in lease	761	–
Cash disposed on sale of subsidiary undertaking	(1,729)	(3,728)
Equity investment in associates and joint ventures	(2,667)	(1,500)
Acquisition of other investments	(70)	–
Net amounts advanced to joint ventures	(2,114)	(143)
Interest received	999	57
Cash inflow/(outflow) from discontinued operations	2,315	(4,577)
Net cash (outflow)/inflow from investing activities	**(9,751)**	**9,863**
Dividend paid on ordinary shares	(11,125)	(52,516)
Issue of ordinary shares (net of issue costs)	(12)	24,702
Purchase of treasury shares (net of costs)	–	(3,416)
Proceeds from issue of exchangeable bond (net of costs)	51,305	–

(Repayment of)/proceeds from grants	(834)	5,400
Principal element of lease payments	(20,783)	(14,382)
Net drawdown from revolving credit facility	16,996	17,572
Interest paid	(8,205)	(3,103)
Net cash inflow/(outflow) from financing activities	**27,342**	**(25,743)**
Decrease in cash and cash equivalents	(4,630)	(28,676)
Cash and cash equivalents at beginning of year	14,432	43,108
Cash and cash equivalents at end of year	**9,802**	**14,432**

Notes to the Consolidated Financial Statements
For the year ended 29 February 2020

Accounting Policies of Stobart Group Limited

Basis of Preparation and Statement of Compliance

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

These Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union (adopted IFRSs). The financial information set out above does not constitute the Company's statutory accounts. 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 2020 Annual Report and Accounts which will be published on the Group's website https://www.stobartgroup.com

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.

Going concern

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

Note 26 of the financial statements includes details of the Group's loans and borrowings at the year end together with the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. However, there is a material uncertainty in respect of this going concern assumption and the Directors have exercised a high degree of judgement in concluding that the Group remains a going concern.

In arriving at this expectation, the Directors have reviewed the cash flow forecasts together with the projected covenant compliance of the Group, which cover a period up to February 2022.

The Group, which has net assets of £103.1m and negative working capital of £63.8m, made a loss from continuing operations of £149.6m and had an operating cash outflow from continuing operations of £16.2m during the year. The Group has a revolving credit facility of £80.0m, which was drawn at £75.0m at 29 February 2020. The Group has cash balances of £9.8m and this, together with the undrawn facility, results in available headroom of £14.8m as at 29 February 2020. Subsequent to year end this fell to a low of £6.7m with the Directors tightly managing cash, during the post year end period.

During the year, the Group suspended its dividend to avoid increasing debt to fund shareholder returns. In addition, the Group has reviewed its discretionary capital expenditure programme during the year, which has resulted in the rephasing of the original one-year capital expenditure plan to February 2021 over the extended period ending February 2022, recognising what is in effect a one year delay to the Group's growth and investment plans driven by COVID-19. These actions are wholly in the control of the Directors.

The Group intends to announce its intention to raise gross proceeds of approximately £80m by way of a Firm Placing and Placing and Open Offer (Capital Raise) that will be conditional upon, among other things, the approval of shareholders at a general meeting of the Company which will take place on 25 June 2020, and funds are expected by 30 June 2020. A combined prospectus and circular to shareholders containing additional details on the Capital Raise is intended to be published on 5 June 2020 (Prospectus). Furthermore, on 4 June 2020, current bank lenders agreed to fund an additional £40m revolving credit facility (RCF), of which £10 million is available to be drawn down, conditional upon successful completion of the institutional bookbuild in respect of the Capital Raise, to fund the Group prior to receipt of the Capital Raise net proceeds. This £10 million is repayable if the Capital Raise does not raise net proceeds of £70 million by 29 June 2020, or the date at which this is known if earlier. Draw down from the remainder of the new RCF facility is conditional upon shareholder approval of the Capital Raise. If shareholder approval is not received, or net proceeds do not exceed £70m, alternative additional funding would be required in the short term the source of which is uncertain.

As a result of the new RCF, it has been necessary to renegotiate the existing RCF terms and has resulted in an increased cost of borrowing, made up of both arrangement fees and increased drawn and undrawn interest rates and revised / rebased certain covenants. The terms are now aligned for both the new and amended RCF. The new RCF will run concurrently with the amended RCF and both expire in January 2022. The Directors, in forming their going concern conclusion, are confident that the RCF will be successfully renewed prior to or in January 2022 and provide at least £80m of facilities. Should this not occur the Group will need to find alternative funding or other mitigating actions from January 2022.

The Directors have prepared base forecasts through to February 2022, together with sensitivity analysis on those forecasts, including a severe but plausible downside set of assumptions around the COVID-19 recovery for the Group whilst recognising the different recovery periods likely to be seen given the nature of the different divisions. The Directors consider the Energy division will recover first, with Aviation division likely to see a slower recovery as both airlines and passengers adapt to the post COVID-19 environment. In particular, and for the purposes of this going concern analysis only, the base case assumes no passenger related revenue generated from London Southend Airport until the end of September 2020, and reduced capacity to 65% at most energy plants supplied due to reduction in waste wood supply and whilst work in the construction sector has been suspended to the end of June 2020, with recovery expected through July to September 2020. It is the intention of the Directors for the timing that planned future asset disposals will be managed carefully as to not rely on those disposals to fund the business requirements, allowing time to realise the best value for shareholders.

The severe but plausible sensitised case assumes the Aviation division has no passenger flights until the end of December 2020 with a phased recovery over 12 months from January 2021, the Energy division revenue decreases further, and certain asset realisations do not occur.

The base case forecasts indicate that, assuming an amount in excess of £70m (net proceeds) is raised in the Capital Raise, the Group will have sufficient funds to meet its liabilities for the period covered by the forecasts. However, the sensitised forecasts indicate that, before non-controllable mitigating actions such as asset disposals, the group may require additional funding toward the end of the forecast period. The amount of additional funding that may be required in the downside scenario increases the greater the shortfall against operational forecasts.

With the new and amended RCF facility and assuming the successful completion of the Capital Raise to raise at least £70m (net proceeds) of cash, the Directors are satisfied that the Group has adequate resources to fund its cash requirements for the foreseeable future. The base and sensitised forecasts indicate that the Group will continue to operate within the newly negotiated covenant requirements of the RCF in the forecast period.

However, the directors consider the successful completion of the Capital Raise and substantial achievement of forecasts, together with the other matters referred to above represent a material uncertainty that may cast significant doubt on the ability of the group and company to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The going concern basis has been adopted and the financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

Significant accounting policies

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

Amendments arising from the Annual Improvement Project 2015–2017 were endorsed by the EU for periods commencing on or after 1 January 2019. There were separate transitional provisions for each amendment. The adoption of the amendments did not have any material impact on the financial position or performance of the Group.
Amendments to IAS 19 do not have a material effect on the defined benefit obligation disclosures, due to scheme rules giving the Group an unconditional right to a refund if the scheme is in surplus.

The Group adopted IFRS 16 Leases on 1 March 2019, which resulted in right-of-use assets of £60.9m, a net investment of £14.0m, liabilities of £78.2m and £2.8m adjustment to equity being recognised in the consolidated statement of financial position. The right-of-use assets recognised on transition were adjusted for any prepaid or accrued lease expenses. The lease liability was calculated as the future lease repayments, discounted at the incremental borrowing rate. The weighted average incremental borrowing rate applied on transition was 4.2%. The Group has a sub-lease on one of its properties and has recognised a net investment for this particular property, with the difference between the leases as lessee and lessor taken directly to retained earnings.

The Group applied the modified retrospective approach and as such the comparative periods have not been restated. The Group has applied the ongoing recognition exemptions for short-term leases and low value leases (less than £5,000) and applied the following practical expedients on transition:
• reliance on previous identification of a lease (as provided by IAS 17) for all contracts that existed on 1 March 2019;
• reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
• accounting for operating leases with a remaining term of less than12 months from 1 March 2019 as short-term leases;
• exclusion of initial direct costs from the measurement of the right-of-use asset at 1 March 2019; and
• use of hindsight in determining the lease term where there is the option to extend the lease.

New standards and interpretations not applied

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

	Effective for accounting periods commencing on or after	**Proposed adoption in the year ending**
Amendments to IFRS 3 Business Combinations	1 January 2020	28 February 2021
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020	28 February 2021
Definition of a Business (Amendments to IFRS 3)	1 January 2020	28 February 2021
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020	28 February 2021

The adoption of all the other standards, amendments and interpretations is not expected to have a material effect on the net assets, results and disclosures of the Group.

Segmental information

The reportable segment structure is determined by the nature of operations and services. The operating segments are Stobart Aviation, Stobart Energy, Stobart Rail & Civils, Stobart Investments and Stobart Infrastructure.

The Stobart Aviation segment specialises in the operation of commercial airports and the provision of ground handling services. The Stobart Energy segment specialises in the supply of sustainable biomass for the generation of renewable energy. The Stobart Rail & Civils segment specialises in delivering internal and external civil engineering development projects including rail network operations.

The Stobart Investments segment holds a non-controlling interest in a transport and distribution business, and a baggage handling business. The regional airline investment held at the prior year end was impaired to nil in the current year. The Stobart Non-Strategic Infrastructure segment specialises in management, development and realisation of a portfolio of property assets, including Carlisle Lake District Airport, as well as an investment in a renewable energy plant.

The regional airline operations and aircraft leasing company that were previously reported as part of the Aviation segment have been reported within discontinued operations as reported in the prior year. No segmental assets or liabilities information is disclosed because no such information is regularly provided to, or reviewed by, the Chief Operating Decision Maker.

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

Year ended 29 February 2020	**Aviation**	**Energy**	**Rail & Civils**	**Investments**	**Non-Strategic Infrastructure**	**Adjustments and eliminations**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue							
External	56,655	76,339	28,077	2,127	2,440	4,537	170,175
Internal	131	–	13,404	–	337	(13,872)	–
Total revenue	**56,786**	**76,339**	**41,481**	**2,127**	**2,777**	**(9,335)**	**170,175**
Underlying EBITDA	**8,601**	**24,166**	**(7,108)**	**1,470**	**(3,581)**	**(7,506)**	**16,042**
Loss on swaps	–	–	–	–	–	(300)	(300)
Depreciation	(7,824)	(8,467)	(2,699)	–	(1,981)	(1,752)	(22,723)
Finance costs (net)	(1,235)	(1,293)	(128)	(2,577)	(2,701)	(4,484)	(12,418)
Underlying (loss)/profit before tax from continuing operations	**(458)**	**14,406**	**(9,935)**	**(1,107)**	**(8,263)**	**(14,042)**	**(19,399)**
New business and new contract set up costs	(9,297)	(9,191)	–	–	(647)	–	(19,135)
Litigation and claims	–	–	–	–	–	(977)	(977)
Amortisation of acquired intangibles	–	(23)	–	–	–	(7,433)	(7,456)
Impairments	–	–	(8,474)	(46,846)	(26,676)	(19,913)	(101,909)
Non-underlying items within share of joint venture profit	–	–	–	(9,108)	–	–	(9,108)
(Loss)/profit before tax from continuing operations	**(9,755)**	**5,192**	**(18,409)**	**(57,061)**	**(35,586)**	**(42,365)**	**(157,984)**

Year ended 28 February 2019	**Aviation**	**Energy**	**Rail & Civils**	**Investments**	**Non-Strategic Infrastructure**	**Adjustments and eliminations**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue							
External	39,266	65,143	31,867	2,655	2,112	5,846	146,889

Internal	145	–	20,480	–	75	(20,700)	–
Total revenue	**39,411**	**65,143**	**52,347**	**2,655**	**2,187**	**(14,854)**	**146,889**
Underlying EBITDA	**4,948**	**19,200**	**(4,815)**	**2,359**	**(3,026)**	**(7,838)**	**10,828**
Loss on swaps	–	–	–	–	–	(353)	(353)
Depreciation	(5,816)	(7,012)	(2,245)	–	(978)	(254)	(16,305)
Finance costs (net)	(231)	(734)	(180)	–	(3,546)	(2,720)	(7,411)
Underlying (loss)/profit before tax from continuing operations	**(1,099)**	**11,454**	**(7,240)**	**2,359**	**(7,550)**	**(11,165)**	**(13,241)**
New business and new contract set up costs	(4,308)	(5,909)	–	–	(1,334)	–	(11,551)
Restructuring costs	(161)	–	(230)	–	–	–	(391)
Litigation and claims	–	–	(160)	–	–	(5,033)	(5,193)
Amortisation of acquired intangibles	–	(221)	–	–	–	(3,717)	(3,938)
Impairments	–	–	–	–	(7,800)	–	(7,800)
(Loss)/profit before tax from continuing operations	**(5,568)**	**5,324**	**(7,630)**	**2,359**	**(16,684)**	**(19,915)**	**(42,114)**

Inter-segment revenues are eliminated on consolidation. Included in adjustments and eliminations are net central costs of £7,346,000 (2019: £7,746,000) and an intra-group profit of £160,000 (2019: £92,000). There is also external income within adjustments and eliminations which comprises brand licence income, merchandising income and rental income.

Discontinued operations

On 22 February 2019, the Group disposed of subsidiaries headed by Everdeal Holdings Limited and entered into an agreement to dispose of Propius Holdings Limited. These disposals and acquisitions by Connect Airways Limited were permitted by the EU Commission in connection with the merger regulations on 5 July 2019. The disposal of Propius Holdings Limited completed on 8 November 2019 following agreement of the indemnity clause within the sale and purchase agreement. On 27 April 2020, the Group reached an agreement to acquire an effective indirect economic interest of 78.75% in Stobart Air and Propius, see post balance sheet events for more detail.

The operations of both subsidiaries represented a separate major line of business and the results of the operations have been reported separately as the single amount loss from discontinued operations, net of tax on the face of the consolidated income statement. This single amount in the prior year includes the profit on disposal of Everdeal Holdings Limited as detailed below, totalling £15.5m. The single amount in the current year includes the profit of disposal of Propius Holdings Limited as detailed below, totalling £7.0m.

Disposal of Everdeal Holdings Limited

The prior year profit from discontinued operations of £8,733,000, excluding the results of the UK Flybe Franchise Operation (UKFFO), is attributable to the owners of the Company. There was no loss recorded on remeasurement to fair value less costs to sell. The cash consideration received for disposal of the business was £10,000,000. The profit on disposal recorded within discontinued operations was £25,910,000 after deducting costs of £479,000 and net liabilities of £16,389,000. The cash disposed of amounts to £3,728,000.

Results of discontinued operations	**2020**	**2019**
	£'000	**£'000**

Revenue	–	122,072
Operating expenses – other	–	(114,630)
Loss on swaps	–	(88)
Depreciation	–	(395)
Net finance income	–	1,774
Profit before tax	**–**	**8,733**
Tax	–	–
Profit for the year from discontinued operations, net of tax	**–**	**8,733**
Basic earnings per share	–	2.50p
Diluted earnings per share	–	2.50p

Cash flows used in discontinued operations		
Net cash used in operating activities	–	(25,735)
Net cash (used in)/generated from investing activities	–	(664)
Net cash flows for the year	**–**	**(26,399)**

At 28 February 2019, £7,031,000 was provided as the estimated cost of the UKFFO for the year ending 29 February 2020. As the actual costs were lower, a further £1,645,000 profit on disposal has been included in discontinued operations in the current year. An additional £574,000 has been provided for litigation and claims in discontinued operations in the current year.

Following the disposal of Everdeal Holdings Limited, the results of the UKFFO, which was operated by the group headed by Everdeal Holdings Limited, were presented as discontinued in the consolidated income statement. The loss from discontinued operations relating to the UKFFO in the prior year, excluding the £7,031,000 onerous provision, was £24,676,000. The cash flows in relation to this operation have been included in the above table.

Subsequent to the disposal of Everdeal Holdings Limited, the continuing group continues to trade with the discontinued operation. Intra-group transactions between Everdeal and the continuing group have been presented without elimination as these transactions will continue post disposal. Management believes this is useful to the users of the financial statements. All other intra-group transactions have been fully eliminated.

Propius Holdings Limited

On 22 February 2019, the Group entered into an agreement to dispose of Propius Holdings Limited for cash consideration of £30,000,000. At the same time and as part of the arrangements between the Group and Connect Airways Limited, the Group entered into an arrangement such that certain parts of the business and assets of Propius Holdings Limited and Propius Limited, principally the ATR leasing business but not the three E195 aircraft owned by Propius Limited, could be transferred back to the Group for £1. This transfer back to the Group would only take place if the Group and Connect Airways Limited did not agree for the Group to provide an appropriate indemnity to Connect Airways Limited which provides a similar economic position as the position under the transfer back arrangements.

As the indemnity discussions were not concluded at the time of approval of the 28 February 2019 financial statements, the Group could not account for the disposal of Propius. Instead the accounting in the prior year included the disposal of the three E195 aircraft, with a net book value of £31.5m, and cash of £10m, to Connect Airways Limited, in consideration for cash of £30m, resulting in a loss on disposal of £10.5m included in the table below. The remaining business, assets and liabilities of the Group headed by Propius Holdings Limited were presented as assets and liabilities held for sale on the consolidated statement of financial position. The indemnity was agreed on 8 November 2019 at which point the disposal of Propius Holdings Limited completed. The cash consideration received for disposal of Propius Holdings Limited was £nil. The profit on disposal recorded was £7,025,000 after deducting net liabilities of £7,025,000. The cash disposed of amounts to £1,729,000. The results in the current and prior year for Propius have been presented as discontinued in the consolidated income statement.

The profit from discontinued operations of £906,000 (2019: £18,471,000 loss) is attributable to the owners of the Company. As part of the disposal, the Group provided for an onerous lease contract that has been indemnified. £2,697,000 of this provision has been released and is included in discontinued operations in the current year.

Results of discontinued operations	**2020**	**2019**
	£'000	**£'000**
Revenue	8,137	18,616
Operating expenses – other	(8,361)	(29,998)
Depreciation	–	(6,275)
Transaction costs	(16)	(594)
Net finance costs	426	836
Profit/(loss) before tax	**186**	**(17,415)**
Tax	720	(1,056)
Profit/(loss) for the year from discontinued operations, net of tax	**906**	**(18,471)**
Basic earnings/(loss) per share	0.25p	(5.28)p
Diluted earnings/(loss) per share	0.24p	(5.28)p

Cash flows used in discontinued operations		
Net cash (used in)/generated from operating activities	(6,011)	14,676
Net cash generated from/(used in) investing activities	2,315	(3,913)
Net cash flows for the year	**(3,696)**	**10,763**

Of the revenue included in the above table, £8,137,000 (2019: £13,852,000) was from the group headed by Everdeal Holdings Limited. A summary of discontinued operations recognised within the consolidated income statement is as follows:

	2020	2019
	£'000	£'000
Propius discontinued operations, net of tax	906	(18,471)
Propius profit on disposal	7,025	–
Propius provision released	2,697	–
Everdeal discontinued operations	–	8,733
Everdeal profit on disposal	–	25,910
Everdeal provision made	(574)	(7,031)
UKFFO	1,645	(24,676)
Discontinued operations, net of tax	**11,699**	**(15,535)**

The revenue from one customer amounted to more than 10% of the Group's discontinued revenue including the groups headed by Everdeal Holdings Limited and Propius Holdings Limited. The revenue from this one customer reported within discontinued operations was £8,137,000 for the year to 29 February 2020. In the prior year, two customers amounted to more than 10% of the Group's discontinued revenue at £105,801,000 and £25,916,000.

Non-Underlying Items

Non-underlying items included in the consolidated income statement loss before tax comprise the following:

	2020	2019
	£'000	£'000
New business and new contract set up costs	19,135	11,551
Restructuring costs	–	391
Litigation and claims	977	5,193
Share of post-tax losses of joint ventures	9,108	–
Non-underlying items within EBITDA	**29,220**	**17,135**
Impairments	101,909	7,800
Amortisation of acquired intangibles	7,456	3,938
	138,585	**28,873**

New business and new contract set-up costs comprise costs of investing in major new business areas or major new contracts to commence or accelerate development of our business presence. These costs include pre-contract costs and excess costs incurred due to contractual disputes and delays in customer plants becoming operational in the Energy division and new contract set-up costs at London Southend Airport in the Aviation division.

Contractual disputes relate to £7.0m of incremental costs incurred during the year in respect of the contract with Tilbury Green Power Limited (TGP). These incremental costs were incurred as a result of TGP's unplanned plant outage from May 2019 to November 2019 which meant TGP were unable to take the committed wood fuel volume. The incremental costs incurred include settlements with suppliers in the supply chain, excess logistics costs and excess processing costs. Whilst there is a take or pay arrangement in this contract, due to a dispute over the amount receivable under the contract, the associated take or pay income could not be recognised during the year. Following the transport of waste material from Tilbury to other processing sites where it was processed, the revenue from the sale of this processed wood to other renewable energy plants, together with the non-incremental costs, are included within underlying amounts. Accordingly, the Directors consider it appropriate to present the incremental costs as non-underlying.

Subsequent to the year end, the Directors have made progress toward resolution of the dispute and have agreed Heads of Terms agreement with TGP. However, the outcome may be a contract modification, the financial effect of which will only be determined when the contract terms are agreed by both. The dispute has resulted in a change in estimate as an amount of revenue of £5.8m and costs of £4.2m were presented within underlying in the interim financial statements for the period ended 31 August 2019.

The charge for litigation and claims includes the cost of a High Court dispute with a former Director net of any amounts that have been recovered. Contingent assets relating to any outstanding claims are not recognised unless recovery is considered virtually certain, in accordance with accounting standards.

New business and new contract set-up costs and litigations and claims above, include the following amounts by operating expense category. Employee benefits (£1.2m), direct materials (£4.8m) and other purchases (£4.1m).

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

There were impairment charges against an investment in associates and joint ventures of £1,771,000, loans and receivables from a joint venture of £45,105,000, PPE of £19,702,000, property inventory of £6,974,000 and intangible assets of £28,357,000.

Amortisation of acquired intangibles comprises the amortisation of intangible assets including those identified as fair value adjustments in acquisition accounting. The charge in the year is principally in connection with the Eddie Stobart brand, which has increased compared to last year, following a review of the residual value.

Dividends

Dividends paid on ordinary shares	**2020**	**2020**	**2019**	**2019**
	Rate		**Rate**	
	p	**£’000**	**p**	**£’000**
Final dividend for 2019 paid 31 July 2019	3.0	11,125	–	–
Interim dividend for 2019 paid 31 January 2019	–	–	1.5	5,315
Interim dividend for 2019 paid 4 October 2018	–	–	4.5	15,945
Final dividend for 2018 paid 6 July 2018	–	–	4.5	15,628
Interim dividend for 2018 paid 13 April 2018	–	–	4.5	15,628
	3.0	**11,125**	**15.0**	**52,516**

As announced on 14 November 2019, the Board has taken the decision to suspend the dividend, therefore no final dividend is proposed.

Assets classified as held for sale

On 22 February 2019, the aircraft leasing business, Propius Holdings Limited, which was part of the Aviation division, was classified as a disposal group held for sale where it remained until its disposal on 8 November 2019.

The major classes of assets and liabilities of the disposal groups classified as held for sale at 29 February 2020 are as follows:

	2020	**2019**
	£’000	**£’000**

Assets		
Property inventory	1,408	–
Brand names	10,000	–
Other receivables	–	1,474
Total assets classified as held for sale	**11,408**	**1,474**

Liabilities		
Corporation tax	–	(1,030)
Deferred tax liability	–	(2,498)
Maintenance reserves	–	(17,889)
Other payables	–	(6,128)
Total liabilities classified as held for sale	–	**(27,545)**

In the prior year, there was an intercompany receivable of £19,689,000 that was not included in the disposal group held for sale, as it is eliminated under IFRS 10. However, now that Propius Holdings Limited is disposed of, the continuing group recognises this as a payable.

During the year, four acres of land at Widnes within the Non-Strategic Infrastructure division, with a carrying value of £1,408,000 that was previously disclosed as property inventories, met the criteria of IFRS 5 and was reclassified as an asset held for sale.

At the year ended 29 February 2020, brand assets totalling £10,000,000 have been transferred from intangible assets. The fair value of these assets will be recovered via disposal post year end as detailed in post balance sheet events.

Financial Assets and Liabilities

Loans and borrowings	**2020**	**2019**
	£'000	**£'000**
Non-current		
Fixed rate:		
- Obligations under leases	24,371	20,668
Variable rate:		
- Obligations under leases	5,532	5,886
- Revolving credit facility (net of arrangement fees)	74,757	57,567
	104,660	**84,121**
Current		
Fixed rate:		
- Obligations under leases	8,647	6,663
- Exchangeable bonds	51,689	–
Variable rate:		
- Obligations under leases	3,852	6,770
	64,188	**13,433**
Total loans and borrowings (excluding IFRS 16)	**168,848**	**97,554**
Cash	(9,802)	(14,432)
Comparable net debt (excluding IFRS 16)	**159,046**	**83,122**

Non-current		
IFRS 16 obligations	73,128	–
Current		
IFRS 16 obligations	3,281	–
Net debt	**235,455**	**83,122**

Obligations under leases existed prior to the transition to IFRS 16 and IFRS 16 obligations are new obligations that have arisen following the transition to IFRS 16.

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

The variable rate committed RCF with end date January 2022, was drawn at £75,000,000 (2019: £58,000,000) at the year end. Under the RCF, Stobart Group Limited and all material subsidiaries have charged security to the lenders via a debenture, the material subsidiaries are also guarantors and obligors in relation to the facility agreement. There are fixed charges over land and properties including LSA, CLDA, Widnes and Runcorn, in addition floating charges and charges over shares. The facility agreement contains typical security protections for the lender including negative pledge, and restrictions on disposals and financial indebtedness together with allowances for permitted disposals, permitted security and permitted financial indebtedness.

Stobart Group Limited provides support to its subsidiaries where required. Examples of support include intercompany funding arrangements and the provision of guarantees in relation to financing lines provided by a number of lenders. The Group was in compliance with all financial covenants throughout both the current and prior year.

Note to the Consolidated Cash Flow Statement

	Year ended 29 February 2020 £'000	Year ended 28 February 2019 £'000
Loss before tax from continuing operations	**(157,984)**	**(42,114)**
Adjustments to reconcile loss before tax to net cash flows:		
Non-cash:		
Loss in value of investment properties	1,835	715
Realised loss/(profit) on sale of property, plant and equipment and investment properties	88	(584)
Share of post-tax profits of associates and joint ventures accounted for using the equity method	9,765	1,740
Gain on conversion of loan	–	(1,095)
Loss in value/loss on disposal of assets held for sale	–	683
Loss/(profit) on sale and leaseback, net of costs	62	(629)
Loss on sale of property inventories	49	–
Depreciation of property, plant and equipment	22,723	16,305

Finance income	(4,346)	(63)
Finance costs	13,397	4,512
Release of grant income	(565)	(609)
Release of deferred premiums	(2,617)	(2,617)
Impairment	104,663	7,800
Amortisation of intangibles	7,456	3,938
Charge for share based payments	1,271	714
Loss on swaps mark to market valuation	300	353
Retirement benefits and other provisions	(3,840)	87
IFRS 15 transition adjustment	–	(3,949)
Working capital adjustments:		
Decrease/(increase) in inventories	10	(127)
(Increase)/decrease in trade and other receivables	(5,468)	4,196
(Decrease)/increase in trade and other payables	(3,009)	9,007
Cash used in continuing operations	**(16,210)**	**(1,737)**

Related parties

Relationships of common control or significant influence

W A Tinkler was a related party until 14 June 2018 when he ceased to be a Director of the Group and a such there were no related party sales or purchases during the current year. The amounts outstanding are unsecured and were entered into under normal commercial terms.

WA Developments International Limited is owned by W A Tinkler. During the prior year, the Group made purchases of £20,000 relating to the provision of passenger transport and the Group levied recharges of £5,000 relating to the recovery of staff costs and expenses to WA Developments International Limited. £63,000 (2019: £63,000) was due from WA Developments International Limited at the year end. As of 14 June 2018, WA Developments International Limited was no longer a related party.

Apollo Air Services Limited is owned by W A Tinkler. During the prior year, the Group made purchases of £185,000 relating to the provision of passenger transport and sales of £21,000 relating to fuel to Apollo Air Services Limited. £83,000 (2019: £83,000) was owed by the Group and £46,000 (2019: £46,000) was owed to the Group by this company at the year end. As of 14 June 2018, Apollo Air Services Limited was no longer a related party.

WA Tinkler Racing is owned by W A Tinkler. During the prior year, the Group made sales of £27,000 relating to car and race box hire. £26,000 (2019: £26,000) was owed to the Group at the year end. As of 14 June 2018, WA Tinkler Racing was no longer a related party.

During the prior year, transactions with W A Tinkler and close family members of W A Tinkler totalled £10,000 and £nil (2019: £7,000) was owed to the Group at the year end. As of 14 June 2018, W A Tinkler and his close family members were no longer a related party.

During the prior year, the Group made purchases of £150,000 and sales of £3,000 to Stobart Capital Limited, a business part-owned by W A Tinkler, relating to investment management. £6,000 (2019: £6,000) was owed to the Group at the year end. As of 14 June 2018, Stobart Capital Limited was no longer a related party.

Speedy Hire plc is a related party from 1 June 2019, when David Shearer became Non-Executive Chairman of the Group, as he is also Non-Executive Chairman of Speedy Hire plc. During the year, the Group made purchases of £285,000 relating to equipment hire of which £5,000 was owed by Group at the year end.

Associates and joint ventures

In the prior year, the Group had unsecured loans, not part of the net investment, outstanding from its associate interest Shuban Power Limited of £3,700,000. These were disclosed within trade and other receivables at 28 February 2019 and were settled in cash during the current year. There are no balances outstanding as at 29 February 2020.

The Group had loans, not part of the net investment, outstanding from its associate interest, Mersey Bioenergy Holdings Limited, of £7,302,000 (2019: £7,302,000) at the year end which is disclosed within trade and other receivables in non-current assets. The interest outstanding at the year end, net of amounts provided, was £698,000 (2019: £3,451,000) and is disclosed within trade and other receivables in non-current assets. The loans are unsecured, have a ten-year term ending in November 2024 and will be settled in cash. In addition, the Group made sales of £nil (2019: £33,000) to Mersey Bioenergy Holdings Limited relating to director fees. At the year end, £nil (2019: £10,000) was owed to the Group.

During the year, the Group made sales of £6,684,000 (2019: £5,171,000) to Mersey Bioenergy Limited (a subsidiary of Mersey Bioenergy Holdings Limited) relating to the sale of material. At the year end, £535,000 (2019: £885,000) was owed to the Group.
The Group had loans, not part of the net investment, outstanding from its joint venture interest, Connect Airways Limited, of £nil (2019: £33,888,000) at the year end due to the loans being impaired by £45,075,000. At 28 February 2019, the balance was shown within trade and other receivables in non-current assets, of which £18,745,000 was an unsecured loan note and £15,143,000 was part of a second-ranking facility, both had a six-year term ending
February 2025.

During the year, the Group made sales of £nil (2019: £488,000) to subsidiaries of Connect Airways Limited relating to passenger handling services and cost recharges. At the year end, £nil (2019: £488,000) was owed to the Group.
The Group has loans outstanding to a subsidiary of Connect Airways Limited, of £18,038,000 at the year end. This balance is shown within trade and other receivables in non-current assets. This loan is repayable in biannual instalments over a three-year term ending May 2023 and will be settled in cash.

On 8 November 2019, the Group disposed of its subsidiary Propius Holdings Limited to Connect Airways Limited. 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.

Contingent liabilities

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

Eddie Stobart property rent guarantees have been in place since the disposal of ESL in April 2014. Given the recent issues reported by ESL, the Group believes that the possibility of any outflow in settlement is no longer remote. An outflow would only materialise if Eddie Stobart would need to fail in its lease obligations to the landlord, in addition to a new tenant not stepping into the lease. The Group's maximum exposure over the period to February 2034 is £77.3m.

Guarantees have been provided in respect of the airline Stobart Air, in relation to jet fuel and foreign exchange hedging contracts. The exposure on these contracts at the year end is c.€2m. In addition, a facility provided by Aer Lingus, under which Stobart Air receives 100% of ticket revenue in advance of passenger flights, has been guaranteed up to maximum of €18m.

Following the sale and leaseback of eight ATR72-600 aircraft in April 2017, the Group provided guarantees over the $15.4m annual rentals payable by Propius. These guarantees remained in place on disposal of Propius and expire in April 2027, with a break clause in April 2023 if the Aer Lingus franchise is not extended in December 2022 which would trigger a payment by the guarantor of a break fee of $21.2 million.

During the year, various claims have been made against our Energy and Aviation divisions. One of these claims has a court date set for October 2020. Stobart is vigorously defending all these claims and believes the risk of outflow to be low, however, the likelihood of a future outflow of economic benefit is no longer classified as remote. The maximum exposure under these claims is £19.3m.

Post balance sheet events.

Flybe entered administration on 5 March 2020, followed by Connect Airways on 18 March 2020. The loans receivable from Connect Airways Limited, the parent company of Flybe, Stobart Air and Propius, have been impaired to £nil as a result as at 29 February 2020. The administration of Connect Airways Limited and Flybe Limited post year end increased the probability of cash outflows in respect of the guarantees provided in respect of Stobart Air and Propius and potentially crystallised a liability in respect of these items. To mitigate this risk, discussions took place with the administrators of Connect Airways and Flybe to acquire the Stobart Air and Propius businesses.

On 27 April 2020, the Group reached an agreement to acquire an effective indirect economic interest of 78.75% in Stobart Air and Propius for consideration comprising cash of £0.3m, payable on completion, deferred consideration of £2.0m, to be paid by 15 December 2020, and a contingent deferred consideration up to maximum of £6.25m, based on the equity value achieved, after disposal costs, on a realisation of value in respect of one of both of the businesses prior to 31 December 2023. It is expected that these businesses will be accounted for as 100% subsidiaries.

Following these acquisitions, the fair value of aircraft lease liabilities and the right of use assets of Stobart Air and Propius will be recognised in the Group consolidated statement of financial position, as required under IFRS 3: Business Combinations and IFRS 16: Leases.

As at the date of issue, the initial accounting for the business combination as per IFRS 3 is incomplete due to the complexity of the acquisition accounting and insufficient time between the date of acquisition and the date the financial statements were authorised for issue. As such, disclosures relating to the fair value of assets and liabilities acquired have not been disclosed. It is however anticipated there will be a material adverse impact on the income statement as a result of the accounting for the pre-existing guarantee arrangements as noted in the contingent liabilities noted and the subsequent acquisition accounting. This adverse impact is partly dependent on the assessment of the fair value of the leased assets compared to the liabilities recognised. Cash requirements of the acquisition and subsequent operation have been considered in the going concern assessment.

On 20 May 2020, the Group disposed of its Eddie Stobart and Stobart trademarks and designs to Eddie Stobart Limited for cash consideration of £10.0m, of which £6.0m is payable upon completion, £2.5m is to be paid by 1 December 2020 and £1.5m is to be paid 36 months after completion.

The impact of COVID-19 is judgemental and has been accounted for as a non-adjusting post balance sheet event. The impact on significant balance sheet items such as impairments and IFRS 9 expected credit losses have been discussed in the respective notes to the accounts. After taking all available information into account, the Directors made the judgement that there is no material impact on the 29 February 2020 consolidated balance sheet balances due to the COVID-19 pandemic.