

esken 



We go further.

Annual Report and Accounts 2022

Introduction



We have simplified the business into two primary divisions and the benefits of this streamlining can be seen in our full year results.



Our ongoing strategy for the Group is clear. We will focus on our two core operating divisions and drive value in these businesses in a sustainable way over the medium term.

Esken's core operating divisions generated a combined adjusted EBITDA¹ of £19.5m compared with £3.9m in the prior year. Esken's reported loss before tax of £34.9m represents an improvement compared to the £44.2m reported in the prior year. The loss before tax is after £19.0m of financing costs, £20.5m of depreciation and £12.1m of net central costs (including £5.6m of legal costs). Esken expects these central costs to reduce in FY23.

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

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

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

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

David Shearer
Executive Chairman

¹ Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments. Refer to note 3 for reconciliation to statutory loss before tax.

01-77

Strategic Report

| | |
|----|-------------------------------------|
| 02 | Highlights |
| 04 | Our story |
| 05 | Our strategy |
| 06 | Esken at a glance |
| 07 | Investment case |
| 08 | Market review |
| 09 | Esken Renewables |
| 10 | Business model |
| 11 | What we do |
| 12 | Our strategy |
| 20 | Chairman's Statement |
| 26 | Key Performance Indicators |
| 28 | Financial review |
| 32 | Operational review |
| 36 | Sustainability report |
| 59 | Non-financial information statement |
| 60 | Stakeholder engagement |
| 69 | Risk management and principal risks |
| 77 | Viability statement |

78-111

Corporate Governance

| | |
|-----|--------------------------------------|
| 78 | Board of Directors |
| 80 | Corporate Governance |
| 88 | Nomination Committee Report |
| 91 | Audit Committee Report |
| 95 | Directors' Remuneration Report |
| 109 | Directors' Report |
| 110 | Directors' Responsibility Statements |

112-172

Financial Statements

| | |
|-----|--|
| 112 | Independent Auditor's Report |
| 119 | Consolidated income statement |
| 120 | Consolidated statement of comprehensive income |
| 121 | Consolidated statement of financial position |
| 122 | Consolidated statement of changes in equity |
| 123 | Consolidated statement of cash flows |
| 124 | Notes to the consolidated financial statements |
| 172 | Directors, officers and advisers |



p14-18
Strategy in action



This has been a year of transition as we navigated the pandemic to focus on Renewables and Aviation.

p20-25

Chairman's Statement



Highlights

Adjusted EBITDA¹

£10.3m
+238.9%

Loss before tax

£34.6m
+21.7%

Headroom²

£72.7m
-6.0%

Financial highlights

- Esken's core operating businesses generated a combined adjusted EBITDA of £19.5m (2021 £3.9m). This was driven by a strong performance in Esken Renewables and cash management within the aviation businesses, combined with £3.5m of one-off receipts associated with Connect Airways and the conclusion of the partnership with Teesside International Airport.
- Esken incurred £5.6m of legal costs relating to historical cases which are still to be concluded, and £7.5m of other central costs; including staff costs, tax fees and listing costs. Esken expects legal costs to reduce in the current financial year. The Group benefited by £4.7m following an agreement to exit a long-term onerous property lease, leaving the overall Group adjusted EBITDA at £10.3m (2021: £7.4m loss).
- The total loss before tax of £34.6m is an improvement on the prior year loss of £44.2m. The total loss before tax, in the year under review, includes £20.5m of depreciation, £19.0m of net financing costs and a £5.4m net impairment.
- During the year, Esken completed a refinancing that included a £125m convertible loan in relation to London Southend Airport (LSA), together with a new £20m working capital facility and £55m equity raise.
- The Group's headroom² at the year end was £72.7m (28 February 2021: £77.4m) which is ahead of management expectations set out at the time of the refinancing, and includes £14.4m of ring-fenced cash in LSA and the £20m undrawn revolving credit facility (RCF). The Group has £118.5m (2021: £91.9m) of net debt³ excluding obligations under leases (£241.9m (2021: £250.8m) including obligations under leases) and £39.7m of non-core assets, which will be held for sale at the appropriate time.
- As at 28 February 2022, the Group has c.£47m³ of future cash outflows, payable through FY23 and FY24, related to ongoing Propius lease and aircraft-related costs, following the liquidation of Stobart Air in June 2021. Its current undrawn £20m RCF expires in February 2023. As a result, the Group is progressing a review of its banking requirements in order to maintain sufficient headroom² to cover its working capital requirements and residual legacy liabilities.
- The Group's cash position is tracking in line with management expectations at the time of the July 2021 capital raise, although working capital management during FY22 has resulted in an improved cash position at 28 February 2022 compared to expectations. The management of costs associated with Stobart Air, following its liquidation in June 2021, and Propius, and work to dispose of the £39.7m portfolio of non-core assets remain in line with management expectations.

ESG highlights

- Esken has for the first time collected and voluntarily reported initial Scope 3 emissions data, in addition to Scope 1 and 2 data reported in prior years.
- Across its businesses Esken produced 139,447 tCO₂e, representing a 492% increase on the prior year, when adjusted to include Scope 3 data. This increase predominantly relates to the addition of wider Scope 3 emissions for the Renewables division, including third party wood handling and transport plus combustion of biomass fuel by power plant customers.
- Esken Renewables undertook third-party research with Logika Consultants to validate Scope 1-3 emissions data. The research established that whilst Esken produced around 121,256 tonnes of greenhouse gas (GHG) emissions in FY22, it saved the UK 630,000 tonnes of additional GHG emissions (equivalent to taking c.136k cars off the road) by supplying biomass power customers over 1.1m tonnes of waste wood that would have otherwise gone to landfill, producing methane.
- LSA launched its Connecting Communities Commitment, encompassing the launch of one of the UK's only independent noise forums, a charitable partnership and various community engagement initiatives.
- Esken established charity partnerships for each of its divisions, and across the business Esken established a good governance programme which supported its first Task Force on Climate-related Disclosures (TCFD) submission. Esken has also put in place an environment, social and governance (ESG) steering group and Board sub-committee with formal terms of references. As a result of this governance process, the business has established an ESG risk register and put in place ESG performance KPIs linked to Executive Team remuneration.

¹ Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments. Refer to note 3 for reconciliation to statutory loss before tax.

² Headroom is the sum of cash plus the £20m undrawn revolving credit facility. See note 33 for an explanation of the headroom Alternative Performance Measure.

³ See note 33 for an explanation of these Alternative Performance Measures (net debt and Propius lease and aircraft-related costs).



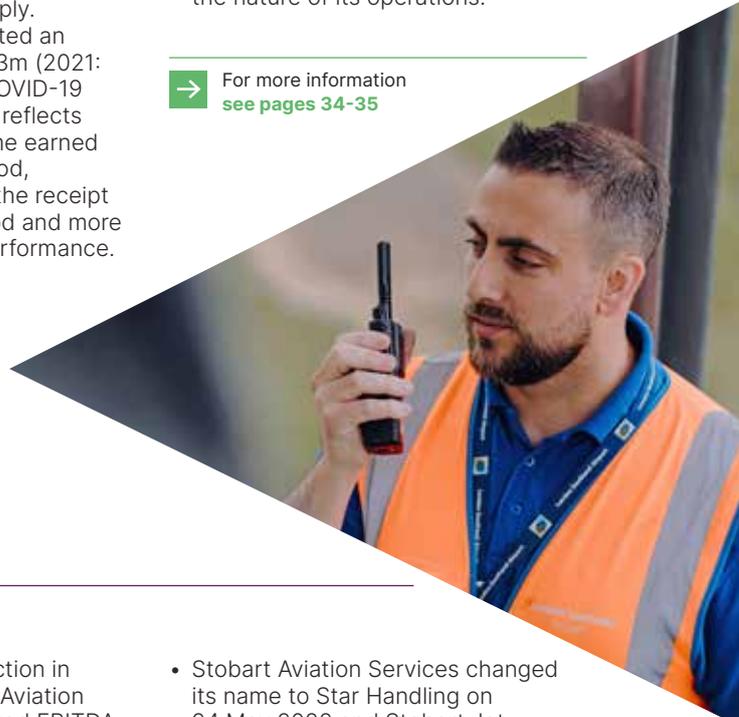
Operating highlights

Renewables

- In total, 1.5m tonnes of fuel was supplied by Esken Renewables to biomass plant customers, up 4.8% year-on-year (2021: 1.4m tonnes). Our customers' biomass plants generated 1.88 MWh, representing c.2% of the UK's fuel supply.
- Esken Renewables reported an adjusted EBITDA of £20.3m (2021: £10.0m), ahead of pre-COVID-19 levels. This performance reflects increased gate fee income earned from receiving waste wood, improved efficiencies in the receipt and supply of waste wood and more reliable biomass plant performance.

- Post year end, Stobart Energy changed name to Esken Renewables. The change of name, which complies with our obligations following the sale of the Stobart brands in 2020, reflects both the business's importance to Esken and the nature of its operations.

→ For more information
see pages 34-35



Operating highlights

Aviation

- Passenger numbers during the year under review continued to fall, with the airport welcoming 94k passengers, compared to 147k in the prior year. As previously reported, Ryanair announced its decision to close its base from the end of October 2021 and in light of that development LSA chose to close its passenger terminal for the Winter season, allowing it to minimise its cost base.

- Despite the further reduction in passenger numbers, the Aviation division reports an adjusted EBITDA loss of £0.8m, compared to £6.1m in the prior year. This is a result of the one-off £3.5m Connect Airways and Teesside benefit and profit contributions from Star Handling (the new name for Stobart Aviation Services) and LSA's hotel and solar farm, while LSA made an overall loss.
- Post year end, LSA saw the return of easyJet operations under an initial short-term contract, with the airline starting flights to Malaga, Palma and Faro on 1 May 2022.

- Stobart Aviation Services changed its name to Star Handling on 24 May 2022 and Stobart Jet Centre changed to London Southend Jet Centre on 5 April 2022.

→ For more information
see pages 32-33

Our story

We go further...

It's not enough to build valuable growth businesses. We also want those businesses to be fun and rewarding places to work.

We have a clear vision, mission and purpose that truly activates our business...

Our vision

is to play a key role in the UK transition to a greener future through renewables and sustainable aviation solutions.

Our purpose

is to develop sustainable UK infrastructure that benefits our partners, people and communities, within a clearly defined ESG framework.

Our mission

is to create smarter ways to supply renewable fuel and travel sustainably, through continuous improvement, collaboration and social responsibility.



Our strategy

Esken's strategic objectives are aligned with our vision and purpose, aiming to drive sustainable shareholder value over the medium term through growth in our aviation and renewables businesses.

- 01 Focusing on our core businesses to support their growth.
- 02 Ensuring these core businesses are focused on reducing our environmental footprint.
- 03 Continuously evaluating our portfolio of £39.7m of non-core assets and realise value.
- 04 Maintaining strict financial discipline through continuous evaluation of performance metrics.

→ For more information
see pages 12-19

Our values

shape how we work every day with each other, our customers and our partners.

Take care

We're committed to keeping ourselves and others healthy and safe. Every day. We focus on total wellbeing and a people-first approach. We are committed to being socially and environmentally conscious and are trusted to keep our word, be fair and be ethical.

Stay connected

We listen in order to understand, are open-minded, honest, straight-talking and find connections and work as one team.

Always improve

We never settle and are always finding ways to improve. We strive to learn more, and are constantly evolving, thriving on new ideas and new thinking to make our business better.

Own it together

We're proactive, agile and flexible, taking pride in our can-do attitude. We deliver 'great' every time because service, quality and success matter.

Esken at a glance

Esken is developing sustainable UK-focused growth businesses.

We are focused on two core businesses, Esken Renewables and London Southend Airport.

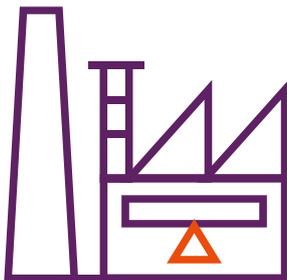
Esken Renewables

Esken Renewables is one of the UK's largest suppliers of renewable fuel. It receives a gate fee for taking waste wood from Household Waste and Recycling Centres and suppliers, largely operating in the construction industry.

It processes this waste wood into biomass fuel and supplies it to renewable energy plants under long-term supply contracts.

It plays a major role in the UK's circular economy. This financial year Esken Renewables helped the UK to avoid 630,000 tonnes of GHG emissions by diverting waste wood from landfill.

→ For more information see pages 14-15



London Southend Airport

London Southend Airport has ambitions to become the next major London airport, while protecting the air quality in and around its operations.

The airport offers quick journey times by train from London Liverpool Street to its privately owned airport train station and delivers an easy passenger experience with short walking distances and innovative, quick-to-use security equipment.

The airport is committed to benefiting local communities and reducing the impact of its operations on local air quality. A proactive strategy and continuous monitoring has ensured air quality has remained between 29%-45% below government guidelines over the last ten years.

→ For more information see pages 16-17



Investment case

We are focused on creating value for all our stakeholders.

Two core businesses, coupled with strict financial discipline

Esken has undergone a significant transformation, to focus solely on developing its renewables and aviation businesses. Esken has instilled strict financial discipline throughout the organisation, has simplified its liabilities and established a transparent financial structure. The business retains £39.7m of residual non-core assets which will be disposed of to further reduce debt or invest in core operations.

Esken Renewables is a significant, profitable supplier of renewable fuel in a growth sector

Sustainably sourced biomass and other forms of energy from waste will play an increasingly critical role in the UK's journey to greater energy independence and its strategy for delivering Net Zero in 2050. As the UK's largest biomass fuel supplier, Esken Renewables is well placed to play a leading role in supporting this. The business is profitable, cash generative and well invested with the infrastructure in place to supply increasing volumes of biomass fuel, and over time, other types of renewable fuel.

London Southend Airport has the capacity to grow sustainably as the aviation sector recovers

London Southend Airport (LSA) benefits from an experienced strategic partner, Carlyle Global Infrastructure Opportunity Fund (CGI), which brings a track record of airport development; Esken has provided liquidity to support the airport through to cash break-even. The CGI partnership will be important as short-haul commercial passenger flying returns to pre-pandemic levels. Established London airports will return to being capacity constrained and airlines will require a new base to support their growth. LSA can respond to this opportunity, benefiting from an award-winning passenger experience, London catchment area, direct trains and the ability to grow meaningfully, with sustainable aviation at its core.



Market review

London Southend Airport



Airlines on the whole are expected to allocate around 80% of Summer 2019 capacity in Summer 2022, with some low-cost carrier airlines exceeding that position.

Throughout the year under review, governments across the world gradually got to grips with managing the spread of COVID-19 and rolled out vaccine programmes. This in turn led to a relaxation of travel rules in and between the UK and other territories, resulting in a trend by mid-2021 towards increased capacity and associated passenger numbers.

This improvement however was dealt a sudden blow with the rapid spread of the Omicron variant toward the end of the calendar year, which slowed growth and impacted capacity for the Winter season across Europe. The impact of this however now looks more like a bump in the road rather than the start of a new trend.

Indeed, as we enter the Summer 2022 season, travel restrictions have now largely been either significantly reduced or dropped altogether in many, though not all, European countries. As a result, airlines are looking to capitalise on demand that has steadily built up over the last two years.

This built up demand has been tested following the end of our financial year, with the conflict in Ukraine inevitably having had an impact on airline capacity decisions. Fuel prices inflation and cost of living increases have also created uncertainty for both customer demand and airline route decisions, in the short term.

The impact of higher fuel prices on both customer demand and airline flying capacity is currently unclear. However, airlines on the whole are expected to allocate around 80% of Summer 2019 capacity in Summer 2022, with some low-cost carrier airlines exceeding that position. As we expected, it has been the low-cost carriers and short-haul airlines that have recovered fastest. They are seeing significant demand for short-haul travel, mainly to other European countries with advanced vaccine roll-out programmes, for leisure, visiting friends and family and business reasons, although the level of vaccination still varies significantly by location.

This pent-up demand, the relaxation of travel rules and the growth of some airline fleets, has led the majority of industry analysts to maintain their forecast that aviation in general will recover to very close to pre-pandemic levels in calendar year 2024.



However, there is also a view in some quarters that the European short-haul aviation sector could recover towards pre-pandemic levels by the end of 2023.

Over the last couple of years a number of short-haul airlines secured the slots to operate from Heathrow and Gatwick that would normally be taken up by long-haul operators or airlines with long-standing bases at those airports. The ability to secure slots at these airports on a short-term basis is however becoming increasingly rare, with few slots now available for the Summer 2022 season, though we have seen some recent transactions at Gatwick. There has been a trend towards a focus on 'primary' airports (Heathrow and Gatwick) which is likely to ease as capacity at those airports is taken up. However, by Summer 2024, or at the latest Summer 2025, it is expected that the London aviation system will be capacity constrained once again.

This return to capacity constraints comes at a time when many airlines are planning to grow, with large, long-standing fleet orders ready to be fulfilled. The constraints on capacity, coupled with the growth in airline fleets, is likely to make London Southend Airport the natural solution to airlines looking to operate within the London market in a relatively short timescale.

Esken Renewables



The conflict in Ukraine has brought the UK's ability to generate and rely on its own energy sources into sharp focus.

The conflict in Ukraine has brought the UK's ability to generate and rely on its own energy sources into sharp focus. The war has meant that countries across Europe are being forced to reduce their reliance on Russian oil and gas supplies and re-evaluate their own ability to generate energy.

The UK must seek to maintain its energy security by diversifying the sources of its energy, while increasing the contribution of renewable energy sources. UK-sourced sustainable bioenergy will continue to play an important role in this journey to increased energy independence. Currently the UK sources 7-9% of its electricity supply from the UK's biomass power supply chain. The Climate Change Committee believes both that sustainably-sourced bioenergy could contribute up to 15% of the UK's primary energy by 2050 and that "sustainable bioenergy is essential for reaching Net Zero".

The UK Government is expected to publish its Biomass Strategy in 2022, setting out how biomass can best contribute towards Net Zero across the economy. In November 2021 the UK Government published its Biomass Policy Statement which was a welcome step towards this new Biomass Strategy. The key principles of the statement were to set out how biomass can help the UK deliver its carbon budget and Net Zero ambitions, and how biomass can be utilised with carbon capture to achieve negative emissions. It is expected that under the new strategy, biomass will be prioritised over the longer term to support sustainable fossil fuel replacement, fuels from waste, aviation fuel and hydrogen production.

We support the role of biomass at the heart of the UK's transition to Net Zero and advocate the numerous benefits of waste and by-product-derived biomass. Combining waste and by-product-derived bioenergy with carbon capture and storage (BECCS), as well as hydrogen, will be critical to the UK's decarbonisation and energy security. Esken Renewables will work closely with the wider sector as the Biomass Strategy evolves and carbon capture and hydrogen business models develop.

Our core business is the production of waste wood derived biomass fuel, which is currently delivering significant carbon benefit to the UK economy. Over the past couple of years waste wood volumes have been volatile, due to the lockdowns imposed as a result of the pandemic. However, this year we have seen a stable return of waste wood volumes as the economic activity has started to recover and stabilise.

Construction output increased 12.7% in 2021 from 2020 levels, and in December 2021 construction output was in line with pre-pandemic levels. This resulted in an improvement in waste wood availability, which along with waste wood from recycling centres, underpinned gate fee pricing. At the same time, the biomass power plants that we supply are now maturing. Plant operators are seeking to improve availability and operate in a more consistent way, turning their focus to long-term efficiency and asset optimisation.

The increased availability of waste wood and improving picture around plant availability allowed Esken Renewables to increase the amount of waste wood it diverts away from landfill. As a result, we were able to prevent 630,000 tonnes of greenhouse gas emissions from entering the atmosphere. That's the same volume of emissions savings as taking 135,746 cars off the road for a year.

The importance of sustainable biomass fuel to both UK domestic energy security and to achieving Net Zero targets is a key driver to Esken Renewables' growth ambitions, and we will continue to strive to take domestic waste feedstocks and optimise the process for UK electricity generation. Biomass will play an increasingly important role in future UK energy generation.



Business model

Esken creates smarter ways to enable people and businesses to travel, connect and grow.

Our strengths

01

Our people

Esken recognises its people are at the heart of everything it does. Esken has therefore put in place a values-led approach to people development with a strong focus on continuous learning.

02

Our culture

Our people are encouraged to stay connected and work as a team, continuously seek to improve and own our challenges together, taking individual and collective accountability, and above all to take care of each other and the world around us.

03

Our focus

We all share in our vision to establish sustainable UK infrastructure businesses that benefit our partners, people and communities. We all have a part to play in reducing the UK's carbon emissions through renewables and sustainable aviation.



What we do

Esken's business model is to set the right strategy in order to deliver sustainable growth in our core aviation and renewables businesses.

We then set accountability from Board level down through the core businesses to deliver the strategy and provide them with the support needed to achieve their growth targets and sustainability goals.

The Board then monitors progress of the businesses against these targets.



Strategy setting

Having exited loss-making businesses Stobart Rail & Civils and Stobart Air, the Board has been able to focus on growing its renewables and aviation businesses and has set Group level strategic priorities to achieve this objective. Esken has optimised the accountability of those businesses, assigning responsibility for strategy delivery to Executive Directors, who work directly with the core businesses. That Board possesses a range of expertise including airport development, financial restructuring, ESG and people development.

Support

Esken provides a range of support and guidance to its operating businesses. Having recapitalised the business through a major refinancing, Esken has sought to optimise its financial structure to maintain the right levels of liquidity and reduce interest rate payments. Major focuses for support this year have included advances in its ESG framework, learning and development programmes, internal communications structure and health and safety policies.

Measuring progress

Esken has put in place a robust framework for measuring progress, particularly in terms of financial discipline and ESG performance. Esken has strong cash flow modelling and financial planning structures that ensure our businesses are focused on the bottom line, while also taking into consideration ESG impacts and making progress towards our sustainability targets.

By delivering our strategic goals we will create value for our stakeholders

Employees

Sustained growth will allow our people to flourish in an inclusive and supportive environment.

Partners, customers and suppliers

Our partners, customers and suppliers will share in the successful outcome of our strategy and be able to trust us to deliver on their expectations.

Shareholders and banking partners

We will create significant value for our shareholders by delivering on a strategy that responds to business challenges while seeking new opportunities.

Communities

Delivering our growth objectives will allow us to help communities prosper through the creation of local employment opportunities, and establish the connections communities need to thrive.

Regulators, government agencies and unions

Maintaining a positive dialogue helps us to share our vision for our business and provide reassurance that we recognise the importance of excellent standards of business conduct.

Our strategy

Esken's strategic objective is to drive sustainable shareholder value over the medium term through growth in our aviation and renewables businesses.

We aim to do this by:

01

Focusing on our core businesses and ensuring we have the right management structure and reporting lines, a clear strategy, and the appropriate support and performance measurements in place to support their growth.

FY22 progress

During the year, Esken redefined its management structures and reporting processes with Lewis Girdwood, CFO, taking on main Board responsibility for the Aviation division. Nick Dilworth, COO, took on main Board responsibility for Esken Renewables, in addition to his Executive responsibility for ESG.

02

Ensuring these core businesses are focused on reducing our environmental footprint and positively impacting our stakeholders.

FY22 progress

Esken put in place a governance structure with Board oversight to deliver its ESG framework, established charity partnerships, developed a volunteering framework and started to gather social impact metrics. Esken also improved its diversity data, put in place safety KPIs and worked toward our Roadmap to Net Zero with data collection for Scope 1-3 carbon footprint.

Both our operating businesses are working toward clearly defined growth strategies:

Esken Renewables

01

Esken Renewables aims to continue to strengthen its relationships with existing and new suppliers and customers, allowing it to optimise performance and work in partnership to manage risks.

2021/2022 progress

Having worked closely with its biomass plant partners throughout the lockdown period, Esken Renewables was able to capitalise on its strengthened relationships to develop a defined plan for satisfying demand throughout FY22 with clearly forecast and planned plant downtime and demand peaks.

02

Continuously evaluate every aspect of its supply chain infrastructure to identify opportunities to increase efficiencies, optimise competitive advantages and deliver sustainable improvements.

2021/2022 progress

Esken Renewables' close working relationships, and the ability to forecast peaks and troughs in demand, meant it could optimise the use of its national network of suppliers, taking waste wood in the locations where gate fees can be maximised, and manage stocks to optimise performance.

03

Seek opportunities to increase market share within its core operations through growing existing partnership agreements, securing new supply contracts and expanding into adjacent markets that leverage its existing infrastructure.

2021/2022 progress

Esken Renewables sees a number of opportunities to secure additional biomass supply capacity at existing UK biomass plants. Securing these additional contracts is a key focus for the coming year.

03

Continuously evaluating our portfolio of £39.7m of non-core assets and realising value as market conditions for asset sales improve over the coming years.

FY22 progress

Despite a challenging market backdrop for achieving optimum value, Esken has continued to explore opportunities to realise value through asset sales within its portfolio of non-core assets.

04

Maintaining strict financial discipline through continuous evaluation of performance metrics and assessment of the most efficient capital structures.

FY22 progress

Esken continues to maintain strict financial discipline as demonstrated by Esken Renewables slightly exceeding guidance and the aviation business reducing adjusted EBITDA losses, despite the challenges that continue to affect that sector.

London Southend Airport

01

London Southend Airport's (LSA) primary focus is to target airline agreements that are profitable and sustainable for all parties, while developing ancillary incomes from sources including global logistics, private jets, train station usage, hotel occupancy and car park revenue.

2021/2022 progress

The aviation industry has experienced significant challenge, through the global pandemic and the Ukrainian crisis. This has led to continued uncertainty amongst airlines who have retrenched to their established bases. LSA continues to undertake discussions with airlines focused on Summer flying in 2023 and 2024.

02

The airport will continuously seek to develop its airline proposition of proven routes, peak slots, cost-effective operations, an enjoyable passenger experience and an attractive and growing catchment area.

2021/2022 progress

LSA has continued to develop its airline proposition, principally focused on a best-in-class passenger experience. It has invested in next-generation security and baggage-handling equipment and is redeveloping its digital experience for passengers.

03

LSA's growth will be underpinned by a focus on continuously seeking to deliver benefits to the community in which it operates. This includes setting and delivering on clear environmental targets, providing economic benefits and job opportunities and acting as a trusted and transparent local partner.

2021/2022 progress

LSA made significant progress in terms of community engagement, launching its Connecting Communities Commitment, launching one of the UK's only independent community noise forums, appointing a charity partner, and completing a community survey that indicated significant local support for the airport.

Strategy in action – embedding ESG Esken Renewables

Esken Renewables engaged with Logika Consultants to develop a report that would establish both its own environmental footprint and the contribution it makes to reducing UK greenhouse gas (GHG) emissions across the supply chain.

It established that in FY22 Esken Renewables received, treated and supplied 1.1m tonnes of waste wood that would otherwise be sent to landfill. Doing so enabled the UK to avoid 630,000 tonnes of GHG emissions per year from landfilling waste wood. That's equivalent to taking 135,746 cars off the road.

Esken Renewables also supplied 300,000 tonnes of forestry by-products to biomass plants, meaning Esken Renewables supplied 1.5m tonnes of biomass fuel in total. Our biomass plant customers used that fuel to generate an estimated 1,883,000 MWh of electricity, which represents c.2% of the UK's domestic energy use and is sufficient to power around 651,322 homes.

Producing energy using biomass plants compared to doing so using gas-fired electricity also meant that the UK was able to avoid 714,000 tonnes of GHG emissions in the year from fossil fuels. The combined GHG emissions savings of avoiding waste wood going to landfill and using it to generate renewable energy meant that the UK avoided around 1.344 MTCO₂e in FY22.

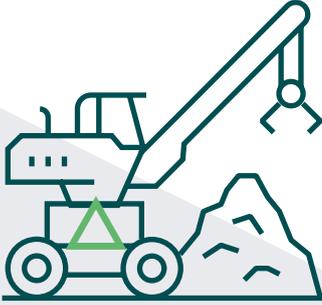
Of course it is also important to consider Esken Renewables' footprint from the processing and supply of biomass fuel. Esken Renewables generate emissions totalling 19,000 tonnes per annum. Over 80% of this is related to diesel fuel consumption in Esken Renewables' haulage vehicles and machinery.



Taking Climate Action

→ For more information on ESG
see pages 54-56

Delivering benefits through reducing emissions



Our biomass plant customers used our fuel to generate 1,880,000 MWh of electricity, which is sufficient to power around 650,000 homes

Esken Renewables generates 121,256 tonnes of GHG emissions when accounting for third party wood handling and transport.

Esken Renewables' plan to tackle these emissions in the future through the use of biofuels in site machinery, which could reduce its direct emissions by up to 20% in the near future. The electrification of site-plant and the introduction of zero-emission haulage vehicles in the next decade will further reduce this.

GHG emissions from Esken Renewables' customers are relatively balanced by CO₂ absorbed by the biomass during its growth cycle, ensuring the energy generated has low carbon intensity over its lifecycle.

The residual carbon intensity of electricity exported by Esken Renewables' customers is around 59 gCO₂e/kWh, which is over six times lower than natural gas power generation.

In the future, it is anticipated that Esken Renewables' customers will have the opportunity to upgrade their power plants to include carbon capture and storage, potentially creating carbon-negative power stations and significantly contributing to the UK's efforts of achieving Net Zero carbon by 2050.



Strategy in action – embedding ESG London Southend Airport

Developing a positive relationship between LSA and the community in which it operates is a key pillar for realising its growth ambitions.



We want to establish an airport that delivers tangible value to local residents, while also taking positive steps forward toward our sustainability goals.

In order to encapsulate the various initiatives that contribute to those goals LSA launched its Connecting Communities Commitment (the Commitment). The Commitment included an Environmental Action Plan, the launch of one of the UK's only independent noise forums and a two-year partnership with South East and Central Essex Mind (SECE Mind); a local mental health charity offering information and advice to people with a range of mental health problems.

Throughout the financial year LSA took steps to bring the Commitment to life. It has regularly engaged with local residents, businesses and councillors and hosted stakeholder events to discuss key topics, such as the ways in which the pandemic has changed our working lives and the potential to bring a hydrogen hub to serve Southend and Rochford's vehicle fuel needs.

The airport has also sought to contribute to the community directly. During the height of lockdowns, teams from LSA delivered food and toiletry packages to vulnerable people and provided car parking space to be used as COVID-19 test centres.

The airport cleaning team volunteered to spring-clean the communal areas of Nelson Gate, which is a supported housing facility run by SECE Mind, and the airport welcomed members of the public into the terminal for dedicated tours to support mental health and anxiety for anyone feeling nervous or anxious about a return to flying after the pandemic.

Teams at LSA have also sought to raise money for charity, most notably inviting staff members and the local community to walk or run the length of its runway whilst raising £15,015 for SECE Mind.



Building Sustainable Communities

→ For more information on ESG see pages 36-58



Understanding our communities

Strategy in action – embedding ESG Governance

It is essential for us to embed ESG within our working practices in order to effectively change the business culture.

Putting in place a structure to achieve this has been the priority for this year, and has led to the creation of a governance programme that drives transparency, accountability, and continuity. The established governance structure brings together colleagues from across Esken's divisions and functions, providing a bottom-up approach and enhanced visibility from the Board.

The structure we have put in place is comprised of working groups to support the development and progress of Esken's social impact programmes and environmental mitigation plans. These working groups have representatives from each of our divisions. This means we are able to take a collaborative approach to sharing knowledge, best practice and lessons learnt. The output from the working groups is reported up to the Steering Group and supports the development of a cohesive ESG plan for the business.

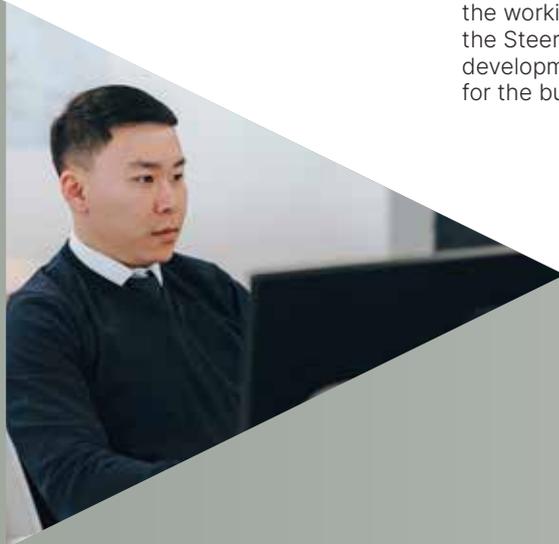
The Steering Group is comprised of the CEOs of our business divisions and core Group function heads. As the accountable body for ESG, the Steering Group meets monthly to review progress and ensure the business is compliant, taking appropriate steps to mitigate our environmental impact and driving a positive social impact programme.

We have also put in place an ESG Board sub-committee with formal terms of reference. The sub-committee meets monthly and receives all minutes from both the working groups and Steering Group. The sub-committee also reports into the Audit and Remuneration Committees. As a result of this governance process the business has also been able to establish a risk register, invest in public affairs subscriptions to be informed of emerging regulation and legislation, and develop KPIs across the ESG framework.

An element of the Executive Directors bonus targets will be based on the achievement of the ESG KPIs.

The governance structure we have put in place will provide the guidance, verification and sustainability we need as we continue to progress our ESG programme.

→ For more information on governance see pages 80-87



Strong governance oversight



The governance structure we have put in place will provide the guidance, verification and sustainability we need.



Chairman's statement David Shearer

Driving sustainable shareholder value



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

Review of the year

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

Esken continued on its journey to a focused aviation and renewables business having exited the loss-making Stobart Rail & Civils business

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

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

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



The benefits of the streamlining of our operations can be seen in our full year results. Esken's core operating divisions generated a combined adjusted EBITDA of £19.5m compared with £3.9m in the prior year.

David Shearer,
Executive Chairman

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

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

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



Chairman's statement

continued

Results

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

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

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

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

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

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

The adjusted EBITDA loss for the Aviation business of £0.8m compared with a loss of £6.1m in the prior year is a marked improvement given the significant drop in passenger numbers through the period of the pandemic. This performance reflects the strict financial discipline which has been applied and the continued income from the global logistics operation. Aviation continued to be impacted significantly by further lockdowns and the restrictions on travel across Europe. LSA saw passenger numbers continue to decline during the year under review, being down 36.2% to 94k.

In the latter part of the year, higher fuel prices and continuing uncertainty within the aviation sector has impacted airline allocation decisions with a number retracting to traditional established bases despite a market improvement in booking volumes for Summer 2022.

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

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





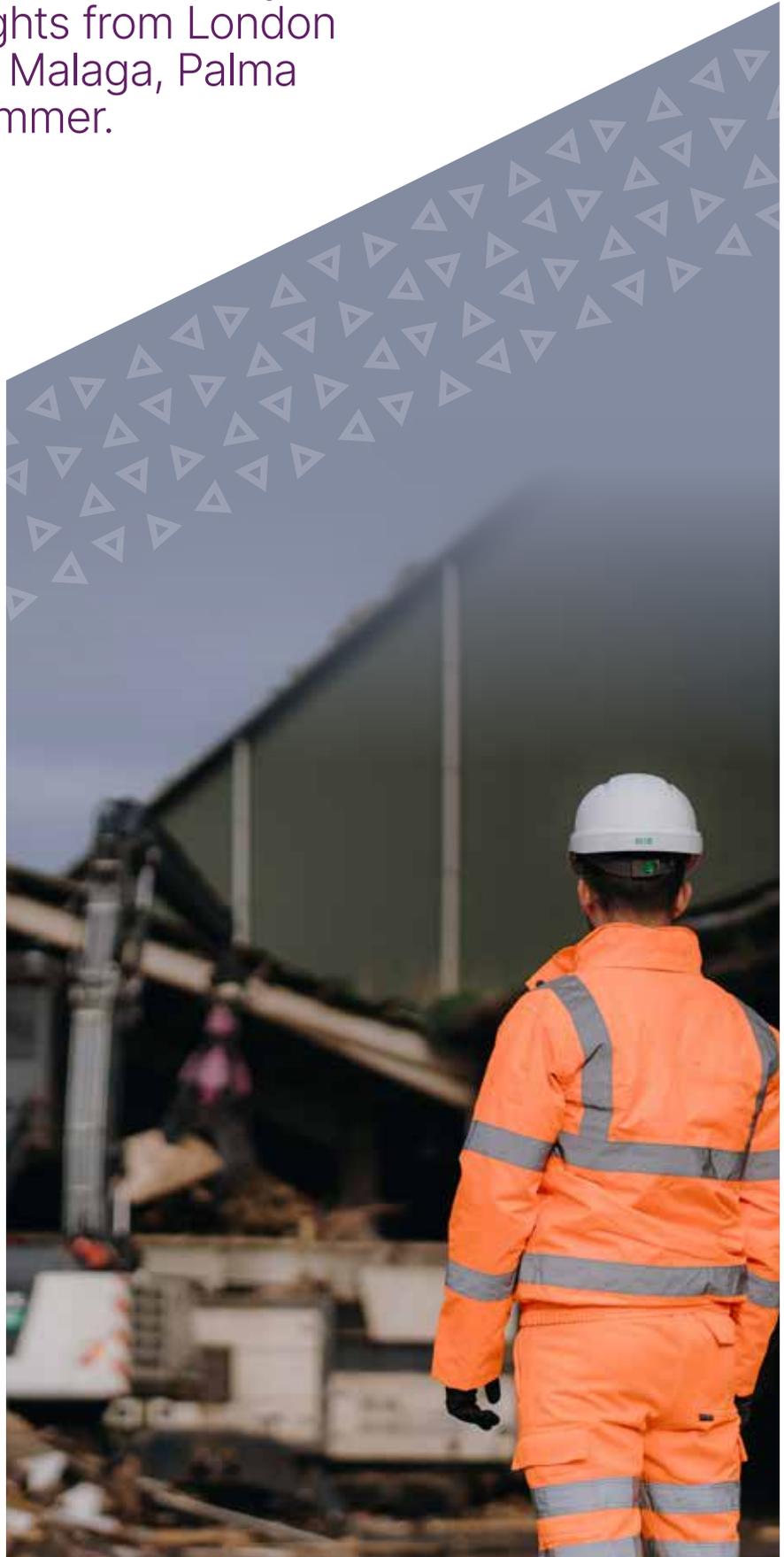
We were very pleased to see easyJet return to operate flights from London Southend Airport to Malaga, Palma and Faro for this Summer.

David Shearer,
Executive Chairman

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

Environmental, social and governance

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



Chairman's statement

continued



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

Strategy and funding

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

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

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

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

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

Board and people

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

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

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

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

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

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

Future

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

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

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

David Shearer
Executive Chairman

24 May 2022



Key performance indicators

We assess the Group's performance according to a wide range of measures and indicators. Our key performance indicators (KPIs) help the Board and Executive management team measure performance against our strategic priorities and business plans.

London Southend Airport

Revenue (£'000)



Aviation revenues continue to be affected by the prolonged impact of the COVID-19 pandemic on operations, decreasing by 5.4% following a reduction in passenger numbers.

Total passenger numbers at LSA



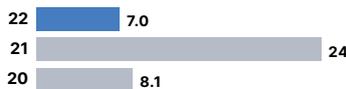
Continued impact of the COVID-19 pandemic has resulted in a reduction in passenger volumes by 36.2%, with FY21 benefiting from an unaffected month of operation in March 2021.

Adjusted EBITDA¹ (£'000)



Adjusted EBITDA improvement of £5.3m includes £3.5m of one-off benefits, with the remaining improvement driven by reduced airline marketing costs and savings in staff and general overheads, offsetting a reduction in passenger-related spend.

Cargo tonnage (thousand tonnes)



Reduction in cargo tonnes by 70.8% due to the impact of Brexit on the transfer of goods from Europe, although impact on volume of daily rotations was less significant, reducing by 36.7%.

Divisional operating cash flow² (£'000)



Improvement in cash profit due to continued actions to mitigate the EBITDA impact of COVID-19, offset by payment of Part 1 claims liabilities by the Aviation division.

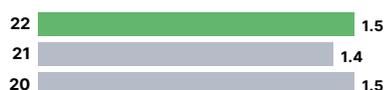
Esken Renewables

Revenue (£'000)



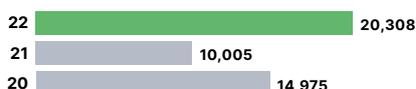
Renewables revenue increased by 6.6%, with tonnes supplied increasing from 1.4m to 1.5m as the renewables business returns to pre-COVID-19 levels of operations.

Tonnes supplied (MT)



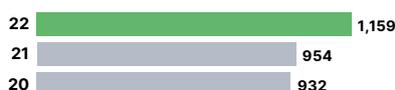
Return to normal market conditions following the resumption of the construction industry following COVID-19, has resulted in a 4.8% increase in tonnes supplied.

Adjusted EBITDA¹ (£'000)



Recovery of the business to normal pre-COVID-19 market conditions, accompanied by increased gate fees, has resulted in a £10.3m increase in adjusted EBITDA.

Volume of waste wood supplied (MT)



The volume of waste wood supplies represents a combination of the waste wood that is supplied via third parties and waste wood that is received by Esken Renewables under the gate fee mechanism, processed and then supplied to our biomass plant partner.

Divisional operating cash flow² (£'000)



£2.5m increase in cash flow from operating activities, driven by the adjusted EBITDA improvement, with the business maintaining strong cash conversion and working capital management.

1 Adjusted EBITDA represents loss before interest, tax, depreciation and impairments.

2 See note 33 for an explanation of the divisional operating cash flow Alternative Performance Measure.

Group: Financial

Revenue (£'000)



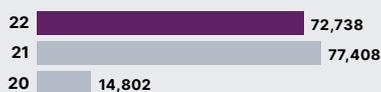
Revenue has increased by 3.2% to £104.6m, driven by the return to normal market conditions in the renewables business, partially offset by reduced passengers travelling through London Southend Airport.

Loss before tax (£'000)



Loss before tax improvement of £9.3m to a loss of £34.6m, driven by the favourable performance in adjusted EBITDA and non-repeat of £8.0m loan note impairment in FY21, partially offset by higher Finance costs and the £5m impairment of Property assets in FY22.

Headroom (£'000)



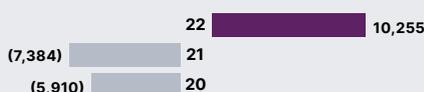
The Group had £72.7m of cash and undrawn bank facilities available at 28 February 2022, driven by net proceeds of £52m from the issue of ordinary shares and £111m from the Carlyle convertible debt transaction, in addition to the £20m undrawn revolving credit facility.

Total shareholder returns (£'000)



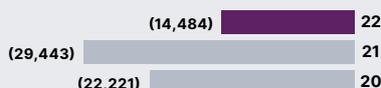
Total shareholder returns remain at nil in FY22 due to retaining cash within the business in response to the unprecedented impact of COVID-19 upon the Group.

Adjusted EBITDA¹ (£'000)



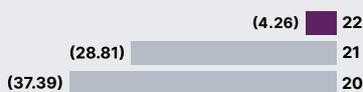
Group adjusted EBITDA increased by £17.6m to a profit of £10.3m, which includes £8.2m of one-off adjustments, resulting in a like-for-like adjusted EBITDA improvement of £9.4m, driven by the Esken Renewables improvement and strict cost control across the Group.

Cash flow from operating activities (£'000)



Continued strict financial discipline, minimising costs and capex, and managing the Group's working capital in order to reduce cash burn, in addition to the £3.5m of one-off receipts associated with Connect Airways and Teesside International Airport have resulted in Group cash flow from operating activities improving by £15.0m.

Loss per share – total (pence)



Earnings per share remains negative as the Group recovers from the impact of COVID-19 and disposes of legacy underperforming operating divisions.

Net debt (£'m)



Net debt has reduced from the prior year due to the net £51m equity raise proceeds, with the £125m Carlyle convertible loan allowing repayment of the existing RCF facility. This has been partially offset by cash flow required to fund legacy Stobart Air and Propius liabilities, in addition to interest accrued on the Carlyle convertible loan.

Group: ESG

Accident/incident rate



The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013, regulates the statutory obligation to report deaths, injuries, diseases and dangerous occurrences that take place at work or in connection with work. The reported figure is arrived at by dividing the number of RIDDORs by the number of hours worked, multiplied by 100,000.

Taking climate action

(Tonnes CO₂ per £m of revenue)



These figures for CO₂ represent the equivalent amounts of CO₂ for greenhouse gases for Scope 1-3 emissions and using FY19 as baseline data. For more information see page 52.

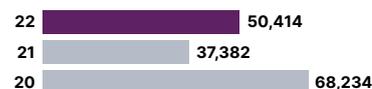
Minimising our environmental impact (% of waste)



This number is calculated across all our divisions for waste that is recycled and converted into energy. Waste that cannot be recycled makes up the remaining 0.5%.

Developing our people

(Number of hours of training)



Reporting the number of hours invested in training fulfils our commitment to developing our people to give them the skills they need to meet their personal development goals.

Financial review

Lewis Girdwood

Clarifying the picture

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

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

Aviation emerging from COVID-19

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

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

Renewables bounce back

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

Discontinued operations

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





We have simplified the Group and made progress in both operating divisions supported by smart cost management where appropriate.

At 28 February 2022 the Group has c.£47m of outstanding cash outflows payable through to September 2023 related to ongoing Propius lease and aircraft-related costs, see note 33 for breakdown of the costs. Towards the end of calendar year 2022 Propius will begin the staggered hand-back of the eight ATR aircraft to GOAL. The remaining aircraft costs have been fully provided for in these financial statements, although there is estimation uncertainty regarding part of the maintenance provision, see notes 2 and 25. The provision excludes any future foreign currency exchange exposure.

Balance sheet and liquidity

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

Revenue

| | 2022 £m | Restated ¹ 2021 £m | Movement |
|--|--------------|-------------------------------------|-------------|
| Aviation | 23.4 | 24.7 | -5.4% |
| Renewables | 79.7 | 74.7 | 6.6% |
| Revenue from two main operating divisions | 103.1 | 99.4 | 3.7% |
| Investments | - | - | 0.0% |
| Non-Strategic Infrastructure | 0.7 | 1.1 | -37.4% |
| Group Central and Eliminations | 0.8 | 0.9 | 4.5% |
| Total revenue | 104.6 | 101.4 | 3.2% |

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

Profitability

| | 2022 £m | Restated ¹ 2021 £m | Movement |
|--|---------------|-------------------------------------|---------------|
| Adjusted EBITDA² | | | |
| Aviation | (0.8) | (6.1) | 87.3% |
| Renewables | 20.3 | 10.0 | 103.0% |
| Adjusted EBITDA² from two main operating divisions | 19.5 | 3.9 | 397.1% |
| Investments | (0.4) | 0.1 | -404.7% |
| Non-Strategic Infrastructure | 3.3 | (1.7) | 297.2% |
| Group Central and Eliminations | (12.1) | (9.7) | -24.3% |
| Adjusted EBITDA² | 10.3 | (7.4) | 238.9% |
| Depreciation | (20.5) | (19.4) | |
| (Impairment)/reversal of impairment of property | (5.4) | 0.8 | |
| Operating loss | (15.6) | (26.0) | |
| Impairment of loan notes | - | (8.0) | |
| Finance costs (net) | (19.0) | (10.2) | |
| Loss before tax | (34.6) | (44.2) | |
| Tax | 9.9 | 7.1 | |
| Loss for the year from continuing operations | (24.7) | (37.1) | |
| Loss from discontinued operations, net of tax | (2.4) | (118.0) | |
| Loss for the year | (27.1) | (155.1) | |

1 2021 results have been restated where required in line with IFRS 5 Discontinued Operations.

2 Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments. Refer to note 3 for reconciliation of divisional adjusted EBITDA to loss before tax.

Profitability

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

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

Financial review

continued

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

Business segments

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

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

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

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

Depreciation

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

Impairment of property assets

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

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

Impairment of loan notes

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

Finance costs

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

Tax

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

Discontinued operations

On 14 June 2021 Stobart Air was placed into liquidation and its balance sheet was deconsolidated from the Group accounts. The operational loss of Stobart Air prior to liquidation of £1.1m and the profit on liquidation of £11.3m are presented in discontinued operations. Following the liquidation of Stobart Air, the results of Propius, our aircraft leasing business that leased all eight of its aircraft to Stobart Air, have been presented as discontinued. Propius is abandoned in line with the IFRS 5 definition of a discontinued operation. The operational loss of Propius of £12.3m has been presented in discontinued operations. The prior period results have been restated within the consolidated income statement, consolidated statement of cash flows and accompanying notes accordingly. The current year loss from discontinued operations also includes a £0.3m loss related to residual costs from the disposal of Stobart Rail & Civils in the prior year.

Loss per share

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

Share movements and dividends

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

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

Balance sheet

| | 2022 £m | 2021 £m |
|-------------------------|-------------|-------------|
| Non-current assets | 353.5 | 369.4 |
| Current assets | 89.2 | 55.4 |
| Non-current liabilities | (239.5) | (172.6) |
| Current liabilities | (133.1) | (203.9) |
| Net assets | 70.1 | 48.3 |

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

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

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

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

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

Debt and gearing

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

See note 22 for more details on net debt. The alternative performance measures of net debt and gearing are explained in note 33.

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

Cash flow

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

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

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

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

Lewis Girdwood
Chief Financial Officer

24 May 2022

Operational review London Southend Airport

COVID-19 created unprecedented challenges for London Southend Airport and the aviation sector as a whole.

Key points

- Adjusted EBITDA improved to a loss of £0.8m compared to a loss of £6.1m in the prior year.
- This performance includes £3.5m of one-off receipts associated with Connect Airways and Teesside International Airport.
- London Southend Airport welcomed the return of easyJet flights on 1 May 2022.

After a period of immense challenge, the aviation sector is now starting to see the green shoots of recovery. Travel restrictions to many of the UK's most popular destinations have been relaxed. As a result, an increasing number of people are booking flights for the Summer 2022 season with confidence.

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

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

We have a clear strategy to capture the recovery and long-term growth in commercial passenger flying, with airlines attracted to our clear proposition of proven routes, cost-effective operations and an attractive and growing catchment area with strong transport links to London.





We are emerging from the pandemic with a return to flights and the expectation of more flights and more airlines to come.



Esken and LSA will continue to develop and refine that proposition to ensure the right building blocks are in place to rebound quickly on the back of securing the right commercial agreements.

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

LSA has also invested time and energy to develop its community relationships. During the year, we launched our Connecting the Communities Commitment, encompassing an Environmental Action Plan, a two-year charity partnership with MIND South Essex, the launch of one of the UK's only Community Noise Forums and a range of employment and education initiatives. The airport continues its journey towards carbon neutrality, through its membership of the Airport

Carbon Accreditation scheme and saw a further improvement in air quality as reported from its NoX monitoring programme.

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

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

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

Lewis Girdwood
Chief Financial Officer
24 May 2022

Esken Renewables enjoyed a strong financial performance throughout FY22.

Operational review Esken Renewables



We processed over 1.1m tonnes of waste wood, saving the UK up to 630,000 tonnes of greenhouse gas emissions.

Key points

- Adjusted EBITDA improved significantly from £10.0m to £20.3m, marginally ahead of the expected range of £18-20m.
- This performance is mainly as a result of improved gate fee pricing following the resolution of COVID-19 market impacts.
- The business changed name from Stobart Energy to Esken Renewables to better reflect its operational focus.

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

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

With gate fees now stable, Esken's focus is to optimise performance. Central to this is to build, maintain and enhance customer and supplier relationships. In the prior year as a result of challenges brought about by the UK's various COVID-19 lockdowns, Esken Renewables focused on ensuring that all of its customer demand needs were met in a controlled and planned way.

As a result, we were able to capitalise on its strengthened relationships and work alongside its partners to develop a defined plan for satisfying demand throughout FY22 with clearly forecasted and planned plant downtime and demand peaks.

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





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

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

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

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

The remaining biomass fuel that we supply is sourced from managed woodlands and forestry by-products supplied alongside a small amount of higher-quality biomass.

Our strategic partner AW Jenkinson Forest Products supplies the majority of this product, with Esken Renewables managing the contract and customer relationship. Esken Renewables also delivers forest by-products that it sources directly from a combination of arboricultural residues, branches and bark residues from harvesting by its own forestry team.

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

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

Nick Dilworth
Chief Operating Officer

24 May 2022

Sustainability report

Nick Dilworth

ESG – at the core of our business decision-making

In the year when the UK Government hosted COP26, it focused corporates, communities and the general public to address the issue of the climate crisis. I'm pleased to say that over the past twelve months, Esken has also continued to drive forward, its environmental, social and governance programme and throughout this section of the Annual Report I will update on our progress.

As we continue to face the challenges of emerging from the pandemic, we remain committed to developing an ESG programme that can deliver positive social impact in our local communities and reduce our environmental impact. We will achieve this by developing a credible plan for our roadmap to Net Zero, and our social impact programme, both of which have been linked to Executive management team KPIs this financial year.

We remain committed to embedding our responsible business practices across everything we do, bringing about a cultural change to set us up for success. During COP26, we engaged with our colleagues to canvass their views on what we could do differently; we listened and responded, offering timelines for delivery, or when ideas were not possible, being open and transparent with our teams in our response.

We understand the importance of developing trust with our stakeholders and shareholders, which is why this year we have reported against the Task Force on Climate-related Financial Disclosures (TCFD) guidelines. This is Esken's first year of disclosing in line with the FCA listing rule which requires us to report on a 'comply or explain' basis against the TCFD Recommendations and Recommended Disclosures.

You can find our disclosures against each TCFD Recommended Disclosure and the related Recommendation covering Governance, Strategy, Risk Management and Metrics & Targets on pages 52-55.

The Group has not included climate-related financial disclosures consistent with the TCFD recommendations in relation to strategy (all recommended disclosures) and metrics and targets (disclosure c – target). The Group does not meet the above recommendations due to the Roadmap to Net Zero not being finalised, which includes the future climate-related strategy and targets for the Group. The Roadmap is underway and is expected to be completed by the next annual report where full compliance with the TCFD recommended disclosures is anticipated.

During this first year we have developed a robust governance structure in line with the TCFD guidelines. Developing this strong foundation, which aims to drive continuity, accountability and transparency, brings about the cultural change to embed ESG at the core of the business. The governance structure has been developed to support the ESG programme implementation plan.

We have established working groups, which comprise of colleagues from across our business divisions, to drive forward progress across our five-pillar framework. We have a Steering Group as the accountable body with oversight of the whole ESG programme including the risks and opportunities; it receives regular updates from the various working groups and reports in to a formal ESG sub-committee of the Board, who have full oversight, receiving monthly briefings on progress.

We continue to focus on metrics and over the last twelve months we have developed base-line data in order to develop reportable KPIs for our next reporting period. For the business to demonstrate progress we understand the requirement for metrics to be gathered and reported, and for senior managers in the business to demonstrate leadership; this is why an element of the Executive Directors bonus targets will be based on the achievement of the ESG KPIs.



We will continue to monitor data across all our programme areas, from environment through to diversity, to inform our programme development and implementation, including our Roadmap to Net Zero which will be developed during the new financial year. Over the next 12 months I look forward to the leadership teams, across the business, leading the way on employee volunteering and safety.

Over the year we have developed an ESG risk register, which has been considered by the Steering Group and will start to be embedded in the wider risk registers across the Group. We have also included a risk statement in the Taking Climate Action section of this report as we start to formalise our approach to ESG and climate change. The risk register has been comprised during the year and as we progress our ESG programme we will report against our risk register in next year's Annual Report.

To further develop our strategy we have joined Business in the Community (BITC). Membership of BITC offers peer support for senior leaders and our key functions in the business. This has supported the development of our colleagues, which in turn has supported the development of our programmes. We remain committed to running another materiality assessment, but we have taken the decision to rerun the assessment when we have established a stronger programme. The original assessment was conducted in 2019 and we are committed to reviewing this by 2024. We have however, enhanced our five-pillar framework by aligning the pillars to the UN Sustainable Development Goals, which you will see throughout this section.

I am proud to be the Executive Sponsor for ESG and I am pleased with the progress we've made this year, with the support of my colleagues across the Group. I look forward to reporting on further progress next year.

Nick Dilworth
Chief Operating Officer

24 May 2022

Governance

We understand the importance of good governance, which is why our priority this year has been to create a governance programme that drives transparency, accountability and continuity. The new structure we have developed has driven engagement from the bottom up and enhanced visibility from top down, and has driven the culture change programme across the business.

At the beginning of the year, we established a working group structure to support the development and progress of our social impact programmes and environmental mitigation. The working groups are comprised of representatives from each of our divisions. This collaborative approach has led to sharing knowledge, developing a cohesive plan for the business and an annual communications calendar to celebrate key ESG dates. The output from the working groups is reported up to the Steering Group.

The Steering Group is comprised of representatives from across our divisions and key Group functions. Meeting monthly, it reviews progress, are the accountable body for decision-making and ensures the business is compliant across the environmental and social agenda.

The Board has oversight of environmental, social and governance matters across the business. Board members receive monthly updates which provide an overview of the ESG programme.

For the business to demonstrate progress we understand the requirement for metrics to be gathered and reported. Through the governance process the business has established KPIs across the five-pillar ESG framework. An element of the Executive Directors bonus targets will be based on the achievement of the ESG KPIs.

We have started to gather social impact metrics and we have enhanced our environmental data collection and can report Scope 1-3 emissions data this year. Our colleagues have provided an insight into their review of our performance via the employee survey that saw 50% of our colleagues say "the business creates the right culture and is committed to making a positive change to our people, community and environment".

We will also be able to gather information on how they have individually supported the social impact and environmental mitigation agenda as questions have now been included in annual appraisals.

To support our progress we will seek external verification on our data. We will undertake the BITC Responsible Business Tracker to help us benchmark against our peers, support with gap analysis and allow us to share best practice.

We have invested in public affairs subscriptions to help us keep abreast of emerging legislation and regulations and to meet all future compliance requirements, including changes to comply with the TCFD.

We have developed an ESG risk register, which has identified, assessed and managed risks in line with Esken's relevant frameworks. The identified ESG risks will be embedded in each of the divisions risk registers.

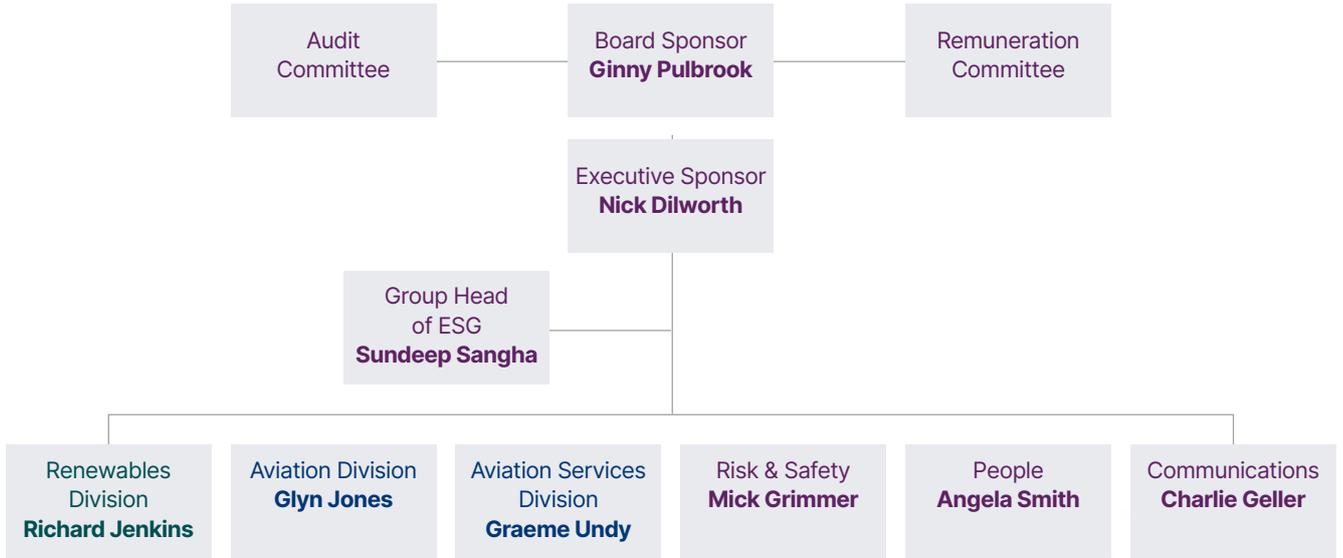
Sustainability report

continued

Governance structure

The governance structure illustrates how the business is driving through accountability, transparency and continuity of the ESG programme.

Steering Group & Board engagement



Business in the Community

We are delighted to announce that Esken has joined Business in the Community (BITC), the largest and longest established business-led network dedicated to responsible business. BITC has a membership of over 600 businesses across Britain and Northern Ireland, each committed to embedding and continually improving their responsible business practice.

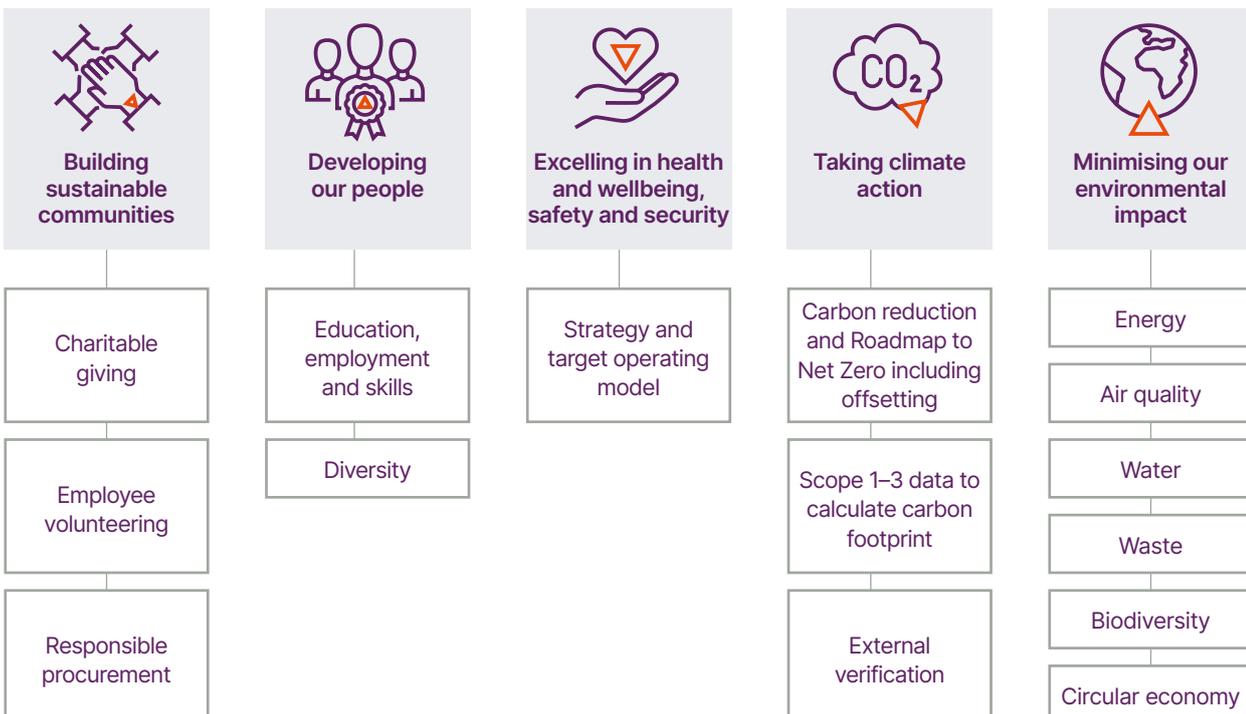
Materiality matrix

In 2019 we ran a materiality assessment and the matrix was used to develop our five-pillar framework. We have made further progress and now align our priorities to the UN Sustainability Goals. As we continue to develop our ESG programme we will undertake a materiality assessment within a five year period.



Working groups

Aligned to the five-pillar framework, working groups have been established with representatives from across our divisions, to inform and develop our future environmental mitigation and social impact programmes.



Sustainability report

continued



Building sustainable communities



| 2022 | 2021 | 2020 |
|----------------------------------|------|------|
| £10,847 | £N/A | £N/A |
| Fundraising for charity partners | | |

| 2022 | 2021 | 2020 |
|------------------------------|------|------|
| 75 | N/A | N/A |
| Number of volunteering hours | | |

Overview

Esken remains committed to being a good neighbour and having a positive social impact in the communities in which we operate. Through the governance structure we have established the Building Sustainable Communities working groups comprised of representatives from across all our operational divisions. The focus for the Group is on charitable giving, employee volunteering and gathering and reporting social impact.

Charitable giving

This year each of our operational divisions established charity partnerships. The charity partners were FareShare, Help for Heroes and South East and Central Essex Mind (SECE Mind). Esken committed to supporting the partnership by matching up to £5,000 in fundraising for each partnership.



FareShare partnership

In June 2020 Esken Renewables announced a partnership with FareShare, the UK's largest charity fighting hunger and food waste. The team chose FareShare as their charity partner following consultation with colleagues from across our People Forums. FareShare mirrors our business model by sourcing waste food from across the UK and supplying it to those that need it most. The choice of FareShare reflects the proud track record of our colleagues supporting foodbanks and the success of our Christmas food drives in previous years. As the relationship develops, the team aims to explore opportunities to lend our supply chain expertise to support FareShare, undertake food drives throughout the year and seek out volunteering opportunities for our people.

Help for Heroes

In June 2021 Star Handling (formerly Stobart Aviation Services) announced their partnership with Help for Heroes, the UK's leading armed forces and veterans charity. Help for Heroes was selected as our charity partner following an employee vote across all sites. It's a great partnership, especially as a number of colleagues are ex-armed forces or current reservists.

HELP for HEROES
SUPPORT FOR OUR WOUNDED

In September 2021 the team took on The Step2It challenge as their flagship fundraising event for the year. On World Mental Health Day the team shared a new study from Help for Heroes about the importance of mental health.

The National Three Peaks challenge

Esken Renewables have established a fundraising committee as part of our People Forum which supports fundraising events, promotion and activities. In September 2021 the team took on The National Three Peaks – Britain's toughest outdoor challenge as their flagship fundraising event for the year.



Sustainability report

continued



Building sustainable communities



London Southend Airport and South East and Central Essex Mind



In September, the airport welcomed members of the public into the terminal for dedicated tours to support mental health and anxiety.

In July London Southend Airport announced its partnership with SECE Mind. SECE Mind is a local mental health charity offering information and advice to people with a range of mental health problems, whilst lobbying government and local authorities on their behalf. Our employees chose to partner with SECE Mind, recognising the important role that the charity can play in the community and with our colleagues and passengers. The team has developed both internal and external awareness around mental health and the work of SECE Mind.

In December 2021, the airport hosted their annual Mental Elf fundraiser. They opened their doors to members of the public with a festive fundraiser to walk or run the length of its runway whilst raising vital funds for SECE Mind.

In February 2022, the airport cleaning team volunteered to spring-clean the communal areas of Nelson Gate, which is a supported housing facility run by SECE Mind that provides specialised accommodation to give a safe and stable environment for recovery after a mental health crisis. Three members of the team each donated a full day to the project.

In September 2021, the airport welcomed members of the public into the terminal for dedicated tours to support mental health and anxiety for anyone feeling nervous or anxious about a return to flying after the pandemic, and those with hidden disabilities that want to familiarise themselves with an airport prior to travelling.

In October 2021 the team hosted 'Coffee with Cath', an opportunity for colleagues to sit and talk to a member of the SECE Mind team to understand the work they do and the support and help they can provide.

In February 2022, during our 'Time to Talk' day the team streamed tips from SECE Mind on how to cope with general mental health including stress and anxiety.

Employee volunteering

Esken understands the benefit of employee volunteering to our community as well as our colleagues, and is committed to launching an employee volunteering programme. Through the working group an employee volunteering framework has been developed and has been aligned to our charitable giving, education, employment and skills programmes and environmental mitigation.

This year a pilot employee volunteering day was hosted by Runcorn Local Natural Reserve for the Steering Group and all ESG Working Groups, to help inform any future programme. The activity involved the removal of encroaching birch regeneration, which threatens the natural grassland and heathland. We donated 75 hours of volunteering for the pilot event.

Education, employment and skills

One of the main ways Esken can positively impact its local community is to invest in local education programmes, employment initiatives and provide skills development. We continue to develop our programmes, but this year focused on education and work experience. Esken Renewables hosted three virtual work experiences and London Southend Airport partnered with Southend Borough Council to support their economic development programmes.

London Southend Airport Local Authority Partnership



London Southend Airport's aim is to provide employability support to every child in Southend and Rochford. The airport partnered with Southend Borough Council to support their economic development programmes, it also attended a number of careers fairs and events at schools in the local area, and support a number of initiatives the council has developed to help drive economic growth through skills development in the borough.

These included:

- the Industry Champion programme enabling local business people to support a number of school and college career activities, offering young people from low-income backgrounds support and guidance to build meaningful careers;
- the Enterprise Adviser Network, a national programme that pairs senior business leaders with schools and colleges to build a robust careers plan for young people enhancing the careers provision;
- the 60 Minute Mentor, an employer-led mentoring programme which pairs local business leaders with disengaged year-8 students, who would benefit from a role model to talk about career options and choices around education or training post 16 years; and
- PAVE – an employment and skills programme, funded by DWP and delivered by Southend Borough Council, that works in partnership with local employers to support unemployed over-25s back into work.

Sustainability report

continued



Building sustainable communities

Virtual work experience

Esken Renewables wanted to raise the profile of a career in logistics with pupils of school-leaver age. With a shortage of LGV drivers in the UK, a career as an LGV driver is often overlooked by many young people. The team hosted a virtual work experience for ten year 12 students from St. Nicholas Catholic Sixth Form.

The two-day activity began with an overview of Esken Renewables, time with the team and a summary of the task, which was to develop a strategy to mitigate the risks of the medium-term impact to the commercial challenges and profitability. Students were asked to formulate a strategy to mitigate three areas of concern for Esken Renewables: reliable waste wood supply, LGV driver shortage and fleet utilisation.

In a 'Dragons' Den' style final presentation, students were encouraged to be creative in their approach and include as much of their own research as possible in their final presentations, by gaining as much understanding as possible of the logistics industry.

Military covenant

As a business that benefits from the transferable skills of armed forces professionals, we are proud signatories of the Armed Forces Covenant. The team works proactively to encourage ex-service personnel to join the business, working with the Career Transition Partnership, developing relationships with local reservist units and works with recruitment agencies who share our ethos and are also Armed Forces Covenant accredited. The team have worked to put in place new support mechanisms and policies to support our armed forces veterans, volunteers, reservists and partners. They also work with their people champions and leadership team to ensure that we have the best support in place for our employees; this includes an ex-forces Yammer social media group to develop our internal communications network across the business.

Esken Renewables have been members of the Armed Forces Covenant (Bronze level) since 2020, gaining our Silver status in the same year and looking to 'go for Gold' in 2022.

In 2020 Star Handling (formerly Stobart Aviation Services) signed the Armed Forces Covenant and have submitted an expression of interest for the Silver upgrade.

London Southend Airport became a member of the Armed Forces Covenant (Bronze) in August 2021 and is now working towards the Silver award.

Responsible procurement

At Esken we understand the importance of working with our supply chain to positively contribute to our positive social impact and mitigate our environmental impact.

Supplier Code of Conduct

This year we introduced our Supplier Code of Conduct into our supply chain, which is aligned with our new corporate values. The document sets out what suppliers can expect from Esken, as well as the importance of fairness, social responsibility, sustainability and transparency that Esken expects from its supply chain.

Modern slavery

Since 2020 we have annually reviewed our Modern Slavery Statement and Modern Slavery & Human Trafficking Policy. On Anti-Modern Slavery Day we wrote to our colleagues to raise awareness of our policy and we have established compulsory training for all our colleagues.

Social enterprises

Esken have introduced three social enterprises into our supply chain.

Wildhearts are our stationery provider and they offer young people employability skills to address social mobility in the UK.

Recycling Lives provides the safe and sustainable disposal of our uniforms and personal protective equipment, and reduces reoffending through rehabilitating offenders, supporting homeless men and food distribution to vulnerable people.

Ethstat provided our branded merchandise as part of our values launch; the profits from our trading fund community solutions to local problems, ranging from ending homelessness to supporting families with dementia.





Developing our people



| 2022 | 2021 | 2020 |
|---|--------------|--------------|
| 138 | 201 | 339 |
| Employees with more than five years' service | | |
| 18% | 22% | 23% |
| % employees with more than five years' service | | |
| 71 | 52 | 233 |
| Attrition: Leavers within six months of start date | | |
| 95 | 157 | 377 |
| Attrition: Leavers within twelve months of start date | | |
| 43% | 55% | 22% |
| Attrition rate % | | |
| 778 | 912 | 1,482 |
| Total number of employees | | |
| 86.8% | 83.6% | 81.3% |
| Employees working full-time % | | |
| 13.2% | 13.6% | 18.7% |
| Employees working part-time % ¹ | | |
| 64.8 | 30.9 | 55.0 |
| Average hours training per year per employee ² | | |
| 36 | 2 | 6 |
| Number of apprenticeships | | |

1 Part-time % – also includes those on zero-hour contracts which have not previously been included in the part-time % but feel it's appropriate to capture this section of the workforce and report in this way.

2 Training hours – we were able to provide training whilst employees were on furlough so took the opportunity to do a lot of mandatory and compliance-related training during this time. We have also invested heavily in our apprenticeship programmes this year; each of the 36 employees registered on a L3 or L5 programme received 20% off-the-job training.



Sustainability report

continued



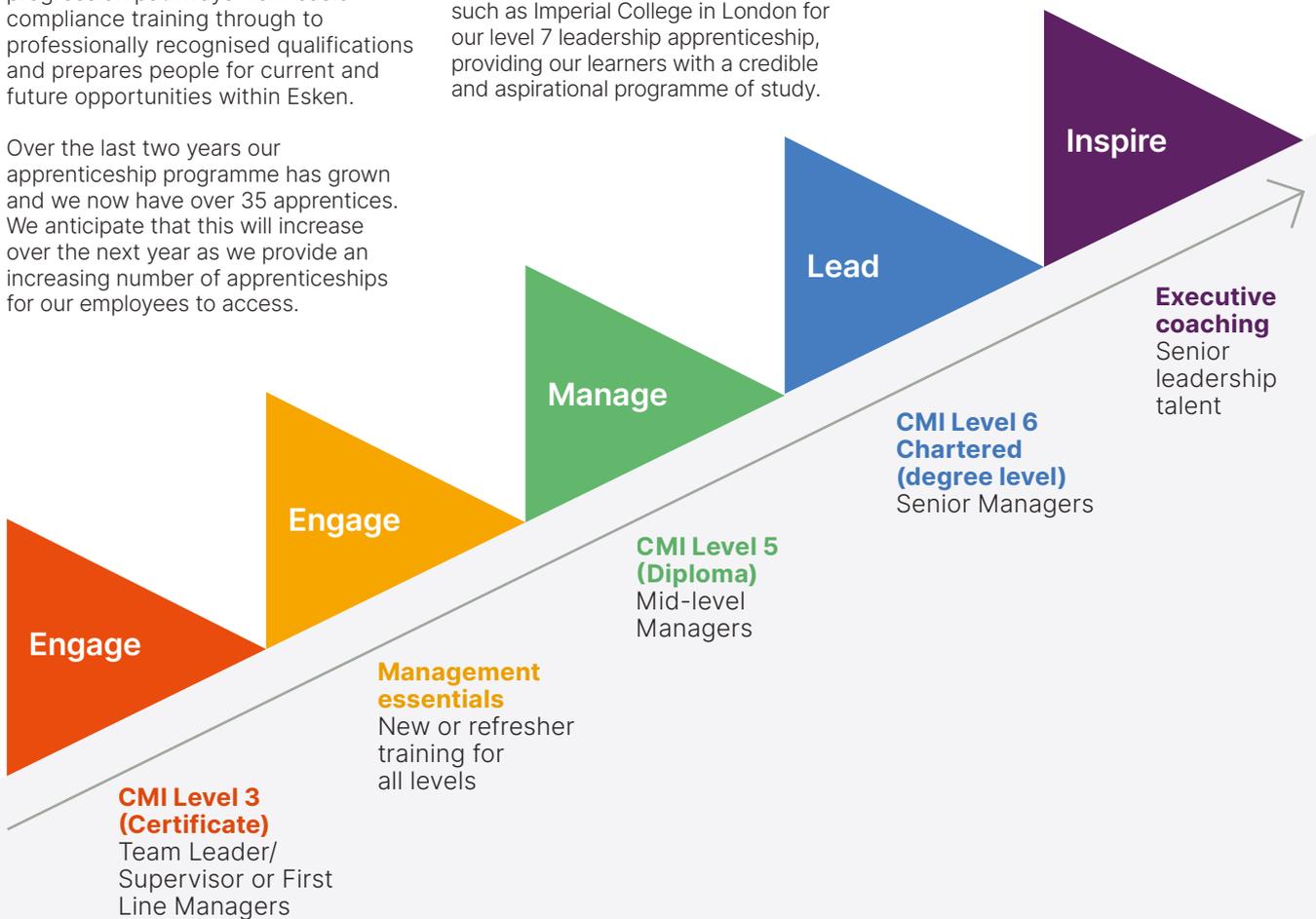
Developing our people

We believe in providing a structure for career development and have put in place a development programme to support our employees from level 2 through to level 7, providing progression pathways from basic compliance training through to professionally recognised qualifications and prepares people for current and future opportunities within Esken.

Over the last two years our apprenticeship programme has grown and we now have over 35 apprentices. We anticipate that this will increase over the next year as we provide an increasing number of apprenticeships for our employees to access.

Our Ascend Management & Leadership Programme was launched this year, providing a framework for training managers at all levels, including: e-learning through our newly established learning management system, face-to-face sessions to embed process and procedures as well as formal management qualifications at levels 3, 5 and 7 through our apprenticeship programme. Partnerships with specialist organisations offering Chartered Management Institute (CMI) accreditation, as well as with universities such as Imperial College in London for our level 7 leadership apprenticeship, providing our learners with a credible and aspirational programme of study.

Our Esken Management Essentials programme of short courses aims to provide core management and leadership competence across the business. All managers are now enrolled on this programme and have 12 months to complete it. They are supported by internal face-to-face sessions to discuss the application of learning and to link to Esken processes and procedures.



The Esken Learning Hub has been established and enabled us to provide mobile training to employees at a time and place to suit them. We have developed a suite of reportable dashboards to manage completion and compliance, and with the development of our onboarding and induction programme, we have launched a Basic Training programme for all new starters. All current employees have also been assigned this training so we can be sure that everyone has a solid baseline of compliance training. The Learning Hub will be further developed to provide more analytical data on engagement as well as focusing on providing more on-demand content for employees to access outside of their directed learning programme.

Our performance management process has been re-written this year to provide more focus on objectives, talent and succession, with this being a key focus of the discussions. The launch of My Check-In for operational staff will provide a focused discussion around current and future roles, training and development and wellbeing. In fact, a more formal discussion around wellbeing has been included in the main performance management process, extracted from our newly introduced SECE Mind-approved Workplace Action Plan, as we continue to raise awareness of mental health and provide support and signposting to support; there are also numerous signposts to resources we have included on our People Hub SharePoint site, supporting our diversity strategy. We utilise our HR Self Service system to capture and report on objectives, and we will report on how they link to different areas of the business and to our newly launched business values. We have also introduced personal ESG contribution into our appraisal process so we can start to track the impact of our ESG activities.

The implementation of an Applicant Tracking System has provided visibility of all vacancies across the business and a sophisticated tool for hiring managers to attract, interview and select talent. With links directly into job boards, integrated interview scheduling, blind hiring with anonymised applicant data, video interviewing, simple communication, real-time reporting and analytics and applicant feedback this is a powerful tool. We will continue to develop it and plan to upskill managers to ensure we leverage the capability

fully. Where we do need to utilise recruitment agencies, we now require them to sign up to a clear set of Equal Opportunities principles ensuring that they will take all possible steps to ensure a diverse applicant pool is presented to us, with candidates from various backgrounds and identities. We now explicitly require recruitment partners to ensure they go through a process which does not discriminate or seek to exclude (directly or indirectly) any candidates from minority groups when dealing with Esken vacancies.

Inclusion and belonging

We have further stepped up our Diversity & Inclusion Agenda to reflect modern societal changes and our approach has developed into that of inclusion and belonging, both from a diversity and wellbeing perspective. We have refreshed the language in our employee-facing documents to be more inclusive and remove gender stereotypes. We now talk about the 'primary carer' in our Maternity and Adoption Policies for instance, recognising that society has many iterations of a family life. In fact, we've overhauled our Family Friendly Policies this year to modernise and further support the attraction and retention of females and all working parents by providing enhanced payment terms, and parity for primary and secondary carers to attend antenatal and adoption appointments.

Our Esken Gender Agenda forms part of our wider Diversity & Inclusion Strategy and not only focuses on providing parity for women in areas such as reward, training and promotion opportunities, but also creating an environment where women can thrive, recognising that some areas of our workplace can be male dominated.

Last year we reported the introduction of our new Menopause Policy and we're proud that we were one of the first businesses in the UK to have this in place. To further support our Gender Agenda this year we commissioned a Keynote for International Women's Day, which, for the first time, was available to every single employee in the business to take part in. The session will now provide a catalyst for us to signpost female employees to specialist podcasts and coaching designed specifically for women in the workplace.

We have continued to invest in educating our workforce on all inclusion-related matters and we now have over 35 modules on our Learning Hub dedicated to various diversity and inclusion topics to help support our managers to create a fully inclusive culture for our employees – and it's paying dividends; 86% of our employees told us in our latest Employee Survey that they agreed or strongly agreed that they felt comfortable being themselves at work.

Ethnicity pay gap

Last year we committed to voluntarily reporting our ethnicity pay gap and whilst we have faced technology-based challenges in meeting our self-imposed deadline, we are still committed to doing this retrospectively as soon as is practicable. Nonetheless, we are committed to providing an equitable workplace for all and have recently fed into a government consultation process led by the Cabinet Office; this calls to improve data and transparency on disability in the workplace, recognising that reporting on disability allows businesses to assess the impact of their inclusive practices on the recruitment and retention of disabled people.

Sustainability report

continued



Excelling in health and wellbeing, safety and security



| 2022 | 2021 | 2020 |
|-------------|-------------|-------------|
| 0.44 | 0.43 | 0.59 |

RIDDOR accident/incident rate

| 2022 | 2021 | 2020 |
|-----------|-----------|------------|
| 35 | 68 | 174 |

Number of accidents

| 2022 | 2021 | 2020 |
|----------|----------|-----------|
| 7 | 8 | 18 |

Number of RIDDOR classified incidents

| 2022 | 2021 | 2020 |
|-------------|-------------|-------------|
| 2.20 | 3.64 | 5.67 |

Accident frequency rate

| 2022 | 2021 | 2020 |
|--------------|--------------|-------------|
| 56.4% | 23.0% | 3.2% |

increase

Incident reporting

Over the last year the Risk & Safety team underwent a full review and restructure to reposition it from being a strictly compliance-based team to providing strategic leadership of the Group Risk and Safety function. A vision of good risk management was created, and a strategy developed to build a 'roadmap to excellence' which was signed-off by our Executive management team at our annual strategy day.

A Target Operating Model was developed to reflect our strategy, and produced clear objectives, underpinned by specific proactive KPIs, agreed and established at operating division level.

Strategy

The safety and wellbeing of our people remains a core value in our business. To implement these values, we have developed a vision of safety excellence, underpinned by a mission to move our risk and safety culture forward from its solid base of compliance towards a more commitment focused future. Compliance alone is not enough – it's merely achieving someone else's minimum standard.

A positive safety culture is an ongoing outcome of a successful people-orientated business and we need to create safety, to enhance wellbeing and make work a positive experience. Discussing the number of people hurt in our business on a monthly basis is not enough.

To achieve this, we have worked across the operating divisions to agree a suite of proactive safety KPIs to deliver against our four key themes of Culture, Leadership, Risk Process and Compliance. These have been designed to enhance our operational risk literacy and transparency, and create the leadership and behaviours necessary for our safety culture to mature. The KPIs have been formally agreed at Board level and will be a feature of all Board reports going forwards.

Governance

Each operating company has its own health and safety function which implements policy and procedures at an operational level and carries out front-line audit functions.



The Group Risk & Safety team provides overall strategic direction and support, and carries out a 'second line of defence' audit function of operational systems and processes. Further assurance is provided by internal audit, who will this year also audit, at their own request, the Group Risk and Safety team.

Across the business there is a clear escalation of health, safety and welfare matters from Employee Safety Committees to Management Safety Review Boards and finally divisional, Group and Board meetings, where risk and safety is always the first agenda item.

There are monthly meetings of the Group's risk and safety professionals and a formal ESG monthly update.

The Group Head of Risk and Safety is present at all Board meetings, provides a consistent overview of operational risk issues, and submits a formal monthly report to the Group and Boards.

Performance in the year

The safety performance over the past year remains reflective of the pandemic as many of our locations have not been fully operational. The safety performance throughout the divisions has led to an overall decrease in RIDDOR reportable employee accidents of 30%, whilst non-RIDDOR reportable incidents have halved across all divisions, in the year ended 28 February 2022, compared with the year ended 28 February 2021.

Employee reported incidents and near-misses have increased by 32% and over 400% respectively. This results from a concerted campaign to increase reporting and is considered a positive metric.

COVID-19

The focus of the Risk & Safety team across all divisions remained delivering safe working environments during the COVID-19 pandemic. We supported our people to work from home and to maintain our operations safely and securely. As we emerged out of the pandemic, in line with the government roadmap, we supported our people to return safely to the workplace; we updated our assessments and guidance as necessary and completed the CAA and Public Health Corridor Assessment Process. As we adjust to 'living with COVID-19'; we currently still encourage and support our people to isolate if producing a positive PCR test.



Hand Arm Vibration Syndrome

Hand Arm Vibration Syndrome (HAVS) is caused from long-term use of vibrating power tools.

Esken Renewables looked at ways to effectively control and manage HAVS risks at key locations. The solution was 'HAVWear', from a company called Reactec, which they have implemented within the Vehicle Maintenance Unit.

HAVWear is basically a monitor, worn as a watch on your wrist, that constantly senses vibration from the use of any power tool e.g. air gun or grinder. The 'HAVWear' monitoring device then automates the calculation of HAV points, determined by the regulator, the Health and Safety Executive, and displays alerts of exposure in a clear red, amber, green metric.

This simple device replaces a previously complex system of calculation, that depended on employees logging tools' use and aggregating exposure from different sources.

By measuring exposure to the individual rather than tool by tool, the HAVWear makes compliance very simple and removes barriers to employee compliance.

Sustainability report

continued



Excelling in health and wellbeing, safety and security



Near-miss reporting

As part of the Group-wide drive to improve near-miss reporting, all stations within Star Handling (formerly Stobart Aviation Services) were challenged with entering three near-miss observation reports per day for 2021.

Increased near-miss reporting improves visibility of site events, engages the workforce, and improves the quality and knowledge of safety issues.

Leaflets and PowerPoint presentations were used to educate employees on the difference between near-miss reports and safe observations, posters were produced and circulated to all stations, and Yammer was used for guidance. The KPI was introduced after all stations had confirmed they understood the requirements.

Station management then undertook and recorded safety walks, to talk to staff and gather information for reports. Detailed feedback was given to reporters throughout.

Stations were challenged on any shortfalls of the 'three reports per day' KPI each week at a weekly review meeting and examples of good reports and advice were shared.

The 'three per day' KPI is still in place, but future focus will be on quality and issues resolved.

ICAO Global reporting format

The International Civil Aviation Organization (ICAO) is a specialised agency of the United Nations. It changes the principles and techniques of international air navigation and fosters the planning and development of international air transport to ensure safe and orderly growth.

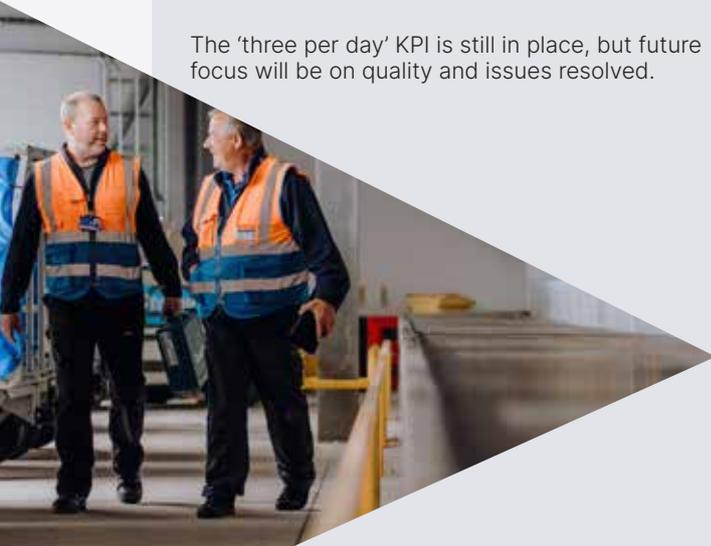
The ICAO Global Reporting Format for runway surface conditions mitigates the risk of 'runway excursions' (an inappropriate exit from the runway), by enabling a harmonised assessment and reporting of runway surface conditions, and an improved flight crew assessment of take-off and landing performance.

In 2021 ICAO changed its reporting format, necessitating a major project within the aviation team to ensure a smooth transition by the implementation date of 4 November 2021.

Risk assessments and procedures were established in line with the updated ICAO regulation. This enabled a bespoke training package for Air Traffic Control (ATC) and Airside Operations (AOPS) to be created.

The reporting system, via tablet from AOPS to ATC, allows the user to accurately report surface conditions on the runway. The entire AOPS team were trained to conduct inspections, however, only Watch Managers are authorised to report conditions to ATC.

Relevant members of ATC were also trained to understand the information received from AOPS.

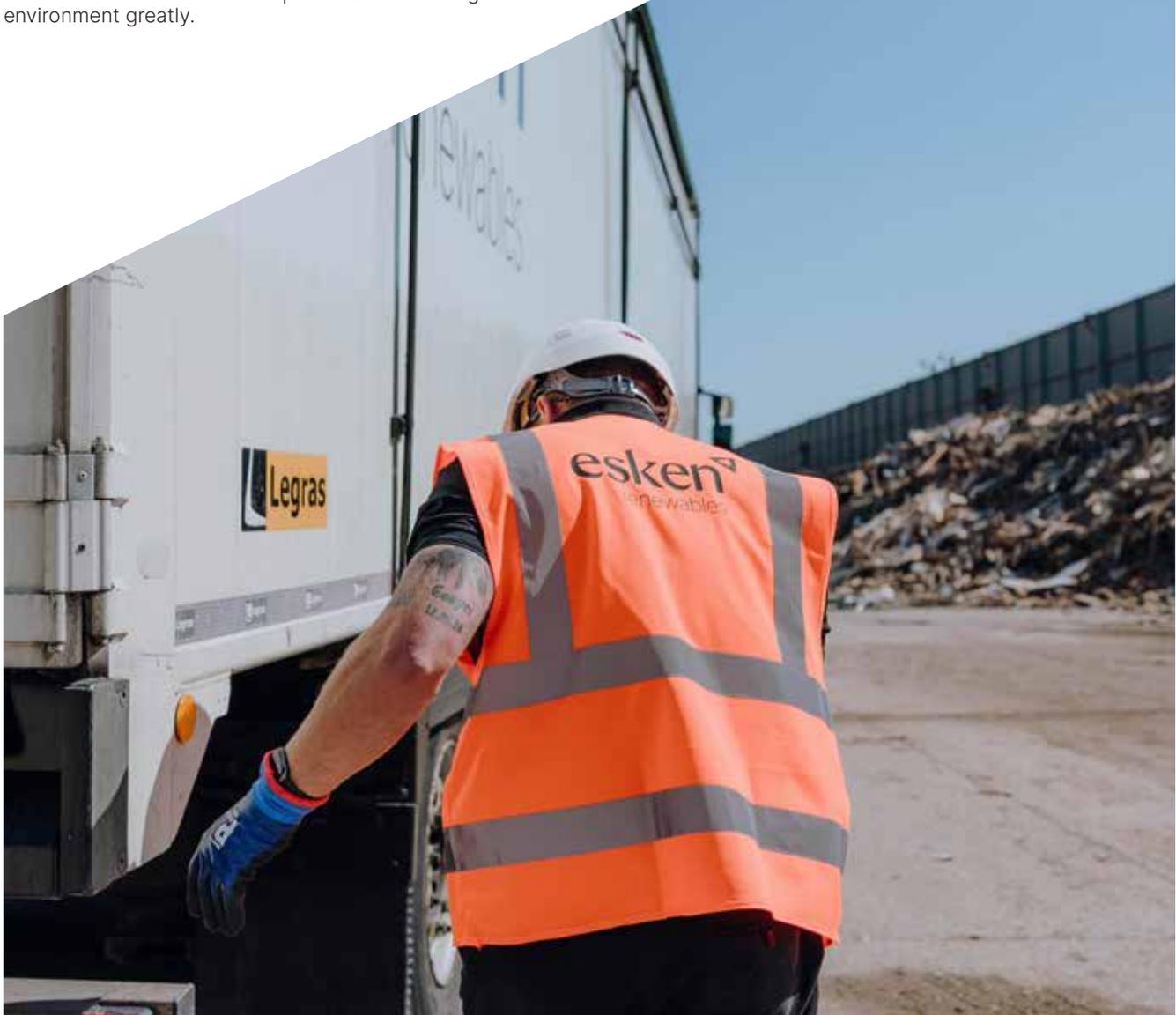


Wellbeing

Our brand-new Workplace Adjustments Guide for Managers provides support on a whole host of issues their employees may face from managing neurodiverse employees, right through to long-term health conditions such as cancer. Driver Eric Drinkwater tells us how he was helped when he needed a workplace adjustment due to an ongoing health condition.

Eric is a driver who has been employed in Esken Renewables for nearly 12 years and suffers with peripheral vascular disease (hardening of the arteries). Eric had a triple heart bypass 15 years ago although his problems are mobility issues due to the disease and injuries received whilst serving in HM Forces during the Falklands Conflict in 1982. As Eric has got older and his mobility issues increased he approached the Company as he was finding it more painful to climb up and down the ladder on his trailer numerous times during his working day. After meeting with his manager and occupational health to assess his needs, a trailer with a hydraulic roof was sourced. This has improved Eric's working environment greatly.

He says life is much easier now and adds employees shouldn't be afraid to ask for help from their employer for fear of retribution, or thinking their jobs could be at risk because management might think they are not capable of doing their job. Everyone needs to be safe and not put themselves or others at risk of injury, either physically or mentally. It is imperative that employees speak up if they need help or advice.



Sustainability report

continued



Taking climate action



2022

25%

% electricity from renewable sources

2021

22%

2020

19%

2022

1333¹Tonnes CO₂e per £m of revenue

2021

198

2020

147

¹ This year's total includes Scope 3 emissions

Introduction

This year, as the UK Government hosted the UN Climate Change Conference, COP26, attention was drawn to issues of climate change for countries, business and individuals. Esken Group and each of its divisions is committed to decarbonisation and supporting the UK Government's 2050 Net Zero target. We have focused this year on gathering the data to inform our own future Net Zero plans; our ambition is to produce our roadmap and have this verified before we publish our plans.

Governance

At Esken we have established a robust governance structure which has oversight of all our environmental risks and opportunities. We have established working groups which comprise of representatives of each business division and focus on the areas of environmental data collection; carbon, energy, air quality, waste and water. The purpose of these working groups is to inform our environmental strategy, development of the 'Roadmap to Net Zero' and implementation of various programmes and initiatives. The output from the working groups is reported up to the Steering Group.

The Steering Group is comprised of representatives from across our divisions and key Group functions. The activity of the working group includes oversight, monitoring and reviewing data, to harness opportunities and mitigate risk, along with any changes to government policy, legislation and regulations. The Steering Group is the accountable body for decision-making and ensures the business is compliant

across the environmental and social agenda; it is chaired by Nick Dilworth, Chief Operating Officer, as Executive ESG sponsor.

The Board has oversight of environmental, social and governance matters across the business. Board members receive monthly updates which provide an overview of the ESG programme, which is reported to Ginny Pulbrook, ESG Board sponsor, who then provides updates to the Audit Committee and Remuneration Committee.

The Board received quarterly ESG updates which provided progress on the development of strategy, the risk register, the budget aligned to business plans, and KPIs, which have been developed over the past year through the governance structure.

Strategy

Esken's Environmental, Social and Governance Strategy has been developed having undertaken a materiality assessment which the business remains committed to keeping up-to-date. The ESG Five-Pillar Framework includes a focus on 'Taking Climate Action'; the purpose of this pillar is to set out the measures we are taking to mitigate our climate impacts, manage climate-related risks and provide information on our climate and energy performance.

This year we have continued to evolve our climate related strategy, we have embedded a governance structure, established a risk management process, and developed metrics to report progress. As we further develop the strategy, we have taken into

consideration the financial impact on our specific business sectors, our products and services, and the impact of changes to legislation and regulation on our assets and infrastructure.

Through our responsible procurement programme, we are developing our environmental impact assessment on capital expenditure and are working with partners like Business in the Community to support our carbon reduction ambitions.

We have evolved our governance structure to include a finance representative for the coming year; this will further progress how we address areas including access to capital, operating costs and revenue, acquisitions and divestments, and capital and expenditure and capital allocation. It will also help us identify the inter-dependencies which will affect our required spend to positively impact the elimination of carbon from our operations.

Esken has recently become a member of Business in the Community and will be undertaking the responsible business tracker to offer the peer benchmarking and external verification on our progress; this will support with the short, medium and long-term plan. The business is also committed to moving to science-based targets to verify our Roadmap to Net Zero.



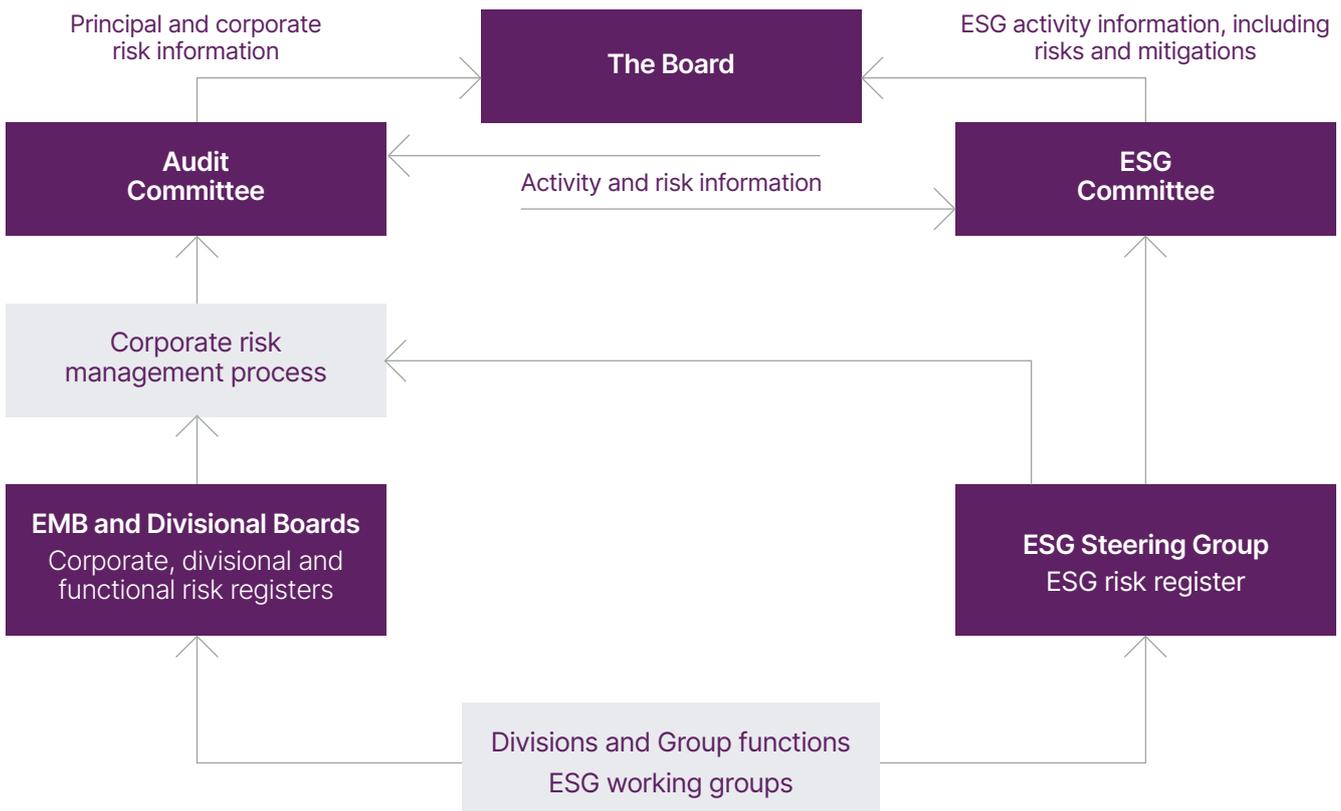
Risk management

The nature of the risks we face from climate change arise from both the physical aspects of climate change itself, and also the potential for regulatory and commercial changes in the markets in which we operate.

We have created an ESG Committee, as a sub-committee of the Board. Its terms of reference incorporate the responsibility to ensure that sustainability risks are identified, assessed and managed in line with the Group's relevant frameworks. We have taken steps to integrate the consideration and evaluation of climate change risk within the Groupwide risk management process, through:

- Development of a governance structure which supports us in the delivery of our strategy to manage the impact of climate change on the business, and to manage the business's impact on climate change;
- Inclusion of climate change risks within our corporate risk register; it is one of the Group's principal risks, our overall approach to risk management and a summary of our principal risks can be found from page 69;
- Development of a specific, detailed risk register relating to our ESG ambitions, the risks we face in their delivery, and our strategy for mitigation of those risks; with regular updates to the Board and the ESG Committee, which is a subcommittee of the Board;
- Considering climate change impacts in our regular divisional and functional risk reviews; and
- Ensuring we have engagement from all levels of staff, through the structure of working groups in place across the business, helping us to identify potential risks and develop solutions.

The diagram below summarises the information flows and integration of ESG risk with the Group's risk management process.



Sustainability report

continued



Taking climate action

Identifying climate change risk

We have built our climate change expertise through the recruitment of an experienced ESG Manager during the year, and have engaged Business in the Community as external advisers to provide additional support and guidance.

Our structure of business-led working groups; reporting to an ESG Steering Group, and then to the ESG Committee, provides detailed knowledge and expertise in each area, ensuring that they are best placed to identify both physical and transitional risks and develop their workstream plans and activities. The reporting lines ensure that those risk-led plans developed by the working groups are subject to effective review and challenge, prior to their submission to the ESG Committee for agreement.

There is an ESG risk register, which has been prepared in accordance with the requirements of the Group's corporate risk management process, which includes high-level risks for the Group, and project and delivery risks for each workstream.

Addressing climate change risk

The business led working groups have developed plans for a range of activities under our ESG banner, with a particular focus on climate change. A range of focused plans have been developed to reduce our impact on the environment, and to mitigate the potential risk to the business from the physical risks of climate change.

Metrics and targets

Since FY19 we have collected and reported our Scope 1 and 2 emissions, which has provided our baseline data. We have identified any risks associated with data collection and reporting as part of our risk register. As we further develop our Roadmap to Net Zero, using the previous year's data and identifying trends, we will begin to identify our reduction targets across energy, air quality, water and waste. We have developed KPIs across our ESG programme and an element of the Executive Directors bonus targets will be based on the achievement of the ESG KPIs.



The business-led working groups have developed plans for a range of activities under our ESG banner, with a particular focus on climate change.



To support our carbon reduction we have invested in our public affairs monitoring so we can prepare for any regulation and public policy changes.

Our carbon data reporting methodology

In FY22 Esken had emissions of 35,132 tonnes of carbon dioxide equivalent (tCO₂e) which is an increase of 8,641 tCO₂e against the baseline year of FY19. The intensity ratio that we report is tCO₂e emissions per £m revenue (tCO₂e/£m) and this ratio saw a 33% increase compared to our baseline year, due to reporting Scope 3 emissions data.

We have continued to illustrate our year-on-year comparison beginning with the benchmark year of FY19 total gross emissions data, to include all Scope 1 and Scope 2 emissions, and this year we will include Scope 3 emissions.

Our carbon data reporting methodology

The methodology used to prepare Esken's carbon data calculation has been detailed below:

- Based on DEFRA and BEIS, Environmental Reporting Guidelines (March 2021).
- We use the intensity metric of GHG total emissions per £m revenue (tCO₂e/£m) for normalising emissions.
- All Scope 1-3 emission sources estimated to be greater than 1% have been deemed material and are included.
- Scope 1-3 data is all collected from within the UK.
- Includes emissions that Esken is responsible for, based on an operational control approach.
- The baseline year is FY19 and compared to the current reporting year of FY22.

Operational control

The operational control approach accounts for Esken's Scope 1-3 emissions from all its operations. This includes all sites that are operated by Esken whether they are owned or leased. This approach to consolidation is different to the financial control basis that is used to compile the Company accounts.

Definition of operational control

The definition of operational control is one where Esken is deemed to have operational control. The Group or one of its subsidiaries has the full authority to introduce and implement its operating policies at each individual site.

Scope 3 emissions

This year we have voluntarily disclosed our Scope 3 emissions. Our Scope 3 emissions were 119,447 tCO₂e.

Data from the following operational divisions were captured within the FY22 reporting year:

Company divisions

| Division | Under Company operational control |
|-------------------|--|
| Aviation | London Southend Airport |
| | London Southend Jet Centre |
| | Solar Farm |
| | Holiday Inn Southend |
| | Star Handling (formerly Stobart Aviation Services) |
| Renewables | Esken Renewables |

GHG emission source

| | FY19 | FY20 | FY21 | FY22 | Total change* baseline FY19 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------------------|
| | tCO ₂ e |
| Scope 1 (fuels, business travel, refrigerant) | 23,523 | 23,987 | 19,623 | 17,234 | (6,289) |
| Scope 2 (electricity) | 2,968 | 2,420 | 3,353 | 2,765 | (202) |
| Scope 3 (water, aviation fuel, business travel, fuel, materials used, waste) | – | – | – | 119,447 | 119,447 |



Sustainability report

continued



Minimising our environmental impact



| 2022 | 2021 | 2020 |
|------|------|------|
| 1 | 1 | 0 |

Reportable environmental incidents

| 2022 | 2021 | 2020 |
|-------|-------|-------|
| 78.0% | 71.4% | 83.0% |

Volume and % of recovered waste used for energy feedstock by Esken Renewables

| 2022 | 2021 | 2020 |
|------|------|------|
| 1.2 | 1.0 | 1.2 |

Waste diverted from landfill to turn into fuel (tonnes)

| 2022 | 2021 | 2020 |
|------|------|------|
| 1.5 | 1.4 | 1.4 |

Total waste

| 2022 | 2021 | 2020 |
|-------|-------|-------|
| 99.5% | 99.5% | 99.5% |

Group waste recycled or converted into energy



Overview

We remain committed to minimising our impact on the environment. Through our governance structure we established working groups focused on energy, air quality, noise, waste and water; the aim being to monitor, report and establish methods for reduction. We have established a certification working group to help externally verify our programmes and we will report against these external metrics.

Carbon emissions

At the beginning of the year Esken Renewables signed a two-year deal to become commercial fleet partners with Bridgestone. The Esken Renewables fleet will be exclusively running on Bridgestone Duravis R002 tyres which is designed to lower operational costs through tyre wear performance and fuel efficiency.

Bridgestone actively seeks to re-tread all worn tyres. The process vulcanises new treads to the old tyres and can provide second and third lives in appropriate conditions.

Re-treading requires no more than a third of the oil and energy needed to manufacture a new tyre. In providing extra life, the need for recycling or final disposal is reduced. Where tyres can no longer be re-treaded, Bridgestone is active in pursuing civil engineering applications versus disposal. These applications include coastal protection, erosion barriers, road embankments, sound barriers and insulation. Tyres can also be shredded and are notably used as foundations for roads and railways, as backfill for walls and bridges, and as subgrade insulation for roads. Beyond this, tyres may be crumbed and powdered and used to manufacture moulded objects, sports facility and games area flooring, as well as flexible parts for the car industry.

Energy efficiencies

As part of our overall carbon reduction plans we have monitored and reported our Scope 2 emissions, and we remain committed to considering and implementing the recommendations of the Energy Saving Opportunity Scheme where appropriate. We are also looking to introduce new software to increase our renewable energy consumption at the airport, and overall we are developing plans to move our energy tariff to a renewable contract.

Esken Renewables plays a vital role in delivering the UK's renewable energy targets, with biomass power plants throughout the UK. By supplying renewable biomass products to supply chain customers and partners, Esken Renewables enables the production of low carbon energy for use by homes and businesses. Esken Renewables' customers in FY22 used the total of 1,477,000 tonnes of biomass, supplied by Esken, to generate an estimated 1,880,000 MWh of electricity, which is sufficient to power around 650,000 homes. Esken Renewables also use some waste heat from a biomass customer for waste drying at the Widnes site, saving up to 12,000 tonnes of CO₂ per year, equivalent to over 60% of Esken's own GHG footprint.

Managing noise

We responsibly manage noise across all our operations and minimise the impact on the communities living close to all our operational sites.

All Esken Renewables processing plants undertake an independent noise assessment to ensure they meet the required standards as set by local planning authorities. We continue to invest in the latest models of processing equipment and vehicles, which helps to minimise the noise impact from our operations.

Our airport operations continue to work in partnership with our airlines, ground handlers, and regulators to reduce noise.

We proactively engage with our communities and residents to carefully manage noise complaints, monitoring and management system to improve our policies, procedures and performance. This year we have introduced a number of new initiatives to support our noise monitoring, resident engagement and airline engagement.

As part of a major upgrade to the airport's Noise Complaints Handling Service the airport launched a new online self-service system called WebTrak; this enables local residents to view all aircraft movements in the vicinity of the airport. It is the easiest, quickest, and most efficient way of registering a noise complaint, whilst allowing users to view all aircraft movements around the airport.

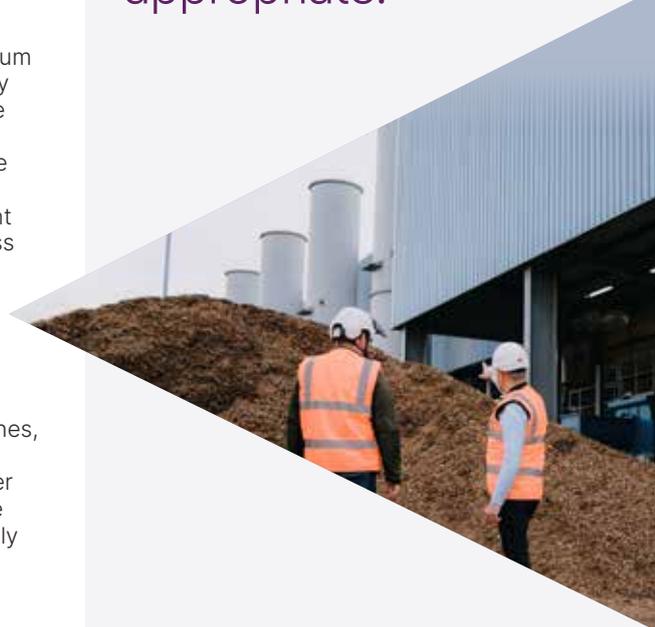
The airport has established a new, independent Community Noise Forum to engage with the local community on noise concerns. Members of the forum are representatives of the local communities from which noise complaints have been received. Meetings are led by an independent Chair with a clear agenda to discuss local noise concerns, provide transparency on airport controls and operations, and identify where noise abatement measures could be improved.

Through engagement with our airlines, the airport has introduced a new tariff incentivising the use of quieter and cleaner aircraft. The new noise surcharges, that include significantly higher fees relating to night-time operations, will help encourage the use of quieter planes and daytime operations.

The airport has proactively engaged with airport noise specialists, Andersons Acoustics, to measure our performance against the International Civil Aviation Organisation Balance Approach and establish ways to improve our noise management.



We remain committed to considering and implementing the recommendations of the Energy Saving Opportunity Scheme where appropriate.



Sustainability report

continued



Minimising our environmental impact

Promoting a circular economy

Esken Renewables' operation is a vital part of the circular economy within the waste wood sector. Our facilities produce biomass fuel products, previously destined for landfill and deliver them as a vital energy source of energy from waste plants. By the very nature of the business we enable the circular economy. We offer a full waste management solution and strive to improve the social and environmental credentials of the products and services we source.

Sustainable forest management

At Esken Renewables we ensure that the forest biomass we use is sourced from sustainably managed UK forests. We source material produced from forestry practices that are certified against sustainable forest management standards. Esken Renewables has a Forestry Certification Scheme, where customer driven requirements for virgin material are met under the Forest Stewardship Council (FSC) Chain of Custody Standard. This allows Esken Renewables to transfer claims for various types of FSC material from the source to the customer.

Protecting air quality

We aim to protect and maintain clean, healthy air for our colleagues and communities at all our operation sites. We have robust monitoring in place to ensure we remain within the government guidelines and identify and establish mitigation programmes. Esken Renewables have trialled dust suppression equipment at operational sites which has significantly reduced the potential for off-site impacts. At London Southend Airport with the introduction of the new tariff, the airport has also introduced charging to encourage cleaner aircraft with a NOx Emission Surcharge of £3.50 per kg NOx per movement.

For the second year we have run the 'Cycle2Work' scheme. It is an annual scheme to encourage our colleagues to travel to and from the office through more sustainable modes of transport, as well as to improve colleagues' health and wellbeing.

Protecting biodiversity

Throughout our planning and management of our operations we protect biodiversity. We identify important biodiversity that may be impacted by our operations and establish management plans to control and mitigate our impacts.

At Esken Renewables, through the formal planning, permitting and licensing of our operations, we have undertaken impact assessments and we minimise any potential adverse impacts on the local ecosystem.

As part of our trial employee volunteering day, colleagues volunteered at Runcorn Local Natural, a Halton Borough Council site. The day consisted of a tree clearing exercise on an area of shrub land, with a series of endangered shrubs in place. Our assistance ensured that native shrublands were maintained and not lost as a result of non-native tree growth in the area.

Conserving water

We aim to continuously improve our water consumption and drive efficiency and reduce our water footprint across all our operations. We prioritise minimising our environmental impact by preventing pollution and limiting discharge.

Managing waste

Our mission is to eliminate waste from our operation, and where possible send zero waste to landfill. Across our business divisions we seek to minimise waste and to manage waste generated as a resource, across all our operations. The airport has a number of initiatives to reduce waste input and increase waste to recycling, through partnership with a local, fully optioned recycling company, which generates energy from the remaining non-recyclable waste, delivering zero waste to landfill. Esken Renewables ensures that all residual waste streams arising from biomass fuel production and office-based activities are sent for further treatment and recycling.



Non-financial information statement

In line with the Non-Financial Reporting Directive, we have set out below where relevant information we need to report on can be found.

| Reporting requirement | Policies and standards | Reference in Annual Report |
|-----------------------------------|--|---|
| 1. Environmental matters | <ul style="list-style-type: none"> • ESG Policy General Statement • ESG Framework • Group Environmental Policy • Sustainable Procurement Policy | <ul style="list-style-type: none"> • Our story page 4 • Sustainability report pages 36 to 58 • Stakeholder engagement and s172 pages 60 to 68 • Key performance indicators pages 26 to 27 • Principal risks and mitigations pages 72 to 76 |
| 2. Employees | <ul style="list-style-type: none"> • Recruitment Policy • Group Risk & Safety Policy • Equality, Diversity & Inclusion Policy | <ul style="list-style-type: none"> • Our story page 4 • Developing our people pages 45 to 47 • Stakeholder engagement and s172 pages 60 to 68 • Excelling in health and wellbeing, safety and security page 48 to 51 |
| 3. Human rights | <ul style="list-style-type: none"> • Modern Slavery Statement • Modern Slavery & Human Trafficking Policy • Dignity at Work Policy • Data Protection Policy • Safeguarding Policy | <ul style="list-style-type: none"> • Supporting sustainable communities pages 40 to 44 • Stakeholder engagement and s172 pages 60 to 68 |
| 4. Social matters | | <ul style="list-style-type: none"> • Sustainability report pages 36 to 58 • Principal risks and mitigations pages 72 to 76 • Stakeholder engagement and s172 pages 60 to 68 |
| 5. Anti-corruption & anti-bribery | <ul style="list-style-type: none"> • Anti-Bribery & Corruption Policy • Whistleblowing Policy • Ethics & Business Integrity Policy | <ul style="list-style-type: none"> • Stakeholder engagement and s172 pages 60 to 68 • Principal risks and mitigations pages 69 to 76 |
| 6. Business model | | <ul style="list-style-type: none"> • Business model, page 10 |
| 7. Principal risks | | <ul style="list-style-type: none"> • Risk management and our principal risks, pages 72 to 76 |
| 8. Non-financial KPIs | | <ul style="list-style-type: none"> • Key performance indicators, pages 26 to 27 |

Stakeholder engagement

In their discussions and decisions during the year ended 28 February 2022, the Directors of the Company have acted in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to stakeholders and the matters set out in subsections 172(1)(a)-(f) of the Companies Act 2006 (the 2006 Act).

We have set out below information regarding examples of who our stakeholders are and how we engage with them; we have regard to their interests when exercising our duty to promote the success of the Company under s172(1) of the 2006 Act.

When making decisions in our business, the Board takes into account (amongst other issues):

- the likely long-term consequences of any decisions we make;
- the interests of our employees;
- the need to foster our business relationships with suppliers, customers and others;
- the impact of our operations on the community and environment;
- our desire to maintain a reputation for high standards of business conduct; and
- the need to act fairly, as between members.

These factors are also borne in mind when developing our strategic priorities, our policies, and in guiding our behaviours and values.

The Board has always considered all stakeholder interests as being a fundamental element in its decision-making. With the recent most challenging environment brought about by the COVID-19 pandemic, it has been even more crucial to have effective and meaningful engagement, to enable us to support our stakeholders in managing the continuing impact of the virus on the business environment.

With the development of our new ESG Framework, which sets out our ambitions on social impact and environmental mitigation, the Board are committed to decision-making that supports our commitments to our people and planet. Details of our ESG programme can be found on page 36. By positively engaging with our stakeholders, we are able to prepare for policy changes, reduce risk and enhance collaborative projects.

Our Executive Chairman, together with the Company Secretary, produces an agenda for each Board meeting that ensures the requirements of s172 are always met and addressed.

For example:

- We have standing items on agendas for meetings where the Executive Directors present and update the Board on our strategic progress, business development, financial performance and risk management. Reports on corporate governance and 'horizon scanning' are also included.
- Papers presented to the Board are required to address relevant stakeholder interests as appropriate.
- Regular presentations and reports to the Board are made on matters such as health and safety, our ESG framework, risks and risk management. The Board also considers regularly our competitors and the wider industries in which our businesses operate.
- Our Board minutes detail decisions that the Board has made, and the relevant factors that the Board has taken into account when reaching those decisions.



Employees

We recognise that as we embark upon 'the new normal', we are facing what has been coined, 'The Great Resignation', with many employees wanting to work more flexibly than ever before, and demanding that employers put their health and wellbeing front and centre of the people agendas. Creating a great employee experience and attractive place to work has never been more important.

What have we done:

We felt strongly that we wanted to survey our employees after we came out of the final lockdown to understand what was important to them following the pandemic.



What our employees told us:

- Engagement has remained in-line with our last survey in 2019 with a three percentage point increase in colleagues caring about the future of the business.
- Of the 13 like-for-like questions from 2019, ten show improvements indicating we are heading in the right direction.
- Employee engagement is positively influenced by the ability to get on and do their job, supported by managers who are generally doing what is expected of them and are available when needed.
- Results suggest the demands of the job are reasonable and as expected, with job roles having little impact on employee's mental health.
- We have an inclusive environment where colleagues feel comfortable to be themselves at work.
- Generally speaking, colleagues have a good day at work.
- Colleagues have good levels of autonomy in their role and can cope with the demands of the job.
- Managers are generally doing enough of the right things and are available when needed.

Our 2022/2023 corporate actions from the survey are:**Day-to-day experience, culture and ways of working**

In order for colleagues to have a good day at work and feel a greater sense of pride, we need to focus on:

- Supporting our employees to look after their health and wellbeing.
- Break down the communication siloes between different teams and departments, especially where the effective performance of duties is dependent on others.
- Employees have little concern about coming to work and being their true self, but they do think their division can be more proactive in ensuring the fair, equal, respectful and dignified treatment of all.
 - We will leverage the values of Take Care and Stay Connected by outlining the expected behaviours.
 - Drive a stronger culture of inclusion, by raising awareness, education, and role modelling.

Senior leadership communications

- Help contribute to employees sense of value through the celebration of shared and individual achievements.
- Provide more clarity on the future direction and strategy of the division as well as the Group to enhance trust.
 - Create openness and honesty in communications. In 2021 we have seen the emergence of the human and empathetic leader in response to the difficult circumstances in and out of work.
 - When communicating changes, clearly spell out the thinking behind the decisions. Employees want to know the reasons why and how changes will be made in addition to what the changes are.
- Employees, like in other organisations, want to feel a greater sense of involvement with the business, especially when it comes to change. They want to have the opportunity to speak up and be heard, and know their opinions are valued e.g. closing the loop.
- We have an opportunity to drive engagement by being more environmentally and socially conscious. It's important to employees and could help drive pride.

Line manager support and guidance

- Line managers are on the front line of helping colleagues to feel appreciated. There's a need to:
 - Help employees recognise how the work they do contributes to their division and Esken's success.
 - Thank employees for a job well done and discretionary effort displayed.
- Employees feel they could be better supported in their performance and growth:
 - Provide better performance feedback so that employees feel they are learning.
 - Help direct employees to training and follow up.
 - A greater focus on development and job enrichment conversations, so that employees feel they have opportunities to learn and/or progress, if they want to. This will help utilise their untapped skills and capabilities.
 - Ensure managers have the necessary skills and capabilities to do this.

Stakeholder engagement

continued

A message from Ginny Pulbrook

The lifting of lockdown measures has allowed me to meet face-to-face with employees from all parts of the business via a series of Listening Groups. The over-arching impression I have got from these sessions is how committed Esken's employees are to the business and engaged, with suggestions as to how they actively can help the business perform even better and be a great place to work.

I was delighted to be the Board sponsor for our most recent employee survey which, this year, took on a shorter, more 'pulse' approach than previous years. The survey enabled us to do a post-COVID-19 check with our employees, recognising the industry challenges experienced over the past two years, the external context surrounding the pandemic, and the significant organisational changes undertaken. Significantly 23 out of the 25 questions that we asked were directly related to the employee experience here at Esken, and I'm pleased to report that our engagement score was 75%, just three percentage points lower than our pre-pandemic score.



I continue to provide my Board colleagues with feedback and insights on a regular basis to ensure that all our employees' views are regularly voiced at Board level, assessed and, where relevant, can be incorporated into the Board's decision-making processes.



Partners, customers and suppliers

Maintaining strong and respectful relationships with our business partners, customers and suppliers is key to our long-term success in developing valuable growth from our assets.

Regular communication with our customers enables us to better understand their needs, expectations and priorities. We have a central procurement function to help us formalise our engagements with suppliers and strategic partners as we recognise the benefits that this can bring to our business. Our approach is to engage with and develop relationships with sustainable suppliers wherever possible.



How did we engage them?

- Suppliers are currently engaged on an individual basis via our procurement function and with colleagues within the divisions;
- We hold quarterly reviews with our strategic partners and framework suppliers – these are usually face to face but over the past year these have been held online wherever possible;
- We attend supplier forums and networking events;
- We implement supplier onboarding processes where appropriate; and
- We have adopted a new supplier code of conduct.

What did we talk about?

- Our business recovery strategy following on from COVID-19;
- Our need for personal protective equipment (PPE) and sanitary supplies to help keep our colleagues and customers safe – this was particularly important whilst we were still operating at all our national locations;
- Our business performance;
- Our supplier onboarding process;
- We shared our expectations in terms of supplier conduct and ways of working and implemented our Sustainable Procurement Policy; and
- The shutdown of the construction industry and the closure of Household Waste Recycling Centres.

How did we respond?

- Over the course of the year the strong strategic relationship between Esken Renewables and our customers formed the foundation for a flexible and dynamic approach which enabled us to secure fuel supply in different ways.
- This included:
 - optimising the utilisation of our strategic infrastructure such as our Pollington Storage Facility;
 - identifying alternative domestic feedstock; and
 - securing strategic imports from Europe;
- We have developed our Supplier Code of Conduct and embedded it within the business;
- We have been open and transparent about our procurement challenges and what our business priorities are, whilst being sensitive to the impact of the pandemic on our suppliers' own businesses. This approach has been met with understanding and respect from our suppliers and has strengthened our business relationships;
- We have engaged with social enterprise organisations to support our sustainable procurement aspirations.

Working in partnership with our clients

How did we engage?

At the Port of Tilbury on the edge of London, Esken Renewables and Tilbury Green Power (TGP) are working in partnership to decarbonise the UK grid, together we play a key part helping the UK reduce its dependence on fossil fuel, reduce waste, and provide energy security. Esken Renewables supplies around 270,000 tonnes of waste wood derived renewable biomass fuel to TGP's biomass power plant each year. The facility generates around 300 GWh of green electricity per year enough to power 70,000 homes.

We engaged with TGP in a variety of ways including regular contract management meetings, operational meeting at site, tender meetings, a weekly scheduling email with the customer, real time service updates with day to day contact with the power plant operations team.

What did we talk about?

In the last year, we discussed a variety of operational issues with TGP, including how to optimise ash offtake services as the plant produces c.15,000 tonnes of ash each year. We also discussed how to optimise operations to minimise vehicle movements on a busy power plant but ensure the right level of service.

We discussed ways of joint working on a shared site, how to identify better commercial options for the customer, how to produce more efficient compliance paperwork and invoicing process and how to ensure flexible but safe operation at all times.

How did we respond?

Esken Renewables was successful in retaining the Incinerator Bottom Ash treatment contract with a new transport and treatment solution following a competitive procurement process. We were able to implement a number of other operational improvements as a result of our strong working relationship with the TGP including:

- Dedicated ash haulage equipment being deployed;
- A dedicated ash treatment driver team;
- Reduced and eliminated reliance on sub-contract haulage improving service resilience;
- Deployed weekend stand trailers as added contingency for the customer;
- Provided a contingency loading service for the customer when required;
- Improved communications and planning eliminated late notice cancellation charges to the customer;
- Renegotiated and changed treatment outlets to provide more contingency options for weekends and Bank Holidays.

Stakeholder engagement

continued



The communities in which we operate

We recognise the importance of contributing to, and working with, the communities in which we operate and seek to do this through a range of activities such as volunteering and community forums.

How did we engage them?

- Social media channels and via our website.
- Airport Consultative Committee meetings.
- Independent focus group forums on noise and accessibility.

What did we talk about?

- Over the past 12 months, we have significantly increased community engagement at London Southend Airport (LSA) on issues such as noise, employability and social support. We have established an Independent Community Noise Forum, only the fourth in the UK, inviting representatives from all Southend city postcodes. We commissioned and reported on a full report into our management of aircraft noise, in line with the ICAO Balanced Approach. We have attended events at local schools and colleges, supporting the introduction of young people to the world of work. We established a partnership with the South East and Central Essex Mind (SECE Mind) charity, running events for our own staff and enabling support for the wider community, providing volunteers for an SECE Mind charity project and generating donations through staff and wider community activities.
- At both London Southend and Carlisle Lake District airports, we continued to provide car parking space for NHS COVID-19 testing facilities. We also provided property at LSA for a private testing facility.

- On a local level, we asked our communities how we could support them with the challenges of COVID-19.
- Local employment and procurement opportunities.
- The closure of the passenger terminal at LSA and other sites across the Group.
- The targets and initiatives we have aimed at reducing the impact of our operations on the local environment.

How did we respond?

- We closed the passenger terminal at the airport in line with government advice whilst we readied a COVID-19 safe passenger experience.
- We collected food for local food banks.
- Our enhanced passenger experience at LSA includes plans to allow more space for post-COVID-19 travel and keep our passengers, workforce and airport crew safe.
- We held a Passenger of Reduced Mobility forum in late 2020 and the feedback from this session is still shaping our decisions throughout 2021 in readiness for the 2022 re-start of operations at LSA.
- We updated our website to explain safety at the airport in light of the pandemic, linking to the UK Government website for up-to-date guidance and information on how to book COVID-19 tests.
- The Board is now more frequently updated on the impact of our activities on the communities in which we operate and established a new ESG Sub-Committee to focus on environmental, social and governance matters.

→ For more on our communities see [case study on page 42](#)





Regulators, government bodies and unions

We strive to create positive and constructive relationships with regulators and other bodies that authorise and regulate our business activities or the industries in which we operate.

We feel that maintaining a positive dialogue helps us to share our vision for our business and provides reassurance that we recognise the importance of excellent standards of business conduct and wish to retain our reputation in this regard.

How did we engage them?

During the year we undertook another redundancy programme. We carried out a union-led collective redundancy consultation with our unionised employees. This required us to work very closely with Union representatives, in an open and transparent manner in order to manage this difficult situation as efficiently and carefully as possible.

A lot of time was spent during the year liaising with the UK Government on the impact of the pandemic on the aviation industry. Our Aviation division has also fed in to the Department of Transport study on the impact of the airport.

What did we talk about?

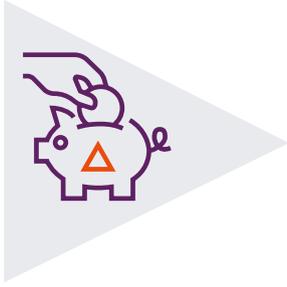
- Esken Renewables actively engaged with the Environment Agency (EA) with site visits and trials to assess improvements in storage and fire controls at our processing sites in the UK at both national and local levels.
- Positively engaged with Public Health England (Halton area) with regards to COVID-19 lockdown processes.
- Engaged with the EA on a Best Available Technique review on all our operations.
- LSA engaged with its local councils to update on future plans, with specific regard to night flying and environmental matters as part of its regular cycle of discussions.
- We maintained our lobbying of central government for a safe return to flying with the lowest safe level of conditions and costs, through our trade bodies and in national media. We also continued to make the case for continued government support for the aviation sector.
- We continued to work with our regulator, the Civil Aviation Authority, on both immediate issues such as COVID-19 safety measures and longer-term issues such as air space change proposals.
- Public health.
- Compliance with applicable laws, regulations and licence conditions.
- The shutdown of the passenger terminal at LSA in response to government COVID-19 regulations and the impact of Ryanair closing its base at the airport.
- Government policies around movement within and between nations, evolving quarantine conditions, virus testing and passenger safety.
- The decrease in passenger traffic due to UK and EU government lockdowns and travel restrictions.
- The application of the Airport and Ground Operations Support Scheme.
- Negotiation of collective redundancies.

How did we respond?

- We agreed changes to our storage and fire controls in conjunction with EA.
- A large number of employees were placed on furlough, utilising the government support package, and subsequently welcomed back to work from August 2021 onwards.
- We re-deployed employees where possible and engaged some on more flexible contract arrangements, allowing them to seek employment elsewhere during the pandemic but still retain employment within the Group.
- At LSA, we ended our use of furlough slightly before the scheme ended, in order to prepare our teams fully for the return to operations in Spring 2023. We used the time available to us as a result of lower levels of flying to cross-train employees for flexible deployment, for example in security.
- We continued to engage with local government and Local Enterprise Partnerships around mutual support for our airports and their regions, as we continued to navigate the pandemic and its impacts.
- We have now made substantial progress in understanding the impact of airport noise, particularly night noise, on neighbours, having commissioned and shared with stakeholders a detailed review and report from Anderson Acoustics. The key recommendation was greater community engagement, which we are delivering in large part through the newly established Community Noise Forum. Our CEO at LSA has escalated our commitment to navigating a return to safe travel via local and national media.
- We provided unused car parking space at LSA for a NHS COVID-19 testing site and unused car park at Carlisle Lake District Airport and terminal space at LSA for private testing facilities on a not-for-profit basis.

Stakeholder engagement

continued



Shareholders and banking partners

Esken's Board is committed to two-way communication with its shareholders and banking partners. The benefits of this approach were particularly apparent during the challenges brought about by the global pandemic. Our open and transparent approach to engagement helped us secure the support we needed during this difficult time in order to protect our long-term growth aspirations.

How did we engage them?

The Executive Chairman and Chief Financial Officer regularly engaged with shareholders throughout the year in order to keep them informed of the steps we were taking to manage the impacts of the pandemic. This engagement ultimately helped shareholders and banking partners understand our position as we sought to renew our banking facilities, and secure a £125m investment in LSA via a convertible loan and £55m equity fund raising.

We also sought to update our shareholders on material events and activities such as our efforts to dispose of Stobart Air and its subsequent liquidation, as well as the news that Ryanair was closing its base at LSA. We also discussed the steps we were taking to restructure our Executive leadership team after the departure of our former Chief Executive Officer in June 2021. In order to maintain strong corporate governance, David Blackwood became Deputy Chairman and Senior Independent Director so that the Board and shareholders have a point of reference independent from the Chairman.

Investor presentations were carried out to accompany the results and we held a number of live broadcasts during the year to engage with retail investors and potential new investors regarding our business strategy and business model. We also held an information day for investors in order to help people better understand Esken Renewables' business model, which included a visit to our storage and processing site in Tilbury.

What did we talk about?

- The impact of COVID-19 on our operations;
- The shutdown of LSA and the impact of Ryanair closing its base at the airport;

- Our strategy and how we are performing against it;
- The financial and operational performance of the business;
- The liquidation of Stobart Air;
- Our capital raise and the reasons for it;
- The £125m investment in LSA and the reasons for it;
- Climate change;
- Our stakeholders and how we engage with them;
- The macroeconomic climate;
- Changes to our Executive leadership structure;
- Industrial relations.

How did we respond?

- We have sought feedback from our shareholders following the major announcements we have made;
- We have worked hard during the pandemic to keep our shareholders updated with our progress against plans and how our business operations have been affected by the global crisis;
- We worked closely with our major shareholders, and new investors to structure and complete our £55m equity fundraising and the £125m investment in LSA – there were overwhelming shareholder votes in favour of both projects;
- We have restructured our Executive leadership team after consultation with shareholders;
- We held our AGM and the EGM to approve the fundraising initiatives as closed meetings, in accordance with government guidelines and to ensure the safety of our colleagues and those who would usually attend, and encouraged shareholders to provide questions in advance for the Board to respond to;
- We will continue to hold webcasts to engage with retail investors as this method of communication was well received;
- We are currently considering what other ways we can engage with our investor base and banking partners.

Effect and impact – example Board decisions and how the Board considered stakeholder views.

The following are some of the decisions made by the Board this year which demonstrate how colleagues' interests, the need to foster business relationships with other key stakeholders, and other section 172 matters have been taken into account in discussions and decision-making:

Decision to conduct a Firm Placing and Placing and Open Offer

| Decisions considered by the Board | Stakeholders considered | How did we engage and deliberate | Effect of engagement |
|--|---|--|---|
| <p>The decision to recommend for approval to the shareholders that the Company raise £55m by way of a Firm Placing and Placing and Open Offer.</p> | <p>Shareholders: the Board met regularly to discuss the avenues it had to raise the finance, as a combination of factors had accelerated the need for refinancing and additional liquidity both to fund the Group's short-term requirements and to enable it to build a strong foundation from which it can return the business to growth and deliver on its longer-term strategic ambitions for the Group's core operations.</p> <p>Employees: the Board was cognisant that securing the long-term future for the business would benefit its workforce, with increased job security and also provide a platform for growth for the businesses in which they work.</p> <p>Communities: the Board wished to continue the work of the Group as an important local employer in its key markets, and to continue that in to the future through the development of LSA as a strategic asset in the London airport market and its renewables business, as part of the ongoing energy supply chain.</p> | <p>The Group spoke with all of its major shareholders as part of the fundraising process to discuss the need for additional finance, the appetite for each of them to invest further in the Group as part of the capital raise, and the structure and implementation of the capital raise.</p> <p>The senior management teams from all of our businesses and key functions participated in the fundraising process and worked diligently to bring the various elements to a successful completion.</p> | <p>The Group completed the capital raise, raising net proceeds of £52.3m. The Board is of the view that the success of the engagement was positively reflected in the capital raise exercise.</p> <p>The use of a Firm Placing and Placing and Open Offer allowed the Group to be fair amongst its members whilst raising the required finance in an efficient and successful way. It also allowed the Group to attract a number of new investors into the business, providing further diversity and strength for the future.</p> |

Stakeholder engagement

continued

Hold closed AGM and EGM in July 2021

| Decisions considered by the Board | Stakeholders considered | How did we engage and deliberate | Effect of engagement |
|---|---|--|--|
| The Board decided to hold a closed AGM and EGM due to the risks associated with COVID-19. | <p>Shareholders: would usually have the ability to attend in person via electronic means and hold the Board to account through Q&A and discussion.</p> <p>Employees: concerns around health and safety if AGM went ahead as normal.</p> | <p>Following UK Government guidance to hold closed meetings, we arranged for shareholders to attend the meeting virtually.</p> <p>Shareholders were encouraged to submit questions in advance of the meeting and vote via proxy forms.</p> | <p>The AGM and EGM went ahead with minimal risk to health and safety.</p> <p>Shareholders were able to ask questions (in advance) but were not able to ask questions on the day.</p> |

Investment in LSA

| Decisions considered by the Board | Stakeholders considered | How did we engage and deliberate | Effect of engagement |
|---|---|--|---|
| To pursue the investment of £125m by Carlyle Global Infrastructure Fund (CGI) in LSA. | <p>Employees: direct impact on employees retaining their jobs and improving the remaining employees' motivation and morale.</p> <p>The communities in which we operate: will benefit from continued investment in LSA as a major local employer.</p> <p>Customers and suppliers: the aim of the investment was to secure the funds necessary to sustain and develop a key asset in the London aviation market for the benefit of both our airline and passenger customers, and for the many businesses that supply the airport.</p> <p>Shareholders: the Board was cognisant that investment in LSA would secure its long-term future for the benefit of the Group as a whole, but also that a convertible loan would, in time, give a significant ownership interest in this key asset to CGI.</p> | <p>Due to the nature of the process to be followed to secure this investment, it was not possible to consult with employees, communities, customers and suppliers ahead of agreeing the investment and announcing it ahead of requesting approval for it by shareholders.</p> <p>Major shareholders were consulted about the size and nature of the investment in advance of it being agreed (as part of the overall fundraising being conducted by the Group) and were eventually asked to approve the investment in a shareholder meeting.</p> | <p>The investment was agreed and approved by shareholders. The Group raised a considerable amount of financing and, in the short term, was able to repay a significant amount of its debt and secure additional liquidity. This was used to fund the Group's short-term requirements and to enable it to build a strong foundation from which it can return the business to growth and deliver on its longer-term strategic ambitions for the Group's core operations, allowing it to meet certain of its residual legacy obligations in respect of Stobart Air (and its liquidation) and Propius, and underpin the business plan for Esken Renewables.</p> |

Risk management and our principal risks

We face a variety of risks and uncertainties, some arising within the Group, and others caused by external factors.

Overview

Risks can be mitigated or managed in some cases, and in others we have developed plans to manage the consequences.

The Group's financial and operational performance and reputation is subject to several potential risks and uncertainties. These risks could, either separately or in combination, have a material impact on our performance, customers, suppliers, employees, partners, the environment and shareholder returns.

Our approach – the risk framework

The Board has overall responsibility for ensuring the Group has robust risk identification and management procedures, and has put in place a risk framework to facilitate this. The framework sets out how we identify, evaluate and report on our current and emerging risks, and includes the assessment of the controls and mitigation strategies we have in place for each documented risk.

Responsibility for risk management is delegated to the level that is most appropriately placed to oversee and manage each risk, with oversight of the process as a whole being the responsibility of the Audit Committee.

Our principal and corporate risks are documented in a format which includes a comprehensive overview of the key controls in place to mitigate the risk and the potential impact. Changes to the principal risks can only be made with approval from the Audit Committee or Board.

The Board undertakes a full review of the corporate and principal risks on an annual basis, and they are reviewed by the Audit Committee at each of its meetings.

The Group's corporate risk register is reviewed and updated by the Esken Management Board each month, with detailed consideration of any changes in risk – be that emerging, additional or deleted risks, changes to the controls in place, or changes to the evaluation of our exposure to that risk. The Management Board review includes consideration of any significant risks identified in the underlying business or functional risk registers, to decide whether these need to be escalated to the corporate risk register. The Audit Committee also receives presentations from senior managers and external advisers and assurance providers, to ensure that its members have a comprehensive understanding of the risks facing the business, and the mitigation strategies implemented.

This regular review and challenge of risk information ensures that there is robust and regular consideration of the principal risks facing the Group by the Directors, taking into account the risks that could threaten our business model, future performance, solvency or liquidity, or the Group's strategic objectives.

There were no significant weaknesses identified in the risk management process during the year, and no changes were made to the framework by either the senior management team or the Audit Committee.

Board risk management objectives

The Group's risk management objectives, as set out through the risk framework, are:

- Robust and well defined processes for the identification and evaluation of current and emerging risks;
- Consistent analysis and evaluation of the likelihood and impact of key risks;
- Proactive consideration of risk within key decision-making processes;

- Awareness of the risks that could prevent Esken from delivering its strategic objectives;
- Risk awareness promoted as a key part of our culture, with everyone associated with our business recognising that the management of risk is part of their day job; and
- A proportionate approach to the management of risk, which balances the requirement to document risk and control decisions with processes which are not overly bureaucratic.

Overall, our risk management processes are designed to ensure that the Board is aware of the key risks affecting the Group, has information available to monitor the positions taken, and has the opportunity to challenge the approach taken to mitigation.

Risk management process across the Group

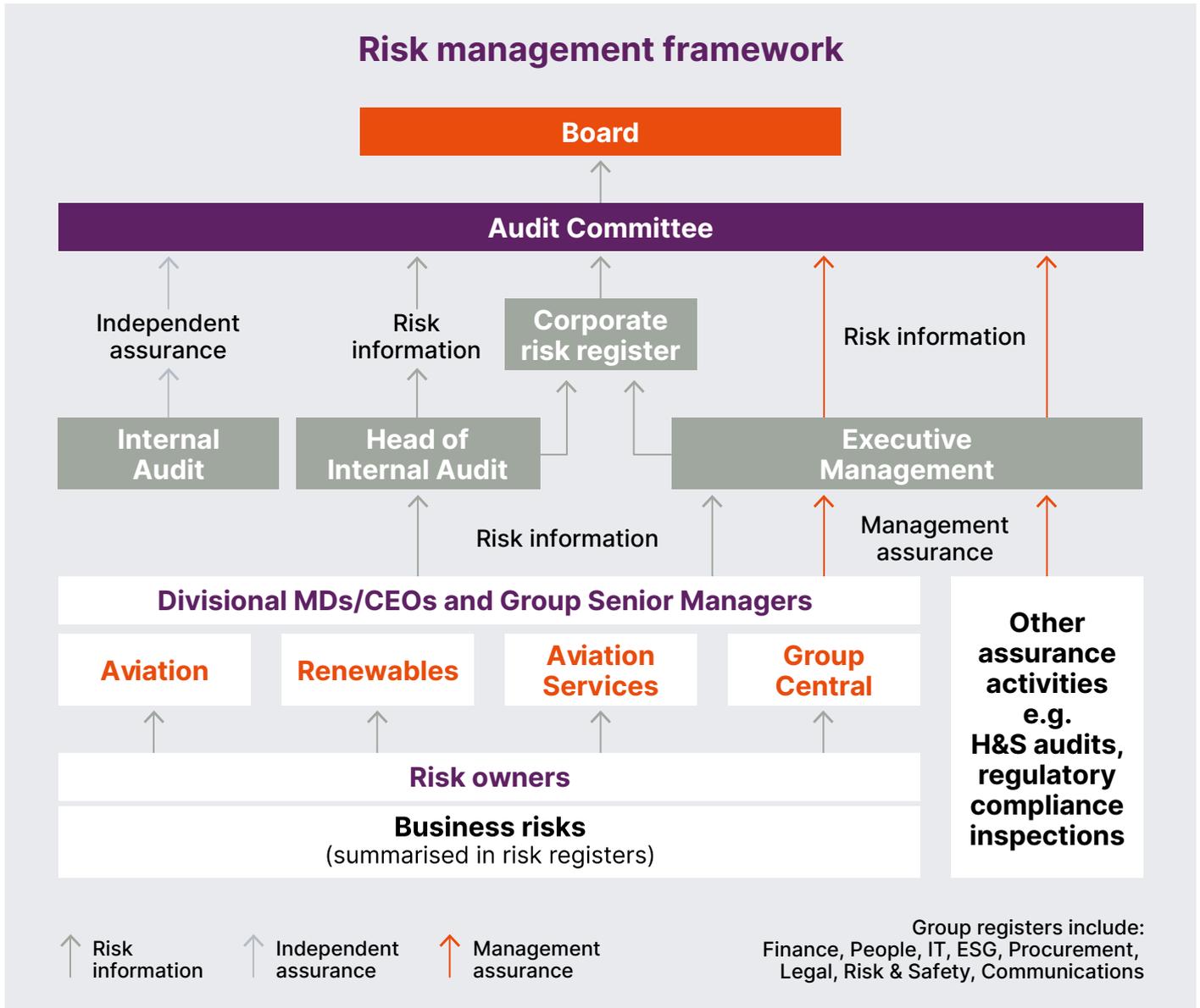
The Group maintains a corporate risk register which includes its principal risks and other high-level and strategic risks. The Audit Committee receives and reviews information relating to these corporate and principal risks, together with details of actions taken and relevant mitigating controls, prior to advising the Board in this regard.

Within divisions and Group functions, significant business risks are identified and reviewed at Director level, with results reported at Divisional Board meetings. Business managers across the Group own and manage these risks, with regular reports designed to keep the Board fully apprised of all current and emerging risks within the business.

Information from the risk process is used to prioritise and plan focus areas for the completion of assurance work, which is also reported to the Audit Committee.

Risk management and our principal risks

continued



ESG risk

Esken Group takes its ESG responsibilities seriously, investing time and resources during the year to enhance knowledge and skills within the Group. A specialist ESG Manager was recruited to develop and coordinate plans in each area, upskill our teams, and bring together people across the business to deliver positive changes and benefits across the three pillars.

We have ESG and climate change risks included in our corporate and business risk registers, and have developed a separate ESG risk register to integrate ESG ambitions and risks within the Group's normal risk management processes. Key information on our ESG plans and progress are included in this report on pages 36 to 58.

Within the overall focus on ESG initiatives, climate change risk remains one of the Group's principal risks, as we seek to both reduce our impact on the environment, and the impact of climate change on our activities, assets and finances.

Potential impacts include:

- A reduction in demand for flights;
- Changes in demand or regulation around the sustainable energy market;
- Higher costs:
 - for goods and services, e.g. utilities, insurances;
 - where changes in regulation or standards dictate the use of more expensive working methods or materials;
- An increasing regulatory burden, as governments use regulation to drive change;

- Supply chain challenges – with potential delays and shortages in supply;
- Increasingly severe and/or frequent adverse weather events, causing for example flooding, disruption or damage to properties; and
- Reduced investor interest, if we are not seen to be taking appropriate action in relation to climate change initiatives.

Emerging risks

In addition to the principal risks identified below, the Group has also assessed risks that are emerging and will need to be monitored and managed. They include:

- **Cost inflation** – is presenting an increasing risk for the Group. We are seeing increases in the direct cost of goods and services for the Group, and also anticipate that rising living costs have the potential to drive up employee costs and demands. Balancing these input cost increases with our ability to control customer pricing and revenues will be a challenge.
- **Supply chain risk** – in addition to the inflationary cost increases referred to above, we have noted an emerging risk relating to disruption in the supply chain, which may impact on our ability to procure essential supplies, in particular relating to the fleet management and plant maintenance for the renewables business.

- **Interest rate rises** – interest rates are rising, and we expect this to continue during FY23 and beyond. Significant increases could impact on our financial performance and ability to finance operations.
- **Difficulties recruiting and retaining staff** – particularly in the Aviation sector, where the COVID-19 shutdown has impacted on the attractiveness of the sector to potential employees, and the time required to recruit and onboard staff is longer because of the need for enhanced security checks.

Principal risks

Principal risks are those which are considered material to the Group's development, performance, position or future prospects.

The principal risks are captured in the Corporate Risk Register and are reviewed by the Board and Audit Committee, who consider:

- Any substantial changes to principal risks;
- Material changes to control frameworks in place;
- Changes in risk scores;
- Changes in tolerance to risk;
- Any significant risk incidents arising; and
- Progress with any additional mitigating actions which have been agreed.

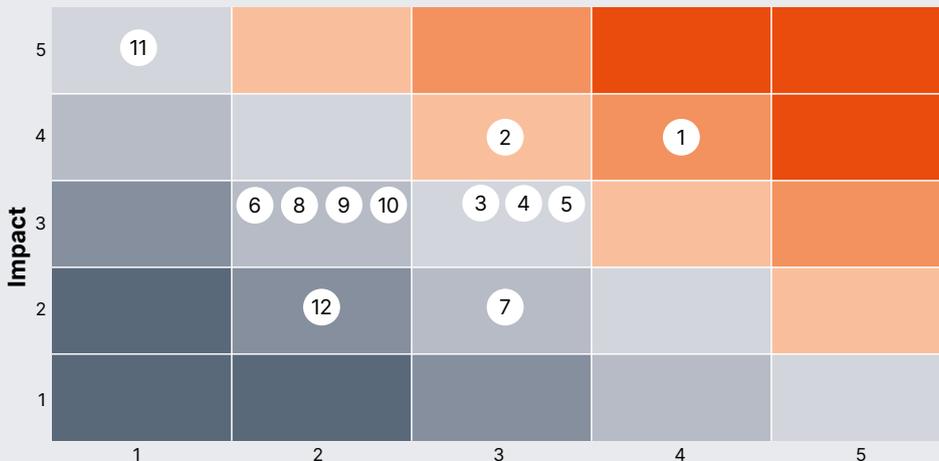
Changes in principal risk during the year

We consider that our principal risks have remained the same during the year, with no new principal risks identified, or risks deleted from the principal risk register by the Board. However, the evaluation of exposure to some of our principal risks has changed during the year, as business pressures have changed.

Principal risk heat map as at 28 February 2022

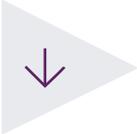
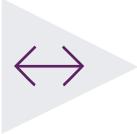
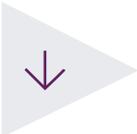
All risks are evaluated on a consistent basis across the Group, which includes both the likelihood of the risk crystallising and the potential impact. Our model evaluates both inherent exposure (i.e. before any mitigating controls or actions) and residual, or current, exposure (i.e. after controls and mitigations). This assessment allows us to see the positive impact of control on the underlying inherent risk.

The heat map summarises current principal risk residual exposures.



- | | | |
|--|--|--|
| <ul style="list-style-type: none"> 1 Impact of the COVID-19 pandemic 2 Liquidity shortage, loss of banking support 3 Passenger numbers at LSA fail to increase 4 Significant breach of key legislation 5 Cyber crime, significant data loss or breach | <ul style="list-style-type: none"> 6 Failure of plant with which the renewables business has a long-term supply arrangement 7 Impact of climate change 8 Impact of parent company guarantees/other guarantees 9 Loss of significant customer | <ul style="list-style-type: none"> 10 Significant breach of customer-related regulatory or licence conditions 11 Major aircraft incident at one of our operated or service airports 12 Disruption to operations, through environmental protests or loss of access to or use of infrastructure |
|--|--|--|

Principal risks and mitigations

| Potential impact | Risk mitigation | Direction of risk |
|--|--|--|
| Business area – Groupwide | | |
| 1. COVID-19 pandemic | | |
| <p>The pandemic impacted on the delivery of our ambitions, as the resulting commercial, liquidity and funding challenges had a significant impact on the business.</p> <p>The pandemic shutdown lasted significantly longer than had been anticipated, and its impact particularly across the aviation industry continues to present challenges, impacting on our ambitions for business growth.</p> <p>However, as the lockdown has now been lifted, we are working with airlines to agree operating arrangements and activities going forward.</p> | <p>Each division implemented mitigation plans, including the reduction of activities and costs, furloughing of staff, contractual reviews and additional cash monitoring reviews.</p> <p>Group functions supported the operating divisions to maintain operations where possible, to manage cash and debt positions, and to support the workforce with appropriate and safe working conditions.</p> <p>As we now look to move on from the restrictions of the pandemic, we have work underway to ensure that as activity levels rise, we have the necessary resources in place to deliver effectively.</p> |  <p>The majority of business restrictions in the UK have now been relaxed, along with travel restrictions both in the UK and overseas. We have therefore reduced our evaluation of this risk accordingly.</p> |
| Business area – Groupwide | | |
| 2. Liquidity shortage, loss of funding support | | |
| <p>We are reliant on funding support from our banking partners, and this reliance increased through the COVID-19 pandemic, which impacted our ability to generate revenues and profits.</p> <p>Cash shortages impact on our ability to invest in the business and deliver on our strategy and business plans.</p> <p>We obtained funding from a range of sources during 2021, but these will require renegotiation in future years.</p> | <p>The CFO and Group Treasurer work with Divisional Finance Directors to closely monitor and forecast cash requirements. We use the Anaplan system across the Group to produce high quality forecasts and projections. There is a strong governance framework for the management of cash and commitments, with clearly delegated levels of authority.</p> <p>We are in regular contact with our banking partners, to ensure they are fully informed of relevant activities and issues, and we operate in compliance with their requirements.</p> <p>Some elements of the funding negotiated during 2021 require additional reporting and communication, and we have enhanced our routines to deliver this.</p> |  <p>No change.</p> |
| Business area – Aviation | | |
| 3. Passenger numbers at LSA fail to recover | | |
| <p>Flight operations from LSA were significantly impacted by the COVID-19 pandemic, both by the restrictions on travel, and subsequently by the reduction in flights operating from the airport by our airline partners.</p> <p>If activities do not recover as anticipated the airport may not deliver the revenues budgeted by the Group in the short term, or on its overall growth ambitions in the medium to long term.</p> | <p>We are working closely with our partner airlines to understand their plans, and to accurately forecast activity.</p> |  <p>We are confident that the demand for flights will increase, now the uncertainties arising from the changing travel restrictions during the COVID-19 pandemic have been removed. Discussions with airline partners have been positive.</p> |

Potential impact**Risk mitigation****Direction of risk****Business area – Groupwide**

4. Significant breach of key legislation

We operate in highly regulated environments, and a significant breach of legislation could lead to prosecution, fines, costly remediation and reputation damage for the Group.

In some circumstances, operational activities could be suspended where remedial actions are implemented to address significant breaches or reduce the likelihood of future breaches arising.

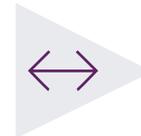
We have an experienced team, with good knowledge of the operational and legislative requirements in each area of business.

The Group and each division have documented systems in place in key areas, which include procedures designed to ensure legal compliance. Documentation is supported by detailed training for staff, monitoring and reporting routines, key risk analysis and internal and external inspections and audits.

We have little tolerance to risks in these areas, and seek to meet the highest standards, with close management attention, and a culture of compliance across the Group.

We have no tolerance towards health and safety risks for our staff, customers, or other third parties. We have dedicated health and safety functions in each division, and a Group function providing assurance and oversight, and have increased the resources dedicated to these during the year. Any incidents or near misses are recorded, escalated and reviewed, and where necessary appropriate steps are taken to mitigate the risk going forward.

We acknowledge our environmental responsibilities, and have processes in place to ensure that we meet all appropriate standards, and the conditions of any licences or permits which relate to our operations. In addition to internal reviews, we are subject to external inspections by the relevant regulatory bodies.



No change.

Business area – Groupwide

5. Cyber crime attack, data loss or breach

We rely on our technology solutions and strong information security to deliver business across the Group.

A significant cyber crime incident, for example, a ransomware attack impacting on key systems, could impact on our ability to operate for a period of time.

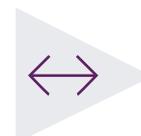
A significant data breach or loss could impact on the Group's ability to deliver its business, and could also result in investigation by the Information Commissioner's Office, with the potential for fines and costs for remedial action.

We continuously monitor and invest in our information security framework.

Our data and systems are now primarily cloud-based, where the providers specialise in providing secure, robust data storage facilities and tools, and have the ability to invest heavily in security routines and resources.

Staff training is provided to enhance awareness of the risks, and we have a suite of policies in place, governing the use and management of data and information technology resources.

The majority of data we process is not sensitive, and we do not hold detailed financial or similar information about our customers or suppliers.



No change.

Principal risks and mitigations

continued

Potential impact

Risk mitigation

Direction of risk

Business area – Renewables

6. Failure of plant with which we have long-term supply arrangements

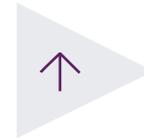
We have supply contracts with a number of energy plants/customers.

A significant proportion of revenues are generated from a relatively small number of customers and, therefore, should the demand from one or more of these significant customers reduce, there would be a twofold impact:

- Revenues would be reduced; and
- There may be additional operational costs arising from the need to manage excess stock.

Contracts with significant customers include 'Take or pay' clauses, which are typically set at 80% of contractual volume. However, whilst these offer a degree of security, because of the commercial nature of some of our customers, it is possible that some costs could not be recovered.

We have flexibility around the operation of processing sites and our transport fleet to switch supply/logistics to other fuel supply contracts, and we have increased the amount of storage capacity available, to enable peaks and troughs in demand to be smoothed.



We increased the evaluation of risk slightly, because of the reliance we have on a small number of customers.

Business area – Groupwide

7. Impact of climate change

Climate change may have an increasing impact across the business, which could include:

- Reduction in demand for flights, impacting on Aviation and Aviation Services;
- Increasing regulatory burden;
- Increasing costs;
- Adverse weather events impacting on operations;
- Poor publicity or reputational damage;
- Reductions in asset values;
- Investor relations impacted negatively.

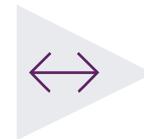
We are investing significantly in the Group's approach to delivering its ESG ambitions.

We have a dedicated ESG Manager, a Board level Steering Group, and working groups in place across each area of the business. A comprehensive ESG strategy is being developed, with supporting plans to deliver on the different elements and activities in all areas of the business.

We have brought in additional expertise through external consultants, to help us ensure that we have the right plan of action across each of the ESG pillars.

Data collection and reporting has been significantly enhanced during the year.

The main opportunities will arise from our ability to adapt and respond to risks appropriately, so energy efficiency, for example in buildings and vehicles, plus efficient operations planning and management of plant and site equipment will be key. Please refer to the ESG sections of this report for further information on our intentions and achievements.



No change.

Potential impact**Risk mitigation****Direction of risk****Business area – Groupwide**

8. Parent company guarantees

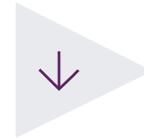
The Group has given parent company guarantees for potential liabilities associated with some activities of the Group.

The most significant of these relate to commitments made in relation to Stobart Air and Propius, and we are working through the closure of those, following the liquidation of the airline.

Other guarantees relate to the Renewables business customers, and there are some longstanding guarantees relating to rent and rates for buildings previously occupied by businesses which are no longer part of the Group.

If these guarantees are called on, this could impact on our ability to fund and deliver business plans.

The position in relation to the guarantees is continuously monitored.



The liquidation of the airline crystallised a number of the risks, which have therefore been recognised in our financial plans, and the position on others has reduced during the year, as they are time limited.

Business area – all operating divisions

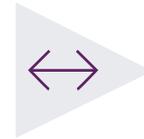
9. Loss of significant customer

In some areas of the Group there is reliance on a small number of customers. Loss of a significant customer would impact on revenues and profits, and challenge cost models.

Whilst in the Renewables division our more significant customers have been operating for some time and are likely to have resilience in their operations this is counter-balanced by the key customer concentration in the Aviation division.

There are strategies in place to secure additional customers in key areas to dilute the share of business represented.

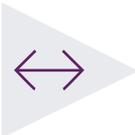
Relationship management of significant customers remains a priority, with both divisional and Group senior management closely involved.

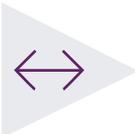


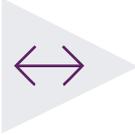
No change.

Principal risks and mitigations

continued

| Potential impact | Risk mitigation | Direction of risk |
|--|---|---|
| Business area – all operating divisions | | |
| 10. Significant breach of customer licence or regulatory conditions | | |
| <p>Our businesses operate in complex areas, with a number of regulatory bodies, from the Civil Aviation Authority, to the EA and Department for Transport, having frameworks that we must adhere to.</p> <p>A significant breach to the conditions of licence, regulatory or operating requirements could lead to the loss of operating licences or approvals.</p> <p>This could have a significant impact on the Group's revenues and profits, if activities were curtailed whilst remedial actions were taken.</p> <p>Significant breaches could also impact on the business's reputation, with regulators, customers or the wider public.</p> | <p>We have experienced management teams, with business systems in place designed to ensure that licence and regulatory requirements are recognised and fully addressed. These include appropriate induction, training and oversight arrangements.</p> <p>Responsibilities are clearly allocated within the Group and divisional structure.</p> <p>There are oversight arrangements, including an operational audit programme, undertaken by a central Group team.</p> |  <p>No change.</p> |

| | | |
|--|---|---|
| Business area – Aviation and Aviation Services | | |
| 11. Major aircraft incident at our operated airports | | |
| <p>An incident (related to a Group activity) resulting in the loss of an aircraft and/or passenger, or which rendered the airport out-of-use for a significant period of time.</p> | <p>Activities are undertaken in compliance with the requirements of the Civil Aviation Authority (CAA) and other appropriate regulations, with comprehensive operational arrangements in place to ensure activities are carried out appropriately and to a consistently high standard.</p> <p>We have competent and experienced management and operational teams in place, with compliance monitoring routines, checking against our documented, standard, operating procedures.</p> <p>We have regular programmes of internal inspections, and are subject to external reviews by the relevant regulators.</p> |  <p>No change.</p> |

| | | |
|--|--|---|
| Business area – all operating divisions | | |
| 12. Disruption to operations, or loss of access to/use of infrastructure | | |
| <p>Loss of access to, or use of, facilities, for example, through significant fire or flood on a site or at a nearby location, or from demonstrations, drones or significant system failure.</p> <p>The resulting impact on operational activities, could have an impact on the Group's reputation and revenues.</p> | <p>Crisis management arrangements and contingency plans have been developed for each key area of the business.</p> <p>Where appropriate these have been agreed with the relevant regulatory body, such as the CAA, Border Force, and police.</p> <p>We work closely with local businesses sharing information, resources and planning, and also share and gather information through trade and other sector related organisations.</p> <p>Resilience is built into key systems and equipment where this is possible.</p> |  <p>No change.</p> |

Viability statement

for the year ended 28 February 2022

The Directors have assessed the viability of the Group over a three-year period from the date of signing to May 2025, considering the Group's current position and the potential impact of the principal risks documented in the principal risks and mitigation controls section.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period, subject to the assumption that the material uncertainty regarding funding, that is more fully explained in the basis of preparation in respect of going concern on page 124, is satisfactorily resolved.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, including reliance on the fundraising in excess of £100m required over the going concern period to May 2024, in one or two tranches as detailed in the basis of preparation in respect of going concern. This funding will support the Group in clearing all legacy Propius aircraft lease and maintenance reserve obligations, (£44.7m of net liabilities included in the consolidated balance sheet as at 28 February 2022), in addition to the settlement of the exchangeable bond. The principal risks facing the business in the severe but plausible scenarios and the effectiveness of any mitigating actions, including the reduced growth of passengers and cargo operation at London Southend Airport (LSA), following the COVID-19 pandemic, and reduced energy plant availability and reduction in volumes supplied, have also been taken into account. The severe but plausible scenarios do not currently include non-core asset disposal proceeds, of which there is potential to raise approximately £39.7m based on current book values. This robust assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period to May 2025.

The Group will have a base case headroom of c.£19m at May 2025, before mitigating actions, and c.£2m under a severe but plausible scenario at the same date, including the assumption that funding in excess of £100m is raised. In addition to the assumptions described in the basis of preparation in respect of going concern, this assumes that by FY25:

- the Renewables business continues its post-COVID recovery and increases volume to 1.9m tonnes per annum; and
- LSA volume increases towards pre-COVID passenger levels.

The Directors have determined that the three-year period from date of signing to May 2025 is an appropriate period over which to provide its Viability Statement as this period in the business plan covers all known significant events impacting liquidity, including the settlement of all liabilities in relation to Propius leased aircraft and maturity of the exchangeable bond in May 2024, whilst still providing an appropriate long-term outlook. Whilst the reviews performed do not consider all of the risks that the Group may face, the Directors consider that the scenario-based assessment prepared of the Group's prospects is reasonable in the circumstances. The Directors have a reasonable expectation that the Group will be able to continue to meet liabilities as they fall due over the coming three-year period. However, as described above, and more fully in the basis of preparation, there is a material uncertainty regarding the funding required during the going concern period.

Board of Directors



David Shearer
Executive Chairman



Lewis Girdwood
Chief Financial Officer
Executive Director – Aviation



Nick Dilworth
Chief Operating Officer
Executive Director –
Renewables

Appointment to the Board

1 June 2019

1 April 2019

1 September 2018

Background/ experience

David joined the Board on 1 June 2019 and was appointed Non-Executive Chairman on 23 July following the 2019 AGM. He became Executive Chairman on an interim basis with effect from 9 February 2021 and this was confirmed as a permanent appointment with effect from 3 November 2021.

David is an experienced independent director, corporate financier and turnaround specialist. He is Non-Executive Chairman of Speedy Hire Plc, Amber River Group (formerly Socium Group Holdings Limited) and the Scottish Edge Fund. David was previously the senior partner of Deloitte LLP for Scotland and Northern Ireland, and a UK Executive Board member of the firm until 2003. Since then, David has held the positions of Co-Chairman of Martin Currie (Holdings) Limited, Chairman of Mouchel Group plc and Crest Nicholson plc and a Non-Executive Director of City Inn Limited, in each case standing down after completing the successful restructuring of these businesses.

David was also Non-Executive Chairman of Aberdeen New Dawn Investment Trust plc, Liberty Living Group plc and Liberty Living Finance plc, Senior Independent Director of Renold plc, STV Group plc and Superglass Holdings plc and a Non-Executive Director of Mithras Investment Trust plc and a Governor of The Glasgow School of Art.

Lewis was appointed Chief Financial Officer on 1 April 2019 and became Executive Director – Aviation with effect from 3 November 2021.

Lewis previously served as Chief Financial Officer to IAG Cargo Limited, which provides global cargo services to British Airways, Iberia, Aer Lingus and other IAG airlines. Prior to that, he was Head of Financial Planning and Analysis at easyJet, responsible for financial business partnering across the airline.

Lewis has also held senior finance roles at Premier Foods PLC, British Bakeries Ltd and Racal Electronics Group International.

He is also a member of the Audit Committee of charity Tommy's.

Nick was appointed Chief Operating Officer in September 2018, having worked as Group Commercial Director since October 2017, and became Executive Director – Renewables with effect from 3 November 2021.

Nick previously worked for BES Utilities, where he was Managing Director. He has also previously occupied a number of leadership roles at Practice Plan Limited and Medenta Finance and has a strong commercial background.

Nick qualified as a Chartered Accountant with BDO LLP before joining Grant Thornton as a corporate financier.

He is currently a Non-Executive Director of AirPort Ltd.

Committee membership

Chairman of the Nomination Committee.

Member of the Environmental, Social and Governance (ESG) Committee and Executive Sponsor for ESG.



David Blackwood
Deputy Chairman and Senior
Independent Director

1 March 2019

David has significant experience at senior levels of finance, audit and risk. He is currently Non-Executive Chairman of Smith's News plc and an Independent Non-Executive Director and Senior Independent Director of The Go-Ahead Group PLC and has previously been Audit Committee Chairman and Senior Independent Director of Scapa plc and Dignity plc.

Previously, David was the Chief Financial Officer of Synthomer plc, where he served for seven years until 2015, prior to which he held a number of senior roles with ICI plc.

David has previously served as a member of the Cabinet Office Audit and Risk Committee and the Board for Actuarial Standards. He is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Association of Corporate Treasurers.

David was appointed as Senior Independent Director with effect from 1 November 2020 and Deputy Chairman with effect from 3 November 2021.

Chairman of the Audit Committee and member of the Remuneration and Nomination Committees.



John Coombs
Non-Executive Director

1 July 2014

In 2018, John stepped down, after 16 years, from the position of Managing Director of Unilever Ventures Ltd, during which time he chaired the Investment Committee and made investments in 50 early-stage businesses in the UK, US and Europe.

He has sat on the Boards of 20 companies, including five as Chairman.

Currently, John also serves as Non-Executive Chairman of The Co-op's Federal Retail and Trading Services Limited, which coordinates purchasing for Cooperative retailers in the UK.

John will step down from the Board of Esken at the upcoming AGM.

Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.



Ginny Pulbrook
Non-Executive Director

1 October 2018

With a background in investment banking and financial public relations, Ginny brings more than 30 years' experience as a board-level adviser to quoted companies in the infrastructure, industrial and support services sectors. Her specific areas of expertise include high-profile capital markets transactions, ESG and change management.

Ginny is currently a partner at Capital Market Communications (Camarco) and is Vice Chair and Chair of the Nomination Committee of Carers UK, the leading charity for unpaid carers.

Previous positions include Co-Founder and Director of Citigate Dewe Rogerson, and Chair, Patrons' Programme and Development Council Member of the Natural History Museum.

Ginny is the designated Non-Executive Director for People Engagement within Esken and the Chair of its ESG Committee.

Member of the Remuneration, Nomination and Audit Committees and Chair of the ESG Committee.



Clive Condie
Non-Executive Director

1 July 2020

Clive was Chairman of London Luton Airport until June 2018, a position he held for almost five years. Besides being Chairman, he was Interim CEO during 2014. Clive was also a director of Exolum Pipeline System Ltd (formerly CLH-PS Ltd), the owner and operator of the UK's largest fuel pipeline and storage facility until resigning in March 2021.

Clive has 40 years' experience in the aviation industry, having worked for Manchester Airport and British Airways amongst others. Clive has also served on the Boards of a number of airports, including London Luton Airport some 20 years ago, Lima in Peru and Curacao in the Dutch Antilles.

Clive is a fellow of the Royal Aeronautical Society.

Member of the Remuneration, Nomination and Audit Committees. Chairman-designate of the Remuneration Committee.

Corporate governance



The Board's primary responsibility is to ensure that the Group provides long term and sustainable growth for its shareholders.

David Shearer,
Executive Chairman



Dear Shareholder

I am pleased to present the Corporate Governance Report for the year ended 28 February 2022 on behalf of the Board. In a year that has presented many challenges to our businesses, we have relied on our governance framework to provide us with the foundations upon which to increase our internal reporting and respond to the fast-evolving pandemic landscape.

We continue to operate in accordance with the revised 2018 UK Corporate Governance Code (the Code) and set out below further information on how we have applied the Code to our business.

The UK Corporate Governance Code

This report has been prepared in accordance with the Code and takes into account other UK regulations that address governance matters. The Board considers the Company was in full compliance with the relevant provisions of the Code throughout the financial year ended 28 February 2022, except where highlighted in this report. I note that I have acted as an Executive Chairman of Esken since we announced Warwick Brady's departure as CEO in February 2021 and more information with regard to my proposed tenure in that role is given on page 83 of this report.

The Code can be downloaded from the website of the Financial Reporting Council (www.frc.org.uk).

The Board and Committee evaluations this year have been undertaken internally and have been thorough. We will give consideration to an external evaluation of the Board in due course as our practices develop. Further information in this regard can be found on page 89 of this report.

Stakeholder engagement

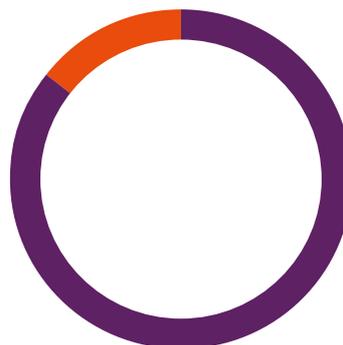
In a year where our ways of working have continued to be impacted by external factors, the importance of regular engagement with our stakeholders, and in particular our employees, cannot be underestimated. We recognise the importance of incorporating stakeholder views in our strategic planning and decision-making. Further information on our stakeholders and our approach to shareholder engagement can be found on pages 60 to 68.

Seven members



- Non-Executive Chairman (1)
- Executive Directors (2)
- Non-Executive Directors (4)

Gender split



- Male (6)
- Female (1)

Environmental, social and governance

We recognise the increasing importance of environmental, social and governance (ESG) as a key area of focus for our stakeholders, and as a business we are very mindful of the impact on the environment and the communities in which we operate. We have set out on pages 36 to 58 how we are progressing against our strategy in this area.

Opportunities and risks

The consideration of opportunities and risks remains a key area of focus for the Board. The Board reviews the Group's risk appetite annually and regularly considers the principal and emerging risks relevant to our business, together with mitigations and controls.

Our Strategic Report sets out in more detail how the Board assesses and manages risk and we list the Group's principal risks and how we seek to mitigate those risks on pages 69 to 76.

Leadership and Board effectiveness

To enable us to deliver sustainable and long-term value to our shareholders, the Board must function effectively in supporting, challenging and guiding management to deliver the Group's strategy.

The effectiveness of the Board and the effective leadership of the Executive team has most certainly been under pressure as we have navigated the continued effects of the COVID-19 pandemic. I have been impressed with the determination and resilience that my colleagues have continued to demonstrate and their significant efforts to continuously adapt our business in response, whilst also striving to maintain 'business as usual' where possible.

The Non-Executive members of the Board have continued to commit their time and broad business expertise to support the Executive through this period. This is a true measure of Board effectiveness.

Further information in relation to the key areas of focus for the Board this year and expected areas of focus for next year are outlined on page 87 of this report.

Board appointments

In 2020, the Board was in the process of recruiting two additional Non-Executive Directors. However, this process paused when COVID-19 hit but Clive Condie was appointed to the Board on 1 July 2020 as Non-Executive Director. We are not currently intending to resume the search for that second Non-Executive Director, even though John Coombs will step down from the Board later this year ahead of our AGM. We feel that a Board of six directors, of whom three are independent, provides the right mix of skills and experience and is sufficient for the needs of the business at the present time.

Warwick Brady resigned in February 2021 and stepped down as Chief Executive and as a member of the Board on 30 April 2021. I assumed the role of Executive Chairman, initially on an interim basis, to support Esken as it continued to navigate the impact of the pandemic. Whilst in principle this goes against the provision 9 of the Code, this decision was taken in exceptional circumstances and we consulted with major shareholders regarding our decision on announcement of the Chief Executive's resignation.

In November 2021, we announced that the Board had carefully considered the leadership requirements of the business, given the simplified structure of the Group with two core operating divisions, and had further consulted with a number of its major shareholders, and that it was decided to retain the existing structure with some amendment to responsibilities. I remain as Executive Chairman with responsibility for stakeholder management, execution of strategy and Executive leadership. Lewis Girdwood, CFO, took on the additional role as Executive Director – Aviation with main Board responsibility for that division. Nick Dilworth, COO, took on the additional role of Executive Director – Renewable with main Board responsibility for that business, in addition to his Executive responsibility for ESG. The changes have the support of major shareholders and the Board believe it is in the best interests of investors in terms of a streamlined structure and minimising cost to the business. In order to maintain strong corporate governance, David Blackwood became Deputy Chairman and Senior Independent Director so that the Board and shareholders have a point of reference independent from the Chairman. This leadership structure will remain in place for the foreseeable future. The Board will review this structure on an annual basis and seek input from its major shareholders as the business evolves.

As is set out elsewhere in this report, John Coombs, who has served as a Non-Executive Director since 2014, will step down from the Board with effect from the AGM. We will not replace John immediately as we feel a Board with six members is sufficient for our purposes for now, in view of the reduction in scale of the Group's operations and the fact that we are still in the recovery phase following the pandemic. We will keep the position under review and ensure that we take steps to provide adequately for Board succession at the point when this becomes an issue. While recognising that the Board does not meet the expected target for diversity and that this will now not change in the short term, at present it is right not to add additional cost into the business. However, it is our longer-term intention to recruit a further Non-Executive Director in due course. We have asked Clive Condie to assume the role of chairing the Remuneration Committee as a successor to John. I would like to offer my thanks, on behalf of the Board, to John for his service to the Group over the last several years and we wish him well with his future endeavours.

The Board has worked especially hard during the year to support our business operations and colleagues in navigating the continued sustained level of uncertainty that has resulted from the pandemic and I would like to extend my thanks to my Board colleagues for their ongoing commitment.

AGM

We will notify shareholders about our AGM in due course, with our intention being that it will be held in person for the first time since 2019 on 13 July 2022. For further details please refer to the AGM Notice that will be sent out to shareholders under separate cover.

David Shearer
Executive Chairman

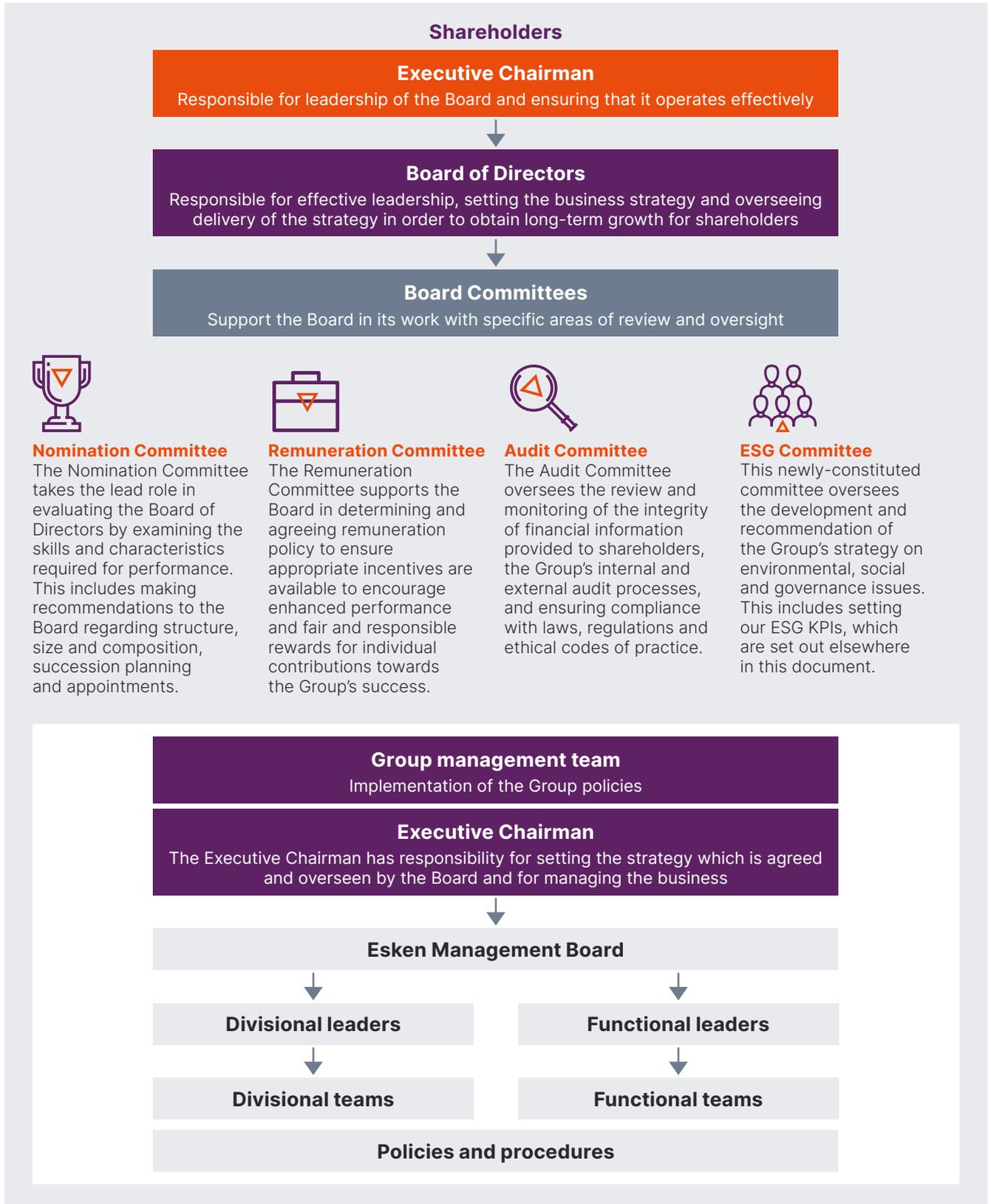
24 May 2022

Corporate governance continued

Governance framework

The Board is structured to allow for focus on business strategy, as well as monitoring performance of the Group and regular review of controls and risks across the business.

The key features of the Group's governance structure are shown in the schematic below:



Responsibilities of the Board

The Board is collectively responsible for the long-term success of the Company, including the effective oversight of the Group and its businesses. The Board's primary responsibility is to set the Company's strategic objectives and ensure that these are monitored and resources are available (both financial and human resources) to meet them. As part of the Board's oversight of operations, it also ensures maintenance of a sound system of internal control and risk management.

In accordance with the Code, the Board has a formal schedule of matters that are reserved for its consideration, including significant investments of capital expenditure, dividend policy and changes to Group capital structure.

The Board's main areas of focus during the year are set out on page 86.

Board composition and independence

The Board continues to have an effective balance of Executive and Non-Executive Directors. As at 28 February 2022, the Board consisted of seven individuals: an Executive Chairman, four independent Non-Executive Directors and two Executive Directors. Warwick Brady resigned in February 2021 and stepped down as Chief Executive and as a member of the Board on 30 April 2021. John Coombs is stepping down from the Board at the upcoming AGM and will not be replaced in the immediate future.

Following the resignation of Warwick Brady as CEO, announced on 9 February 2021, David Shearer assumed the role of Executive Chairman with immediate effect to provide stability and continuity to the Board and the business. His position as Executive Chairman will now continue for the foreseeable future and be subject to an annual review by the Board.

The Board believes that it has an appropriate composition and blend of backgrounds, skills and experience to fulfil its duties effectively and, importantly, to comply with the Code. However, the Board continues to keep its membership, and that of its Committees, under review, to ensure that an acceptable balance is maintained, and that the collective skills and experience of its members continue to be refreshed.

The Board is satisfied that all Directors have sufficient time to devote to their roles and that undue reliance is not placed on any individual.

Board Committees

As set out in the diagram opposite, the Board has established Committees to carry out certain aspects of its duties. Each is chaired by a Non-Executive member of the Board and has written terms of reference which are available on the Esken website www.esken.co.uk

The Chair of each Committee reports regularly to the Board as to how that Committee has discharged its responsibilities.

Corporate governance continued

Board attendance

| | David Shearer | Warwick Brady ¹ | Nick Dilworth | Lewis Girdwood | David Blackwood | John Coombs | Ginny Pulbrook | Clive Condie |
|---|---------------|----------------------------|---------------|----------------|-----------------|-------------|----------------|--------------|
|  Scheduled Board 7 meetings | 7/7 | 1/7 | 7/7 | 7/7 | 7/7 | 6/7 | 7/7 | 7/7 |
|  Nomination Committee 2 meetings | 2/2 | - | - | - | 2/2 | 2/2 | 2/2 | 2/2 |
|  Audit Committee 4 meetings | - | - | - | - | 4/4 | 4/4 | 4/4 | 4/4 |
|  Remuneration Committee 6 meetings | - | - | - | - | 6/6 | 6/6 | 6/6 | 6/6 |

¹ Warwick Brady ceased to be a Director on 30 April 2021.

The Board held seven scheduled meetings during the course of the year. In response to the pandemic and in light of ongoing financing requirements, the Board also held regular meetings during the first half of 2021, primarily to allow the Board to consider the impact of the pandemic on its business operations and financial performance, and agree necessary actions in response, particularly with regard to the withdrawal of financial support from Stobart Air, the fundraising transactions announced in mid 2021 and the investment in London Southend Airport (LSA). The Audit, Nomination and Remuneration Committees held five, four and seven scheduled meetings respectively. The ESG Committee was formally established following the end of the year and although its members held meetings during the years as they continued to be responsible for the Group's ESG strategy and its implementation through the wider ESG governance structure. The Board and Committees also meet as required on an ad hoc basis to deal with urgent business, including the consideration and approval of transactions that are reserved for the Board.

The table above shows the Directors' attendance at the scheduled Board and Committee meetings during the year ended 28 February 2022. Each meeting was attended by every Board member eligible to attend, other than where noted.

The agenda and relevant briefing papers are distributed by the Company Secretary on a timely basis, usually one week in advance of each Board and Committee meeting, via board portal software. This allows Directors secure access to the Board and Committee papers they need before, during and after meetings and facilitates better Board communications for increased engagement and effective decision-making while enhancing corporate governance.

Board meetings are an opportunity for the Non-Executive Directors to challenge the performance of the various divisions against strategic objectives and key performance indicators (KPIs), to review transactions which have taken place since the preceding meeting and to receive reports from the Board's Committees.

All meetings of the Board and its Committees have minutes recorded by the Company Secretary. Board minutes are reviewed and approved by the Chairman in the first instance, circulated to the Board for further comments and tabled at the next Board meeting for approval. Committee minutes are also reviewed by the Chairman of that meeting and then tabled for approval at the next meeting. Any concerns raised by Directors are clearly recorded in the minutes of each meeting.

As the ESG Committee was only constituted formally after the end of the last financial year, no formal meetings of the Committee were held, although its members met regularly to continue the work which the committee now has formally assigned to it and the effect of their work can be seen elsewhere in this report, most notably in the Sustainability report on pages 36 to 58. The ESG Committee is scheduled to meet at least three times a year. The terms of reference for the Committee can now be found on our website at www.esken.com. The ESG Committee shall have overall responsibility:

- to recommend the Group's ESG strategy for adoption by the Board and ensure that it remains fit for purpose and consistent with the Company's purpose, culture and values whilst supporting the Company's long-term sustainable success;
- to ensure that short and long-term objectives for the Company's ESG activities are in place;
- to monitor and review the Group's compliance with the recommendations and requirements of The Task Force on Climate-Related Financial Disclosures (TCFD) and to approve any relevant disclosures mandated thereby under the Listing Rules;
- to ensure that ESG risks (including those mandated by the TCFD) are identified, assessed and managed in line with the Group's relevant risk mitigation framework;
- to recommend ESG KPIs for adoption by the Group, including for use by the Group in incentive schemes and annual bonus schemes;
- to monitor and review the overall implementation of the Company's ESG strategy;
- to monitor, review and consider all recommendations in response to ESG issues raised and review the execution and implementation of plans previously approved by the Committee including recommending corrective actions, where applicable;
- to monitor, review and consider stakeholder engagement in ESG activities and review key external disclosures.

Individual Directors' key responsibilities

The key responsibilities of individual Directors are set out below.

| Title | Responsibility |
|---|---|
| Executive Chairman and Deputy Chairman | The positions of Chairman and Chief Executive have been held by the same individual in the position of Executive Chairman. In discharging his role as Chairman of the Board, the Executive Chairman is responsible for leading the Board, ensuring its effectiveness and looking after the interests of shareholders as a whole. The Deputy Chairman deputises for the Executive Chairman where necessary, particularly with regard to matters affecting the Executive Chairman personally and to provide a point of contact for shareholders independent from the Chairman. At Esken, the role of Deputy Chairman and Senior Independent Director are combined. |
| Executive Directors | <p>The Group does not have a Chief Executive. The Executive Chairman has responsibility for stakeholder management, execution of strategy and executive leadership. The other Executive Directors are responsible for the day-to-day management of the business alongside the Executive Chairman. They are, together, accountable for developing the Group's strategy and budget for Board approval and for monitoring the financial, operational and service performance of the Group. Lewis Girdwood, CFO, has the additional role as Executive Director – Aviation with main Board responsibility for that division. Nick Dilworth, COO, has the additional role of Executive Director – Renewables with main Board responsibility for that business, in addition to his Executive responsibility for ESG.</p> <p>The Esken Group Management Board (the Company's senior leadership team) comprises the Executive Chairman, the two other Executive Directors, Group People Director, Group General Counsel and Company Secretary, and the Managing Directors of the Group's key operating divisions. Meetings of this group are held monthly to discuss general business activity and also to discuss strategic issues in the business. Senior management from across the divisions will also attend the Esken Group Management Board meetings by invitation.</p> |
| Chief Operating Officer | The Chief Operating Officer is responsible for all operational matters affecting the Group. Nick Dilworth, COO, has the additional role of Executive Director – Renewables with main Board responsibility for that business, in addition to his Executive responsibility for ESG. |
| Chief Financial Officer | The Chief Financial Officer is responsible for ensuring sound financial management of the Group's business and providing strategic and financial guidance to ensure that the Company's financial commitments are met. Lewis Girdwood, CFO, has the additional role as Executive Director – Aviation with main Board responsibility for that division. |
| Senior Independent Director | <p>At Esken, the role of Deputy Chairman and Senior Independent Director (SID) are combined. In addition to the role as a Non-Executive Director, the role of the SID is to provide a sounding board for the Executive Chairman and to serve as an intermediary for other Directors where necessary. The SID makes himself available to shareholders if they have concerns which cannot be dealt with by the Executive Chairman, and also makes himself available to other Directors if they have any concerns regarding the Executive Chairman. The SID meets with Non-Executive members of the Board at least once a year without the Executive Chairman being present, or the other Executive Directors, in order to review the Executive Chairman's performance in his role.</p> <p>The Board considers this role and the role of Deputy Chairman to be of particular importance given that David Shearer carries out the role of Executive Chairman.</p> |
| Non-Executive Directors | <p>The Non-Executive Directors provide a breadth of experience and independent judgement to Board discussions. Their role is to challenge and support the Executive team whilst being ultimately responsible for overseeing corporate governance and protecting shareholder interests.</p> <p>Each Director has specialist knowledge that helps provide the Board with valuable insights and, in some situations, key contacts in related industries.</p> <p>The appointment letters of the Non-Executive Directors are available for inspection at each AGM, and at the Company's registered office during normal business hours.</p> |
| Company Secretary | <p>The Company Secretary's role is to act as adviser to the Board on matters relating to corporate governance and, in conjunction with the Executive Chairman, to ensure good information flows between the Board, its various Committees, the Non-Executive and Executive Directors and the Esken Management Board.</p> <p>The Non-Executive Directors have access to the Company Secretary's advice and services in addition to independent, professional advice if required (at the Group's expense).</p> |

Corporate governance continued

| Activity in year | |
|--|--|
| Governance and risk | <ul style="list-style-type: none"> Received regular updates on the impact of COVID-19 on business operations and determined strategies to manage impact; Discussed outcomes/themes from the internal Board effectiveness review; Received training and updates on relevant new laws and regulations, corporate governance, Directors' responsibilities, and whistleblowing; Considered the arrangements in place for the position of Executive Chairman and Deputy Chairman and the enhanced role of the CFO and COO; and Approved the formation of the ESG Committee and set its terms of reference. |
| Strategy | <ul style="list-style-type: none"> Board Strategy Day held to discuss and review the implementation of strategy; Monitored performance against strategic objectives; Reviewed and adapted business priorities as the COVID-19 pandemic evolved; Approved the prospective sale of both Stobart Air and Carlisle Lake District Airport and the subsequent withdrawal of financial support from Stobart Air; Oversaw and monitored plans to achieve the investment in LSA by Carlyle Global Infrastructure Fund; and Approved the arrangements for refinancing the Group by way of the equity fundraising and banking facilities. |
| Leadership and a responsible business | <ul style="list-style-type: none"> Agreed and implemented a new Executive leadership structure for the Group; Kept under review the level and impact of health and safety incidents and near-misses and restructured the Group's management of health and safety; Monitored level and content of communication to employees across the Group, focusing in particular on wellbeing; Adapted the Group's COVID-19 management policies and practices; and Implemented a revised structure for personal data management and GDPR responsiveness. |
| Financial performance and stewardship | <ul style="list-style-type: none"> Approved the annual operating and capital expenditure budgets; Reviewed monthly business performance reports against budget and forecast; Reviewed and approved the half-year and full-year results and related announcements; Implemented robust cash controls to manage liquidity; Reviewed and negotiated revised credit facility; Implemented capital raise resulting in gross proceeds of £55m; and Implemented a £125m investment by way of convertible loan in to LSA. |
| Shareholder engagement | <ul style="list-style-type: none"> Undertook a major roadshow to inform and consult with key investors on the Group's strategic financing initiatives during the year; Keeping major shareholders apprised of our response to the COVID-19 pandemic; Reviewed feedback from roadshows and presentations to shareholders; Approved Annual Report and Accounts and information to shareholders for the AGM; and Consulted shareholders over changes to the Executive leadership structure of the Group. |
| COVID-19 | <ul style="list-style-type: none"> Sought and received support under the UK Government furlough scheme; Kept under review the Company's going concern and viability position; Determined that no dividends would be payable during the year; Held additional Board meetings to consider the impact of COVID-19 on the business and agreed contingency plans; and Agreed that there would be no pay awards or bonuses payable to Executive Directors. |

Experience of the Board

The members of the Board maintain the appropriate balance of status, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities and to ensure that the requirements of the business can be met. This will continue to be the case after John Coombs steps down at the upcoming AGM.

The experience which each member of the Board brings to their role is outlined in the Board biographies on pages 78 and 79.

Directors' terms of appointment

Further details of the Directors' service contracts and letters of appointment are set out in the Directors' Remuneration Report on page 105.

Expected Board focus for next year

At the date of writing this Annual Report, the COVID-19 crisis continues to have an unprecedented impact on our business. The Board has spent significant time during the financial year focusing on the impact of the COVID-19 situation upon the business and it will continue to do so whilst planning for operations and business beyond COVID-19.

It is anticipated that the following areas will also receive focus by the Board during the year ending 28 February 2023:

- Review strategy for the Group as a more focused business;
- Senior leadership roles, capabilities and requirements;
- ESG;
- Any new major projects arising in the year;
- Succession planning.

Information, induction and professional development

The Executive Chairman is responsible for ensuring all Directors receive comprehensive information on a regular basis to enable them to perform their duties properly. Updates, where necessary, are provided at Board meetings and governance updates are provided to keep all Directors up to date with regulatory requirements.

New Directors receive an appropriate induction on joining the Board, typically including meeting members of the senior management team and visits to operational sites. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

Non-Executive Director site visits

Due to the ongoing COVID-19 pandemic, site visits by Board members have been limited during the year ended 28 February 2022. It is intended that these resume during the new financial year.

ESG Policy

Our approach to issues regarding sustainability is continuously evolving and we anticipate further focus on this in future Annual Reports. More information about the Group's approach to ESG matters can be found on pages 36 to 58.

Whistleblowing Policy

The Group's Whistleblowing Policy sets out procedures to enable all employees to report any concerns about wrongdoing or dangers in the workplace such as theft, fraud or malpractice. The Group has an independently-run, confidential hotline where any such concerns can be reported. The Directors and Audit Committee consider that all whistleblowing allegations have been appropriately dealt with.

The Whistleblowing Policy can be found on the Group's website and via Sharepoint.

Internal control and risk management

The Directors' responsibilities in connection with the financial statements are set out in the Directors' Report on page 110. The Board, through the Audit Committee, is responsible for the Group's system of internal control and for reviewing its effectiveness.

The Board considers risk assessment, implementation of mitigating actions and internal control to be fundamental to delivering the Group's strategy. Internal control gives the Board reasonable but not absolute assurance.

The Board has an ongoing process for identifying, evaluating and managing the principal risks faced by the Group and maintains a risk register.

The system of internal control is based upon:

- The Board's overall responsibility;
- The Group's organisational structure, with established lines of accountability, as well as clearly defined levels of authority;
- Regular review by the Board and the Audit Committee;
- Support by Company policies in other areas, such as finance; and
- Management rather than elimination of the risk of failure to achieve strategic objectives. Systems of internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee and the Board have reviewed the effectiveness of internal control (including financial, operational and compliance controls together with risk management in accordance with the Code) over the period of this report, and to the date of its publication. Systems compliance and confirmation of corrective actions are the subject of a detailed report which is submitted to the Board at each meeting.

The Audit Committee reviews the independence of the auditor at the interim stage and at year end. The Audit Committee has a policy of reviewing the status of the auditing firm and its lead engagement partner after five years from initial appointment, and each year thereafter.

The Group has a business systems internal audit function which reviews performance against the agreed policies and procedures. The Board agreed an internal audit programme for the year ended 28 February 2022 to cover financial controls and procedures.

Shareholder relations

The Company is committed to maintaining good communications with its shareholders and engaging regularly. Senior Executives, including the Executive Chairman and CFO, have had ongoing dialogue during the year with individual institutional shareholders in order to develop an understanding of their views. These views are periodically fed back to the Board to ensure that all of the Directors, in particular the Non-Executive Directors, develop an understanding of the views of major shareholders about the Company.

During the year, shareholders are kept informed of the progress of the Group through regular corporate communications: the annual results announcement; the interim statement; trading updates and press releases regarding other important developments as well as the distribution of regulated information.

Twice a year, general presentations are given to analysts and investors covering the annual and half-year results. In addition, members of the Board meet with institutional investors and analysts on a periodic basis.

The Company Secretary generally deals with enquiries from individual shareholders. The website www.esken.com contains published information and press releases.

Further information on how Esken engages with shareholders and other stakeholders can be found on pages 60 to 68.

Nomination Committee Report



I am pleased to present the Nomination Committee Report for the year ended 28 February 2022 and to provide shareholders with an overview of the work carried out during the period under review.

David Shearer,
Chairman of the Nomination Committee

Dear Shareholder

I am pleased to present the Nomination Committee Report for the year ended 28 February 2022 and to provide shareholders with an overview of the work carried out during the period under review.

Role of the Committee

The Nomination Committee is required to meet at least once a year, or more often if so required, to carry out its key functions and duties. These include:

- To regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- To ensure plans are in place for orderly succession to Board and senior management positions, and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- To be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- To review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning; and
- To recommend the re-election of Directors under the annual re-election provisions of the Code.

Attendance

The Nomination Committee met twice during the year. Details of individual attendance by its members is shown in the chart on page 84.



Board appointments

Due to the ongoing pandemic and the impact on the Group, the Committee continued to pause the recruitment of a second Non-Executive Director following the appointment of Clive Condie in July 2020, on which it had reported previously. Although John Coombs will leave the Board in July 2022, the Nominations Committee and the Board as a whole believe that a Board comprising six Directors is appropriate given the reduced size of the Group, and will not be looking to recruit a further Director at this stage. The Committee recommended the appointment of Clive Condie to take over the role as Chairman of the Remuneration Committee with effect from the conclusion of the AGM, and also approved Ginny Pulbrook to take on the role of Chair of the ESG Committee with effect from 1 March 2022 along with her role as the Designated People Director. David Blackwood also became Deputy Chairman during the year.

During the year, the Committee reviewed and approved the decision to retain David Shearer as Executive Chairman on a permanent basis, and to augment the roles of CFO and COO with responsibility, respectively, for the Aviation and Renewables divisions as outlined elsewhere in this report.

The Committee also recommended the initial membership of the new ESG Committee and for Ginny Pulbrook to act as its Chair; these recommendations were approved by the Board.

Further information on how the views of employees and other stakeholders are taken into account by the Board in their decision-making can be found in our report on stakeholder engagement, starting on page 60.

Board evaluation

An internal Board evaluation was undertaken during the year. A questionnaire was circulated to all Board members and used as an aide-memoire for the Company Secretary to hold one-to-one discussions with each Director to consider the performance of the Board as a whole. The results of the evaluation were reviewed in March 2022. Separately, the Senior Independent Director met with Board members to discuss the Executive Chairman's performance during the year.

Discussions from the Board evaluation were focused on risk management, Group strategy, financial monitoring and performance as well as the overall performance of the Board and each of its Committees. The review, together with further discussions held during the year, highlighted that the Board continues to operate effectively, particularly during the challenges of the pandemic, and offers strong support to management. Areas identified as opportunities to develop the Board's effectiveness further include:

- Clear communication from the Board on revised strategic objectives;
- Enhanced Board reporting with enhanced external market insights; and
- Establishing a clear statement of risk appetite.

Further steps are being taken based on the most recent review, but the Company believes that the actions taken during 2021 significantly improved the operation of the Board and governance structures.

In addition to evaluation of the Board as a whole, separate appraisals are held for individual Directors. The Executive Chairman conducts annual appraisals with the other Executive Directors and has regular one-to-one discussions with them about their performance.

Diversity

All new appointments to the Board are made on merit, taking into account the specific skills, knowledge and experience of candidates and are made irrespective of personal characteristics such as ethnicity, religion or gender. The appointment of additional Non-Executive Directors will be used as an opportunity to further increase the diversity of the Board.

More widely, the Group continues the development of its Equality, Diversity and Inclusion strategy which is reported upon in detail on page 47 of this Annual Report. For the year ended 28 February 2022, the gender split at Board level was 13% women and 87% men. Women represented 30% of senior management and their direct reports across the Group.

The Board recognises that the level of diversity at Board level is below that which it would typically expect. However, given the difficult position which the Group has been in during the pandemic and the financial constraints which it has faced, it is not considered appropriate at this time to enlarge the Board for the sole purpose of addressing this matter. As and when the Company recovers from the effects of the pandemic this position will be rectified.

Nomination Committee Report continued

Succession planning

Succession planning has not been a principal area of focus for the Committee during the year as Committee members have instead focused their time and effort in supporting the business in its response to the pandemic and its ongoing financing requirements. Despite those responsibilities, the Company did discuss and implement its new structure for Executive leadership through the appointment of David Shearer to the position of Executive Chairman on a permanent basis, and the enhancement of the responsibilities for the CFO and COO. In addition, there have been considerable levels of change in the Operating Boards for each of the Company's divisions and so the need for immediate successors for several key positions was reviewed and changes implemented through a combination of external hiring and internal promotion.

The Committee plans to review its approach to succession planning during the new financial year, to ensure that our approach to Board recruitment and composition continues to allow for the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board to support the Esken strategy.

The Committee has recommended the re-election of all Directors at the AGM in 2022, save that John Coombs will stand down at that AGM. The Committee recommended that Clive Condie be appointed Chair of the Remuneration Committee and that Ginny Pulbrook be made Chair of the ESG Committee.

David Shearer

Chairman of the Nomination Committee

24 May 2022

Nomination Committee membership

- **David Shearer**, Executive Chairman
- **John Coombs**, Non-Executive Director
- **Ginny Pulbrook**, Non-Executive Director
- **David Blackwood**, Non-Executive Director
- **Clive Condie**, Non-Executive Director

The Chairman may also invite others to attend meetings of the Committee as required, such as the other Executive Directors and the Group People Director.

Key activities during the year

- Consideration of Non-Executive and Executive leadership roles in the Group.
- Creation of role of Deputy Chairman.
- Re-appointment of Senior Independent Director.
- Appointment of new Remuneration Committee Chair.
- Appointment of Chair of ESG Committee.
- Board evaluation.
- Re-election of Directors.
- Approval of several key senior Executive replacements in all of the Group's divisions.

Audit Committee Report



On behalf of the Audit Committee I am pleased to present our Audit Committee Report for the year ended 28 February 2022.

David Blackwood,
Chairman of the Audit Committee

Dear Shareholder

Having conducted careful reviews, the Audit Committee (Committee) concluded that the 2022 Annual Report is fair, balanced and understandable and advised the Board accordingly.

Other Directors, including the Executive Chairman, Chief Operating Officer and Chief Financial Officer, the Group Financial Controller and the Group's internal and external auditors attend meetings by invitation. As Chairman, I also meet independently with the external auditor, internal auditor and Chief Financial Officer. I have an open and professional relationship with each of them and I am confident in their capabilities and the level of assurance that they provide.

Details of the membership of the Committee, the key activities of the Committee during the year, the matters related to the engagement of the external auditor and an overview of our risk management and internal control framework are set out in this report. Also included are details of the significant accounting matters and judgements considered by the Committee and how these have been addressed during the year.

The Committee terms of reference are available on the Group's website at www.esken.com.

David Blackwood
Chairman of the Audit Committee

24 May 2022



Audit Committee Report continued

Audit Committee membership

- **David Blackwood**, Audit Committee Chairman
- **Ginny Pulbrook**, Non-Executive Director
- **Clive Condie**, Non-Executive Director
- **John Coombs**, Non-Executive Director

Key activities during the year

- Ensuring the Annual Report is fair, balanced and understandable.
- Reviewing significant judgements and estimates applied in the preparation of the interim review and Annual Report.
- Review of the impact of COVID-19 on the financial statements, especially in relation to the going concern disclosures.
- Review the Viability Statement.
- Impairments and asset carrying values review.
- Review of the liquidation of Stobart Air.
- Funding package review for equity raise, convertible debt and Revolving Credit Facility (RCF).
- Confirmation of external auditor independence.
- Approval of the external audit plan and strategy for the year ended 28 February 2022.
- Approve the internal audit plan for the year ended 28 February 2022.
- Review the external audit findings for the year ended 28 February 2021.
- Review of the findings from the external review conducted by the auditor for the interim period to 31 August 2021.
- Review the findings from internal audits conducted during the year.
- Committee terms of reference review.
- Consider and review the activity and effectiveness of the Whistleblowing Policy.

The Committee terms of reference are available on the Group's website at www.esken.com

Audit Committee membership during the year

The members of the Committee and their meeting attendance during the year are set out below. All members of the Committee are independent Non-Executive Directors. The Company Secretary acts as the Committee's secretary. David Blackwood, Committee Chairman, is a qualified accountant and is considered by the Board and the Nomination Committee to hold the requisite recent and relevant financial experience for the purposes of the UK Corporate Governance Code and competence in accounting or audit for the purposes of DTR 7.1.

| Committee member | Meeting attendance |
|------------------|--------------------|
| David Blackwood | 4/4 |
| Ginny Pulbrook | 4/4 |
| Clive Condie | 4/4 |
| John Coombs | 4/4 |

Fair, balanced and understandable information

The Committee acknowledges that, as a whole, the Annual Report needs to be fair, balanced and understandable in order to provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee advises the Board on whether it believes that the Annual Report meets this requirement. In order for the Committee to make this assessment it considers reports from management that monitor financial performance, received during the year and at year end in support of the financial statements, and also reports from the external auditor on the findings of its annual audit.

Formal review processes are in place to ensure that the Annual Report is factually accurate. Following a detailed review, the Committee concluded that the Annual Report is fair, balanced and understandable and advised the Board accordingly.

The responsibility statement of the Directors in respect of the Annual Report is on page 111.

Engagement of the external auditor

The external auditor is engaged to express an opinion on the Group's financial statements. The audit includes the review and testing of the systems of internal financial control and the data contained in the financial statements, to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements.

KPMG LLP (KPMG) has been the Group's auditor since September 2012, following the last audit tender conducted. KPMG provides the Committee with relevant reports, reviews and advice throughout the year, as set out in their terms of engagement.

In accordance with UK regulations, the Company's auditor adheres to a lead partner rotation policy every five years. The lead partner remains as Michael Froom and this will be his second year. The Group is in the process of tendering for the year ending 28 February 2023 as required by the Financial Reporting Council ten-year mandatory tenure requirement.

During the year, the performance of the auditor and effectiveness of the audit process was formally assessed by the Committee, in conjunction with the management team. In making this assessment the Committee focused on the robustness of the audit, the quality of delivery of audit services and the quality of the auditor's staff. The Committee is satisfied that the audit continues to be effective and provides an appropriate independent challenge of the Group's management.

The Committee has adopted a policy which sets out a framework for determining whether it is appropriate to engage the Group's auditor for non-audit services and for pre-approving non-audit fees. A full copy of this policy is available on the Group's website.

The overall objective of the policy is to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. This includes, but is not limited to, assessing:

- The scope of the work to be undertaken;
- Any threats to independence and objectivity resulting from the provision of such services;
- Whether the skills and experience of the audit firm make it a suitable supplier of the non-audit service;
- Whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such non-audit services by the external auditor, the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate, relative to the audit fee; and
- The criteria which govern the compensation of the individuals performing the audit.

Non-audit fees charged by the auditor in the year were £470,000 compared to an audit fee of £1,065,000. The non-audit fees relate to the half-year review and reporting accountant work in relation to the fundraising that completed in August 2021. The objectivity and independence of the auditor has been reviewed and considered to be safeguarded.

Internal audit

The Group's Risk & Safety team performs audits against documented processes. Reports summarising findings and key actions are discussed at each Board meeting and circulated to the Executive Directors and divisional management.

The Group has a dedicated internal financial audit function which is operated by an independent external firm. The scope of these audits is prepared by the Chief Financial Officer and approved by the Committee at the beginning of the financial year.

There were three projects completed during the year and reports were produced summarising the findings and recommendations. Significant issues identified within these reports are considered in detail along with the mitigation plans to resolve them. The Committee is provided with a summary of the reports and an update is provided at each meeting on the progress of any ongoing or planned projects.

Significant accounting matters

As part of monitoring the integrity of the financial statements, the Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates. The Committee seeks support from the external auditor as part of its review.

The main items reviewed for the year ended 28 February 2022 are set out below:

COVID-19

COVID-19 continues to impact the aviation industry. London Southend Airport (LSA) has served minimal passenger numbers as the airport has largely remained closed during the Summer and Winter periods. However, the partnership with our global logistics partner operating at LSA has performed well, which along with tight cost-control and marketing cost savings has minimised losses in the Aviation division.

The Renewables division has seen trade return to more normal levels and has benefited from higher gate fee income.

The impact of COVID-19 has not been presented separately as it is not possible to reliably calculate the cost of the pandemic on the business. The Committee has reviewed this treatment and is satisfied that this is the correct approach.

Going concern and funding

Cash forecasts have been prepared to May 2024 and sensitivity analysis has been performed to include a severe but plausible downside set of assumptions. This shows that a refinancing or significant asset disposals will need to be completed at a sufficient level, prior to the expiration of the RCF and exchangeable bond that mature in February 2023 and May 2024 respectively, otherwise the Group may not be able to continue trading.

The reasonableness of the Directors in assuming funds will be received is a significant judgement and consequently there is a material uncertainty in respect of securing the necessary funds.

Despite these challenges, the Directors are satisfied that the Group will have sufficient funds to continue to meet its liabilities as they fall due to May 2024, and therefore the financial statements have been prepared on a going concern basis.

The Committee is satisfied that although the Group has material uncertainty, it is a going concern and the Annual Report has been prepared on this basis. The Committee has reviewed the disclosures about going concern and is satisfied that they are appropriate.

Audit Committee Report continued

| | |
|---|---|
| <p>Maintenance reserves</p> | <p>The year end maintenance reserve provision is material to the Group and has been constructed in line with the requirements of the eight ATR leases held. Estimates used in calculating this provision include the cost of exclusions within engine overhauls, airframe check costs and propeller blade repairs required. These estimates have been made based on previous overhauls completed and utilising the extensive knowledge and experience of staff that previously worked for Stobart Air.</p> <p>The Committee has reviewed the provision and is comfortable with the presentation split between current and non-current disclosures in relation to the provision estimates and the overall quantum.</p> |
| <p>Defined benefit pension surplus/obligation</p> | <p>An independent actuary calculates the IAS 19 valuation presented in the consolidated statement of financial position. The data used in the valuation is obtained directly from the administrators of the scheme and the underlying assumptions are reviewed and signed-off by management. Judgement is required in preparing the underlying assumptions such as interest rate and inflation. A surplus can only be recognised where there is a legal right to surplus in the trust deed.</p> <p>The Committee has considered the carrying values of the surplus/obligation together with the assumptions underlying the valuation and is satisfied with the valuation and presentation.</p> |
| <p>LSA convertible debt and option valuation</p> | <p>On 26 August 2021, LSA issued a 30% convertible debt instrument (loan) to Carlyle Global Infrastructure Opportunity Fund for £125m.</p> <p>The loan includes three derivatives in relation to conversion which have been accounted for as a single compound derivative (option). The derivative was fair-valued at inception and is revalued at each reporting date, with any gain or loss recognised in finance costs in the consolidated income statement.</p> <p>The valuation starts with the underlying equity value of LSA as a whole. Seven scenarios are calculated above and below the base case cash flows, flexing passenger forecasts, which in turn flexes the opex and capex cashflows, and a probability is assigned to each scenario. The cash flows are discounted using the weighted average cost of capital.</p> <p>The option fair value is the difference between the loan fair value and the fair value of the host contract. At 28 February 2022, there was no material difference between the option fair value and the fair value at inception hence no adjustment has been recognised.</p> <p>The Committee has reviewed the valuation and disclosures and is satisfied that they are appropriate.</p> |
| <p>Impairment of property, plant and equipment and intangible assets</p> | <p>An independent external valuation was obtained at 28 February 2022 for certain property assets, namely land at Widnes and Runcorn and Carlisle Lake District Airport. These property assets are carried at cost less impairment and the valuations were conducted on a fair value less costs to sell basis.</p> <p>Impairment reviews were carried out for intangible assets and property, plant and equipment within the Aviation and Renewables divisions. The recoverable amount of all assets subject to impairment review were above the carrying value of these assets so no impairments were required in the year.</p> <p>The judgements used in the impairment reviews largely relate to the assumptions underlying the fair value less costs to sell and value-in-use calculations, primarily the achievability of long-term business plans and macroeconomic assumptions, together with the appropriateness of the discount factors used.</p> <p>The Committee has considered the carrying values of the assets together with the assumptions underlying the impairment reviews and is satisfied that no impairments are required.</p> |
| <p>Liquidation of Stobart Air</p> | <p>On 14 June 2021, Stobart Air entered liquidation. The gain on liquidation is presented in discontinued operations alongside the operating results for Stobart Air and Propius.</p> <p>The Committee is satisfied with the presentation of Stobart Air and Propius results in the current year, as well as the disclosures in relation to the liquidation.</p> |

Directors' Remuneration Report



On behalf of the Group's Remuneration Committee, I'm happy to present this year's report, for what has been another challenging year for our employees.

John Coombs,
Chairman of the Remuneration Committee



Remuneration Committee members

- **John Coombs**, Chairman
- **Ginny Pulbrook**, Non-Executive Director
- **David Blackwood**, Non-Executive Director
- **Clive Condie**, Non-Executive Director

Activities during the year

During the year the Committee met six times and a summary of the main areas dealt with by the Committee is set out below:

Consideration and decisions on:

- Levels of base salaries for Executive Directors and other Executives within its remit.
 - Executive Directors' bonus arrangements.
 - Performance of Long-Term Incentive Plans (LTIPs) over the year.
 - LTIP grants.
 - Directors' Remuneration Report (DRR).
 - Fees for the Executive Chairman.
 - Review of the terms of reference of the Committee.

Contents of the Directors' Remuneration Report

- 1.1 Annual Statement by the Remuneration Committee Chairman
- 1.2 Remuneration at a glance
- 1.3 Annual Report on remuneration

The Directors' Remuneration Report is not subject to audit.

The Committee has written terms of reference which are available in the 'About' section of the Group's website at: www.esken.com

Directors' Remuneration Report continued

1.1 Annual Statement by the Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board and as Chairman of the Remuneration Committee (Committee), I am pleased to present the DRR for the year ended 28 February 2022. As a Guernsey registered company, we are not obliged to follow the UK Companies Act regulations (specifically the Large and Medium sized Companies and Group (Accounts and Reports) Regulations 2008, as amended) governing Directors' remuneration disclosure and voting, but we elect to do so.

Our Directors' Remuneration Policy, which was supported by 96% of our shareholders, was approved at the AGM on 30 July 2020 and is available in our 2020 Annual Report at www.esken.com/investors. The Annual Report on Remuneration, which provides details of the remuneration earned by Directors for the year ended February 2022 and how we intend to apply the Directors' Remuneration Policy in the year ending 28 February 2023, is set out on pages 95 to 108 and will be subject to a separate vote at the AGM.

Remuneration decisions during the year

Due to the ongoing and significant impact of COVID-19, particularly as it affected and continues to affect our aviation businesses, the Group continued to face significant financial pressure during the year, and kept in place strict financial discipline in order to preserve liquidity and protect operational capability for the long term. You will have read elsewhere in this report the steps the Group took to achieve this. A second year of considerable financial and operational pressures posed significant challenges for our staff and will continue to do so in the year ahead. From the start of the initial lockdown in March 2020, Esken utilised the UK Government's Job Retention Scheme. Initially, c.50% of the Group's 1,500+ employees were furloughed (as of 1 April 2020). The number of affected employees on furlough reduced over the year, and as at 28 February 2022 there were no employees who remained on furlough after the scheme was withdrawn, and in fact we did not make use of furlough or part-time furlough after the end of August 2021. We have been very mindful this year that our recovery from the pandemic and our ability to continue to steer the business through the uncertain landscape ahead would in part be dependent on our ability to retain our key staff or replace those who no longer remain with us. Remuneration has a significant part to play in retaining and recruiting key Executives and that has been reflected in the work of the Committee this year.

Given the Group's assistance from government under the furlough scheme, no bonus scheme for Executive Directors was put in place for the year ended 28 February 2021 and this continued in the year ended 28 February 2022. Cost-of-living awards usually made for all employees were not implemented where possible (including for the Executive Directors) for the year ended 28 February 2022.

The awards granted under the approved 2014 LTIP in 2019 in respect of performance for the three years ending February 2022 did not vest, as the threshold performance targets were not met.

During the year, two separate LTIP grants were made in respect of the years ended 28 February 2021 and 28 February 2022. As noted in the regulatory news announcement at grant, the LTIP awards in respect of the year ended 28 February 2021 could not be made during the year when originally planned, due to the Company being in possession of inside information at the time it wished to make the awards. As such, awards of 200% of salary were made to Nick Dilworth and Lewis Girdwood on 1 September 2021. Although, it was reported in last year's DRR that the intention at the time was for performance measures to be based on adjusted earnings per share and total shareholder return (TSR), to be equally weighted, the Committee considered this further and considered a wholly TSR-based measure would be more closely aligned to shareholder interests at this time. The performance targets will be measured over the three financial years to 28 February 2023 and full details of these targets are set out on page 100. On 22 December 2021, awards of 200% of salary were made to Nick Dilworth and Lewis Girdwood in respect of the year ended 28 February 2022. As with the awards in respect of 2021, the Committee approved a wholly TSR-based performance measure for these awards on the basis that this remained most closely aligned to shareholder interests. The performance targets will be measured over the three financial years to 29 February 2024 and full details of these targets are set out on page 100.

Warwick Brady, the Group's former CEO, stepped down from the Board with effect from 1 May 2021, and he provided support to Esken on a limited part-time basis until 30 June 2021. Warwick Brady's salary and benefits were adjusted on a pro-rata basis to reflect this change and he was not entitled to participate in any bonus or LTIP scheme for the period or any other payment relating to termination of his contract.

Looking forward to the year ending February 2023

Upon Warwick Brady's resignation from the business, the Board carefully considered the leadership requirements of the business, given the simplified structure of the Group with two core operating divisions, and consulted with a number of its major shareholders. It was decided to retain the existing structure with some amendment to responsibilities. David Shearer remained as Executive Chairman with responsibility for stakeholder management, execution of strategy and Executive leadership. Lewis Girdwood, CFO, took on the additional role as Executive Director – Aviation with main Board responsibility for that division. Nick Dilworth, COO, took on the additional role of Executive Director – Renewables with main Board responsibility for that business, in addition to his Executive responsibility for ESG. David Shearer had assumed the role of Executive Chairman of Esken with effect from 9 February 2021 on an interim basis but from November 2021 that position was made permanent. He was initially paid a total fee of £350,000 per annum for his Executive duties. In addition, a fee of £150,000 was paid in respect of advisory services, relating to the restructuring and refinancing of the Group, to Buchanan Shearer Associates LLP, in which David Shearer is a partner up to February 2022. We have agreed with him that from 10 February 2022, his fees for his role as Executive Chairman will be increased to £400,000 per annum. He has declined any entitlement to any benefits (pensions, car allowance etc) and will not participate in any bonus scheme, or be eligible for LTIP awards.

As a result of these changes, we believe that we have achieved a significant cost saving when compared to the previous position of having a separate Non-Executive Chairman and CEO (although the decision to adopt the new management structure was not made on cost grounds). In last year's Annual Report, we took the view to report on remuneration for David Shearer as a Non-Executive Director given that his move to an interim Executive position was taken so late in the financial year being reported. In this Annual Report, he is treated as an Executive Director.

As a result of the changes to their Executive duties in November 2021, the salaries of the CFO and the COO were increased to £335,000 per annum and no further changes to those salaries will be implemented in the upcoming year. We are also cognisant that they had seen no positive changes to their remuneration over the course of the pandemic. We believe that recognising their increased responsibilities and re-establishing our bonus scheme in the year ahead, as well as being able to make further LTIP awards, will help us to retain these two key Executives for our challenges ahead. At the same time, Nick Dilworth's pension contribution was reduced to 10% of salary to align more closely to the wider workforce.

This has led to a reduction in the aggregate fixed remuneration for the Executive Directors. The Executive Chairman also declined participation in the Company's variable pay plans and does not receive other customary benefits, which serves further to lower the comparable costs. The Company was also able to avoid considerable recruitment fees in appointing from within.

The Committee intends to put in place an LTIP scheme during the year that will be market competitive and aligns the CFO's and COO's interests with those of shareholders.

Whilst these are our intentions, the Committee recognises that plans may need to change, as we take decisions in the best interests of all stakeholders having regard to the continuing impact of COVID-19. This is my final report as Chairman of the Committee as I will stand down from the Board at the upcoming AGM. I would like to thank my fellow members of the Committee for their invaluable support and advice and our shareholders who have supported our policy and its implementation these last several years. With Clive Condie the Committee will be in good hands for the future.

John Coombs
Chairman of the Remuneration Committee

24 May 2022

1.2 Remuneration at a glance

Performance highlights

Adjusted EBITDA

£10.3m

Loss before tax

(£34.6m)

Aviation – Adjusted EBITDA

(£0.8m)

Renewables – Adjusted EBITDA

£20.3m

LTIP outcomes

LTIP awards were granted in July 2019 with vesting based on Earnings per Share (EPS) and TSR performance over a three-year period ended 28 February 2022. Performance against those measures was below threshold and the awards will not vest.

Shareholding guidelines

Purpose:

To align Executive Directors' interests with those of shareholders

Guidelines for Executive Directors:

To build up shareholdings of at least 200% of salary

Current shareholdings (percentage of salary):

Nick Dilworth 39%
Lewis Girdwood 97%

Further details on our shareholding guidelines, and how these are affected post-employment, can be found on page 101. These guidelines do not apply to the Executive Chairman, who does not participate in the Group's LTIPs.

Directors' Remuneration Report continued

Policy on service contracts

The service contracts for the Executive Directors are dated as set out in the table below:

| Executive Director | Position | Date of contract | Date of commencement |
|--------------------|-------------------------|--|----------------------|
| David Shearer | Executive Chairman | 15 May 2019 | 1 June 2019 |
| Lewis Girdwood | Chief Financial Officer | 29 March 2019 | 1 April 2019 |
| Nick Dilworth | Chief Operating Officer | 30 October 2017 (amended 16 August 2018) | 1 September 2018 |

The Company's policy is for service agreements with Executive Directors to be capable of termination by either the Company or the Executive Director by the giving of six months' notice in the case of Lewis Girdwood and Nick Dilworth. David Shearer was originally appointed as a Non-Executive Chairman of the Company and took on Executive responsibilities from 9 February 2021. His letter of appointment can be terminated on three months' notice.

Non-Executive Directors are engaged under letters of appointment that set out their duties and responsibilities. Non-Executive Directors are ordinarily appointed for an initial period of three years, subject to annual shareholder re-election. John Coombs has been appointed on a rolling letter of appointment with no fixed end date, but subject to annual shareholder re-election. The continued appointment of each Non-Executive Director is subject to the requirements of the Company's Articles of Incorporation.

The Non-Executive Directors' letters of appointment are dated as set out in the table below:

| Non-Executive Director | Commencement date |
|------------------------|-------------------|
| David Blackwood | 1 March 2019 |
| John Coombs | 1 July 2014 |
| Ginny Pulbrook | 1 October 2018 |
| Clive Condie | 1 July 2020 |

1.3 Annual Report on Remuneration

The Committee has implemented the Remuneration Policy during the year in accordance with the policy approved by shareholders at the AGM held in July 2020.

Single figure of total remuneration for Executive Directors

The table below sets out the single figure of total remuneration (and its breakdown into its constituent parts) for each Executive Director for the years ended 28 February 2022 and 28 February 2021:

| | Salary | | Taxable benefits | | Pension | | Total fixed remuneration ¹ | | Bonus | | Long-term incentives vesting | | Total variable remuneration | | Total remuneration | |
|----------------------------|--------|-------|------------------|------|---------|------|---------------------------------------|-------|-------|------|------------------------------|------|-----------------------------|------|--------------------|-------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Warwick Brady ² | 95.0 | 427.6 | 4.0 | 23.2 | 19.0 | 95.0 | 118.0 | 545.8 | - | - | - | - | - | - | 118.0 | 545.8 |
| Nick Dilworth | 292.9 | 245.3 | 20.7 | 20.6 | 47.5 | 54.5 | 361.1 | 320.4 | - | - | - | - | - | - | 361.1 | 320.4 |
| Lewis Girdwood | 283.5 | 238.5 | 20.0 | 20.0 | 28.8 | 26.5 | 332.3 | 285.0 | - | - | - | - | - | - | 332.3 | 285.0 |
| David Shearer ³ | 358.8 | 180.0 | - | - | - | - | 358.8 | 180.0 | - | - | - | - | - | - | 358.8 | 180.0 |

1 The Executive Directors agreed to a 20% reduction in base salary for a six-month period until 30 September 2020. Their salaries returned to their contractual level from 1 October 2020.

2 Warwick Brady resigned as an Executive Director and stepped down from the Board with effect from 30 April 2021.

3 David Shearer was originally appointed as Non-Executive Chairman on terms appropriate to that position. Although being appointed as Executive Chairman he does not receive any benefits or a pension and does not participate in the Company's bonus or long-term incentive schemes. His salary was increased to £350,000 per annum with effect from 9 February 2021. As a result, £8,750 was paid to him during the year ended 28 February 2022 which related to the period at the end of February 2021 but was paid to him following the completion of the previous financial year and was not recorded in the results for that year stated above (which have not been restated for this purpose).

Salary

Due to COVID-19's impact on the business, the Executive Directors agreed to a 20% pay reduction for the period 1 April 2020 to 30 September 2020. The Executive Chairman's fee was amended again on his taking on interim Executive responsibilities from 9 February 2021 and was increased with effect from 10 February 2022, recognising that his responsibilities had become permanent. The salaries of the CFO and the COO were increased with effect from 3 November 2021 in light of their enhanced responsibilities from that date. The annual salary of the Executive Directors as at the dates stated were as follows:

| Executive Director ¹ | Salary effective 1 March 2021 | Salary effective 3 November 2021 | Salary effective 1 March 2022 |
|---------------------------------|-------------------------------------|--|-------------------------------------|
| Nick Dilworth | £272,500 | £335,000 | £335,000 |
| Lewis Girdwood | £265,000 | £335,000 | £335,000 |
| David Shearer ² | £350,000 | £350,000 | £400,000 |

1 Warwick Brady's salary remained at the level of £475,087 from 1 March 2021 to 30 June 2021, the date he left the Company, and on a pro-rata basis for one day per week from 1 May 2021 to 30 June 2021.

2 A fee of £150,000 plus VAT was payable to Buchanan Shearer Associates LLP, an advisory business in which David Shearer is a partner, for services provided in relation to the restructuring and refinancing of the business during the period 9 February 2021 to 9 February 2022.

We believe that setting pay at its current level for the existing Executive Directors is a key part of our ability to retain the services of these key individuals in light of the challenges ahead. As noted earlier in this report, following the resignation of Warwick Brady, the Board reviewed the leadership requirements of the business and decided to retain the existing structure with some amendment to responsibilities. David Shearer remained as Executive Chairman with responsibility for stakeholder management, execution of strategy and executive leadership. Lewis Girdwood, CFO, took on the additional role as Executive Director – Aviation with main Board responsibility for that division. Nick Dilworth, COO, took on the additional role of Executive Director – Renewables with main Board responsibility for that business, in addition to his Executive responsibility for ESG. This has led to reduction in the aggregate fixed remuneration for the Executive Board. In addition, the Executive Chairman will not benefit from variable pay opportunities and received no other benefits beyond his salary. The Company was also able to avoid considerable recruitment fees by appointing from within.

Benefits

The Company currently provides other benefits which comprise standard executive medical cover and death-in-service cover to Executive Directors other than the Executive Chairman. Executive Directors (other than the Executive Chairman) are also entitled to a company car of a size and type deemed appropriate for the proper performance of their duties, or a cash allowance in lieu. During the period, Nick Dilworth and Lewis Girdwood opted to take an additional salary supplement of £20,000 in lieu of an equivalent car benefit. Warwick Brady returned his company car midway during the year ended 28 February 2021 and opted for a cash allowance in lieu, to a value of £11,231.

Pension

For the financial year ended 28 February 2022, the Executive Directors (other than the Executive Chairman) received a pension contribution or a cash supplement in lieu of contributions to a pension plan, or a combination of pension contribution and cash supplement. Pension contributions are based on salary only. The voluntary 20% reduction in pay for six months was applied to base salary only and as such, pension contributions or cash supplements in lieu of pension contributions were unaffected by this reduction. Nick Dilworth's pension contribution was reduced from 20% of salary to 10% from 1 November 2021.

Annual bonus

On the basis that the Company was in receipt of government support under The Coronavirus Job Retention Scheme, the Committee decided it was not appropriate to put in place a bonus scheme for the year.

LTIPs for the year ended February 2021 and 2022

No LTIP awards in respect of the year ended 28 February 2021 were granted during that year due to ongoing work taking place to refinance the business, but were subsequently granted in August 2021, and LTIP awards in respect of the year ended 28 February 2022 were granted in December 2021. When considering the FY21 and FY22 LTIP awards, the Committee discussed the proposed quantum in light of the prevailing market conditions and the Company's share price. Following a second year of considerable financial and operational pressures, the Committee was also mindful that the recovery from the pandemic and its ability to continue to steer the business through the uncertain landscape ahead would, in part, be dependent on its ability to retain key staff or replace those who no longer remained with it. The Committee recognises that remuneration has a significant part to play in retaining and recruiting key Executives. In view of the significant issues which the business had faced over the last two years, a number of which were legacy matters, all of the prior year's LTIPs were now unlikely to vest. On balance, the Committee did not reduce the LTIP awards for FY21 or FY22. The Committee will revisit whether this level of award remains appropriate for the FY23 LTIP awards when these are granted.

Directors' Remuneration Report continued

The awards made to Nick Dilworth and Lewis Girdwood were as follows:

| | Date of LTIP grant | Market price on date of grant | Number of shares comprised in award | Face value of awards (% of salary) | Performance period | Vesting/lapse date |
|----------------|--------------------|-------------------------------|-------------------------------------|------------------------------------|--------------------|--------------------|
| Nick Dilworth | 23 August 2021 | £0.19 | 2,868,422 | 200% | 3 years | 1 March 2023 |
| | 21 December 2021 | £0.139 | 4,820,144 | 200% | 3 years | 1 March 2024 |
| Lewis Girdwood | 23 August 2021 | £0.19 | 2,789,474 | 200% | 3 years | 1 March 2023 |
| | 21 December 2021 | £0.139 | 4,820,144 | 200% | 3 years | 1 March 2024 |

It was reported in Esken's 2020 Annual Report that the intention at the time was for performance measures for the awards eventually made in August 2021 to be based on adjusted EPS and TSR, equally weighted. The Committee considered this further at the time these awards were eventually made and approved a wholly TSR-based measure, on the basis that this would be more closely aligned to shareholder interests at that time. The performance targets attached to these awards are cumulative three-year TSR measured over the Company's FY21, FY22 and FY23 financial years (i.e. from 1 March 2020 to 28 February 2023) measured against a price for Esken's ordinary shares of 19.1p (being the price of 22.2p in the period leading up to the Committee's meeting in December 2020 but adjusted to take account of the issue of further shares in the Firm Placing and Placing and Open Offer concluded on 26 August 2021), subject to a general financial performance underpin, as set out in the table below:

| | Vesting | Esken's three-year TSR |
|-----------|-----------------|---|
| Threshold | 25% of maximum | Compound annual growth rate (CAGR) of 18.6% p.a. (equating to a share price of 31.9p at vesting) ¹ |
| Target | 50% of maximum | CAGR of 25.4% p.a. (equating to a share price of 37.7p at vesting) ¹ |
| Stretch | 100% of maximum | CAGR of 37.1% p.a. (equating to a share price of 49.2p at vesting) ¹ |

¹ Assuming no dividends are paid during the performance period.

In view of the changes in the business and its markets, the Committee decided to set targets based on where the business is today and would represent a strong return to shareholders whilst being realistically attainable for management within the timeframe of the awards. As a result, in respect of the awards made in December 2021, the Committee approved a wholly TSR-based performance measure for these awards on the basis that this would be closely aligned to shareholder interests. The performance targets attached to these awards are linked to an increase in the price of the Company's ordinary shares measured over the Company's FY22, FY23 and FY24 financial years (i.e. from 1 March 2021 to 28 February 2024), subject to a general financial performance underpin, as set out in the table below (with straight-line vesting between these points):

| Vesting | Esken's share price |
|-----------------|-----------------------------------|
| 25% of maximum | A share price of 20.0p at vesting |
| 100% of maximum | A share price of 30.0p at vesting |

These targets represent a CAGR of c.12.5% p.a. and 25.0% p.a. for threshold and maximum vesting respectively, and the Committee considers this to be a stretching but attainable target for management and aligned to long-term value creation for shareholders. In assessing whether or not a particular share price has been achieved the Committee will also take in to account the 'per share' value of any dividend paid on ordinary shares during the performance period, assuming that the dividend was reinvested into ordinary shares on the ex-dividend date.

Outstanding share awards

The table below sets out details of Directors' outstanding share awards held under the LTIP, including those interests awarded during the financial year.

| | Type of award | Date of LTIP grant | Market price on date of grant ³ | Number of performance shares at 1 March 2021 | Granted during the year | Vested during the year | Lapsed during the year | Number of performance shares at 28 February 2022 | Performance period | Vesting/lapse date ¹ |
|----------------|---------------|--------------------|--|--|-------------------------|------------------------|------------------------|--|--------------------|---------------------------------|
| Nick Dilworth | 2014 LTIP | 20 June 2018 | £2.568 | 52,563 | – | – | 52,563 | – | 3 years | 20 June 2021 |
| | 2014 LTIP | 3 July 2019 | £1.883 | 127,660 | – | – | 127,660 | – | 3 years | 20 June 2021 |
| | 2014 LTIP | 3 July 2019 | £1.173 | 699,735 ² | – | – | – | 699,735 | 3 years | 3 July 2022 |
| | 2020 LTIP | 23 August 2021 | £0.19 | – | 2,868,422 | – | – | 2,868,422 | 3 years | 1 March 2023 |
| | 2020 LTIP | 21 December 2021 | £0.139 | – | 4,820,144 | – | – | 4,820,144 | 3 years | 1 March 2024 |
| | | | | 879,958 | 7,688,566 | – | 180,223 | 8,388,301 | | |
| Lewis Girdwood | 2014 LTIP | 3 July 2019 | £1.173 | 453,650 ² | – | – | – | 453,650 | 3 years | 3 July 2022 |
| | 2020 LTIP | 23 August 2021 | £0.19 | – | 2,789,474 | – | – | 2,789,474 | 3 years | 1 March 2023 |
| | 2020 LTIP | 21 December 2021 | £0.139 | – | 4,820,144 | – | – | 4,820,144 | 3 years | 1 March 2024 |
| | | | | 453,650 | 7,609,618 | – | – | 8,063,268 | | |
| Warwick Brady | 2014 LTIP | 20 June 2018 | £2.568 | 131,408 | – | – | 131,408 | – | 3 years | 20 June 2021 |
| | 2014 LTIP | 3 July 2019 | £1.173 | 303,686 | – | – | 303,686 | – | 3 years | 3 July 2022 |
| | | | | 435,094 | – | – | 435,094 | – | | |

1 The vesting date may be a short period after the end of term date to allow any consideration of discretion by the Committee as well as administrative matters to take place.

2 After adjustment for the impact of the equity fundraising undertaken by the Company in 2020 and 2021.

3 As set out in last year's Directors' Remuneration Report, this is the price at the date the Committee agreed to grant the award.

Warwick Brady holds no outstanding LTIP awards after his resignation from the Board during the year and David Shearer does not participate in the Company's LTIPs.

Save As You Earn scheme

There were no options granted under a Save As You Earn (SAYE) scheme during the year ended 28 February 2022.

Directors' shareholding and share interests

Details of the Directors' interests in shares are shown in the table on page 102

As set out in the Directors' Remuneration Policy which was approved by shareholders at the AGM in July 2020, Esken has a formal shareholding requirement whereby Executive Directors are expected to build a shareholding equal to the value of 200% of their annual salary, to be achieved within the later of five years of their appointment to the Board or the introduction of this guideline on 27 June 2017. This requirement does not apply to the Executive Chairman.

Executive Directors are also subject to the requirement that for 12 months following their cessation as Executive Director, the relevant Director must retain an equal value of 'relevant' shares (as at cessation) as held during service, and 50% of this value for a further 12 month period. Shares which are purchased by an Executive Director, or which have been acquired pursuant to share awards granted before this policy was approved by shareholders (such approval was on 30 July 2020), or acquired pursuant to SAYE scheme options are not 'relevant' shares for the purposes of the post-employment requirement.

Based on the share price at 28 February 2022, Nick Dilworth and Lewis Girdwood have yet to meet the full requirement, with their holdings as a percentage of salary set out on page 97.

Directors' Remuneration Report continued

Share interests of Directors and connected persons at 28 February 2022

The following table shows the Directors' interests in shares as at 28 February 2022 (or the relevant date of cessation of employment).

| | Beneficially owned | Outstanding under share award arrangements ¹ | Total interest in shares |
|--------------------------------|--------------------|---|--------------------------|
| Executive Directors | | | |
| David Shearer | 1,226,785 | – | 1,226,785 |
| Nick Dilworth | 220,735 | 8,388,301 | 8,609,036 |
| Lewis Girdwood | 585,714 | 8,063,268 | 8,648,982 |
| Warwick Brady | 404,701 | – | 404,701 |
| Non-Executive Directors | | | |
| John Coombs | 348,577 | – | 348,577 |
| Ginny Pulbrook | 53,214 | – | 53,214 |
| David Blackwood | 383,818 | – | 383,818 |
| Clive Condie | 327,857 | – | 327,857 |

¹ Executive Directors' outstanding share awards are under the LTIP or the SAYE scheme. Awards under the LTIP are subject to performance conditions as set out in detail for each grant in the Annual Report on Remuneration for the year in respect of which the award was granted. Awards under the SAYE scheme are not subject to performance conditions.

There have been no changes in the holdings of the Directors between 28 February 2022 and 24 May 2022.

Percentage change in the remuneration in Director and employee remuneration

| | 2020/2021 | | | 2021/2022 | | |
|--|---------------|--------------------|----------------|---------------|--------------------|----------------|
| | Base salary % | Taxable benefits % | Annual bonus % | Base salary % | Taxable benefits % | Annual bonus % |
| Executive Directors | | | | | | |
| Warwick Brady ¹ | (10%) | (29.3%) | – | (77.8%) | (82.8%) | – |
| David Shearer ² | 20% | – | – | 85.4% | – | – |
| Nick Dilworth | (8.3%) | – | – | 19.4% | 0.5% | – |
| Lewis Girdwood | (1.8%) | 9.3% | – | 18.9% | – | – |
| Non-Executive Directors | | | | | | |
| John Coombs | (8.5%) | – | – | 9.3% | – | – |
| Ginny Pulbrook | (6.0%) | – | – | 16.6% | – | – |
| David Blackwood | 3.9% | – | – | 19.6% | – | – |
| Clive Condie ³ | – | – | – | 50.0% | – | – |
| Employee population⁴ | 16.4% | (28.1%) | – | (18%) | (2.04%) | – |

¹ Warwick Brady left employment in June 2021 and his salary and benefits were commensurately lower than for the previous full year although his rate of pay remained unchanged.

² David Shearer joined the Board after the beginning of the financial year ended 29 February 2020 (appointed with effect 1 June 2019). He assumed additional Executive responsibilities as a result of Warwick Brady leaving employment with the Group. The increase between 2021 and 2022 has been calculated on the basis that the £8,750 paid in respect of the period 9 February 2021 to 28 February 2021 had been paid in the year ended 28 February 2021.

³ Clive Condie was appointed to the Board on 1 July 2020. On this basis there is no comparable data to calculate any change in remuneration for 2020/2021. The comparative increase in his remuneration between 2021 and 2022 was a result of comparing a full year of pay to a part year. The base fees payable to all of the Non-Executive Directors remained constant between 2021 and 2022 with any differences in overall pay relating to changes in duties and/or the pay cuts assumed voluntarily during 2020.

⁴ As a result of the liquidation of Stobart Air, employees within that business have not been included in this calculation.

The above table shows the percentage year-on-year change in salary, benefits and bonus earned between the year ended 29 February 2020 and 28 February 2021 and the year ended 28 February 2021 and 28 February 2022 for all Directors and for the average of all other employees in the Group. Warwick Brady left employment in June 2021.

Employee average remuneration has been calculated on a median basis. Employees working part-time have had their remuneration grossed up to full-time for the purpose of the calculation. Employees on zero-hour contracts and those identified as being under the furlough scheme during the year have had their remuneration included at actual rates in the calculation.

Employees across the Group have been chosen as the comparator, as the Committee felt that the relatively small number of colleagues employed by Esken Limited (5% of overall employee population) would not be representative of the employee population across the wider group.

The percentage change table reflects a reduction in the employee population from 912 on 28 February 2021 to 778 at 28 February 2022, an ongoing reliance on the government job protection scheme to the end of September 2021, a pay freeze for most employees in 2021, and a rise in employees working part-time.

Payments for Directors' loss of office

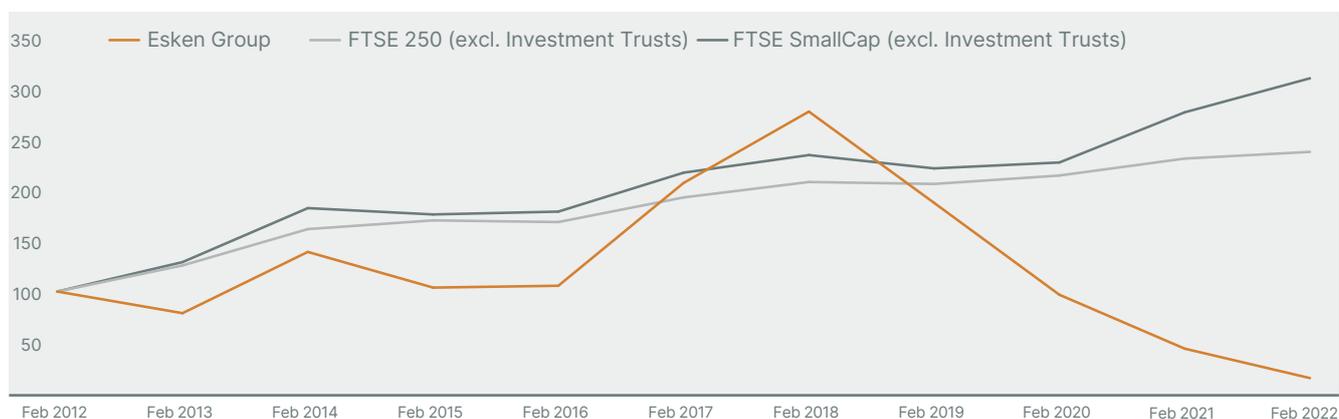
There were no payments in relation to loss of office during the year. Warwick Brady did not receive any payments from the Company in relation to his loss of office from 30 April 2021.

Payments to past Directors

There were no payments of money or other assets to former Directors during the year.

Historical TSR performance chart

The chart below shows the TSR performance of Esken against the FTSE 250 and FTSE SmallCap for the last ten years. Esken has been a member of both the FTSE 250 and FTSE SmallCap during the period shown.



Chief Executive remuneration outcomes

The table below shows the total remuneration figure for the Chief Executive for the last ten years. The total remuneration figure includes the annual bonus and any long-term incentives which vested based on performance in those years.

| | For the year ended 28/29 February | | | | | | | | | | | | |
|---|-----------------------------------|-------|-------|---------|-------|---------------|-------------------|-------------------|-------|-------|-------|-------------------|-------------------|
| | Andrew Tinkler | | | | | Warwick Brady | | | | | | David Shearer | |
| Chief Executive | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 ¹ | 2018 ² | 2019 | 2020 | 2021 | 2022 ³ | 2022 ³ |
| Chief Executive's total single figure of remuneration £'000 | 253.6 | 259.9 | 251.2 | 1,309.3 | 931.3 | 951.1 | 235.3 | 648.8 | 915.8 | 601.5 | 545.8 | 118.0 | 358.8 |
| Bonus paid % of maximum | - | - | - | 76.3% | 96.6% | 97.0% | 91.0% | 91.0% | 73.0% | - | - | - | N/A |
| LTIP vesting % of maximum | - | - | - | - | - | - | 100% | - | - | - | - | - | N/A |

1 Andrew Tinkler stepped down from the position of Chief Executive on 30 June 2017. The remuneration figure used represents one-third of his single figure remuneration and takes account of the alterations made to his level of remuneration for the year, as explained in the notes to the single figure table on page 61 of the Directors' Remuneration Report in the 2019 Annual Report.

2 Warwick Brady was appointed as Chief Executive on 1 July 2017. The remuneration figure used represents the total single figure remuneration.

3 In the year ended 28 February 2022, Warwick Brady was employed by the Company until 30 April 2021 and David Shearer was Executive Chairman for the whole year.

Chief Executive pay ratio

The following table compares the Chief Executive Officer single total figure remuneration (as set out on page 98), with the total remuneration of the Group's employees, paid at the 25th, 50th and 75th percentiles. The figure used is a combination of the remuneration for Warwick Brady and David Shearer in respect of 2021/2022.

Directors' Remuneration Report continued

Pay ratios have been calculated using Option A as this is considered to be the most statistically accurate. Under Option A, we determined the total full-time equivalent remuneration for all our UK employees, ranked those employees based on their full-time equivalent remuneration and then identified the lower quartile, median and upper quartile employees based on this ranking. The employees were identified by reference to their remuneration as at 28 February 2021, in respect of 2020/2021, and 28 February 2022, in respect of 2021/2022. Employees working part-time have had their remuneration grossed up for the purpose of this calculation. Zero-hour contract and furloughed employees' remuneration is included at the actual rate of pay.

| Year | Methodology | 25th percentile | 50th percentile (median) | 75th percentile |
|-----------|-------------|-----------------|--------------------------|-----------------|
| 2021/2022 | Option A | 1:17 | 1:13 | 1:10 |
| 2020/2021 | Option A | 1:25 | 1:19 | 1:13 |

The Committee considers that the median pay ratio for the year ended 28 February 2022 is consistent with the pay, reward and progression on policies for the Group's UK employees taken as a whole. The most significant reason for the change in the ratios compared to the previous year is the reduction in remuneration for the Chief Executive as a result of the change in leadership structure during the year.

We have set out below further detail of the base salary and total remuneration received by employees during the year used for the calculation above. Total remuneration was calculated on the same basis as the Chief Executive Officer single figure table set out on page 98 (save that, for the year ended 28 February 2021, the £8,750 paid to David Shearer in respect of the period 9 February to 28 February 2021 referred to in footnote 3 to that table has been discounted and in the year ended 28 February 2022 the total remuneration figure was for Warwick Brady for March and April 2021 and for David Shearer for the remainder of the period). As a result of the liquidation of Stobart Air, employees within that business have not been included in the calculation below and the 'relative importance of spend on pay' calculation.

| | 25th percentile | 50th percentile (median) | 75th percentile |
|--------------------|-----------------|--------------------------|-----------------|
| Base salary | £21,000 | £28,272 | £37,672 |
| Total remuneration | £22,334 | £28,927 | £39,762 |

Relative importance of spend on pay

The table below shows the year-on-year change in losses, staff costs and distributions to shareholders.

| | 2022 | 2021 | % change |
|--|----------|----------|----------|
| Remuneration paid to or receivable by all employees of the Group (including Directors) | £28.4m | £34.0m | (16.5%) |
| Distributions to shareholders | nil | nil | 0% |
| Loss for the year from continuing operations | (£24.7m) | (£37.1m) | 33.4% |

Single figure of total remuneration for Non-Executive Directors

The table below sets out the single figure of total remuneration (and its breakdown into its constituent parts) for each Non-Executive Director. All Directors (Executive and Non-Executive), with the exception of Clive Condie, voluntarily agreed to a 20% reduction in their salary or fee for the period 1 April 2020 to 30 September 2020. This reduction is reflected in the table below. Clive Condie joined the Board on 1 July 2020 and it was agreed by the Committee that due to his start date in the year and the support offered to the Aviation division, it would not be appropriate to immediately reduce his fee.

| Non-Executive Director | Fees | | Taxable benefits | | Total | |
|------------------------------|------|------|------------------|------|-------|------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| John Coombs ¹ | 62.5 | 57.2 | – | – | 62.5 | 57.2 |
| Ginny Pulbrook ² | 57.5 | 49.3 | – | – | 57.5 | 49.3 |
| David Blackwood ³ | 72.5 | 60.6 | – | – | 72.5 | 60.6 |
| Clive Condie ⁴ | 52.5 | 35.0 | – | – | 52.5 | 35.0 |

1 Includes base fee of £52,500 plus additional fees of £10,000 for chairing the Remuneration Committee.

2 Include base fee of £52,500 plus additional fees of £5,000 for acting as Designated Non-Executive Director with effect from 1 October 2020.

3 Includes base fee of £52,500 plus additional fees of £10,000 for chairing the Audit Committee and fulfilling the role of Senior Independent Director with effect from 1 November 2020.

4 Clive Condie's fee is based on his commencement date of 1 July 2020.

Non-Executive Directors' fees for the year ended 28 February 2022

As indicated above, there was a reduction in fees of 20% for the period 1 April 2020 to 30 September 2020 for all Non-Executive Directors, other than Clive Condie. There were no changes to Non-Executive Director fees in the year ended 28 February 2022.

External appointments

During the year, no Executive Director (other than the Executive Chairman) had an external appointment for which he was remunerated.

Service contracts and letters of appointment

The terms and conditions of appointment of Non-Executive Directors and the service contracts of the Executive Directors are available for inspection at the Company's registered office during normal business hours.

Non-Executive Directors are engaged under letters of appointment that set out their duties and responsibilities and are subject to annual shareholder re-election.

| Name | Commencement | Notice period ¹ |
|----------------------------|------------------|----------------------------|
| Nick Dilworth ² | 1 September 2018 | 6 months ³ |
| Lewis Girdwood | 1 April 2019 | 6 months ³ |
| David Shearer ⁴ | 1 June 2019 | 3 months |
| John Coombs | 1 July 2014 | 3 months |
| Ginny Pulbrook | 1 October 2018 | 3 months |
| David Blackwood | 1 March 2019 | 3 months |
| Clive Condie | 1 July 2020 | 3 months |

1 Notice periods apply in the same manner for both Directors and the Company.

2 Nick Dilworth's contract was varied with effect from 1 September 2018 on his appointment to the Board.

3 Service contracts on a rolling basis with no defined expiry date.

4 David Shearer's terms of appointment have been amended with effect from 9 February 2021 to reflect his role as Executive Chairman.

Implementation of the Policy for the year ending 28 February 2023

This section provides a summary of how the Committee intend to implement the Directors' Remuneration Policy in the financial year ending 28 February 2023. Due to the continued uncertainty around the impact of COVID-19 and expectations that the business will recover during the course of the year, the position set out below will be subject to review by the Committee.

Salary

It was agreed during the year that the salaries for the Executive Directors would be as set out below in recognition of their enhanced duties further to the Company's announcement in that regard on 3 November 2021 – the increases for Lewis Girdwood and Nick Dilworth taking effect from 3 November 2021 and that for David Shearer from 10 February 2022 – but there will be no further increases in the upcoming financial year.

| Executive Director | Salary |
|--------------------|----------|
| David Shearer | £400,000 |
| Nick Dilworth | £335,000 |
| Lewis Girdwood | £335,000 |

Benefits

The Group does not currently envisage any adjustments to benefits for the year ending 28 February 2023, except as necessary to reflect the market cost of providing the benefits described.

Pension

No changes in pension are proposed for the year ending 28 February 2023. Company contributions to a pension plan will remain at 10% for the Chief Financial Officer and the Chief Operating Officer. No pension contribution is paid to David Shearer. As set out in the Directors' Remuneration Policy any new Executive Director will receive a pension contribution not exceeding the percentage applicable to the majority of the Group's workforce. This principle will apply to any new Executive appointments.

Directors' Remuneration Report continued

Annual bonuses

The Committee determined that it was not appropriate to approve a bonus scheme for the Executive Directors for the year ended 28 February 2022 at this time, in light of the Company's continued receipt of government support via the furlough scheme. As that support has now ended, the Committee has put in place a bonus plan for the Executive Directors (other than the Executive Chairman), based on key performance targets of the Group for the year ending 28 February 2023. Full details of the bonus plan and the outcomes will be disclosed in next year's remuneration report.

LTIP

LTIPs for the year ending 28 February 2023 have been considered, and are likely to be made to the Chief Financial Officer and the Chief Operating Officer in accordance with policy, immediately following announcement of the Group's results for the year ended 28 February 2022. The full details of those awards will be announced when they are made and will also be disclosed in full in next year's Annual Report.

Non-Executive Directors' fees

For the financial year ending 28 February 2023, the Non-Executive Director fees remain unchanged and will therefore be as set out below.

| | Fee |
|---|---------|
| Non-Executive base fee | £52,500 |
| Additional fees | |
| Committee Chair ¹ | £10,000 |
| Deputy Chairman and Senior Independent Director | £10,000 |
| Designated Non-Executive Director for People Engagement | £5,000 |

¹ Ginny Pulbrook receives a combined fee of £10,000 for acting as Chair of the ESG Committee and her role as the designated Non-Executive Director for employee engagement, increased from £5,000 with effect from 1 March 2022, upon the formation of the ESG Committee.

The Remuneration Committee

Remuneration Committee members

During the year, the Committee comprised the following independent Non-Executive Directors:

John Coombs, Committee Chairman

Ginny Pulbrook

David Blackwood

Clive Condie

Attendance at Committee meetings is shown on page 84. While no others have rights of attendance or voting, the Committee may invite the Executive Chairman, external advisers and others holding key positions to attend some or all of its meetings.

No individual was present when their own remuneration was being discussed. The Company Secretary attended meetings as secretary to the Committee.

Overview and role of the Committee

The role of the Committee is to determine and recommend to the Board a fair and responsible remuneration framework for ensuring that the Company's Executive Directors and designated senior management are appropriately rewarded and incentivised for their contribution to Group performance.

The Committee determines Executive Director remuneration, reviews and approves remuneration for other senior Executives, and oversees the remuneration policy for the broader workforce. The remuneration of Non-Executive Directors is decided by the Board, on the recommendation of the Chairman of the Board and the Executive Directors, and is determined within the limits set out in the Company's Articles of Association and the Directors' Remuneration Policy.

Committee membership

The membership of the Committee is determined by the Group Board and is confined to independent Non-Executive Directors, with the Company Secretary acting as secretary to the Committee.

External advisers

During the year ended 28 February 2022, the Committee received external advice from Deloitte LLP who were appointed as independent advisers to the Committee in January 2019. Deloitte LLP is a founding member of the Remuneration Consultants' Group and as such voluntarily operates under a code of conduct in relation to executive remuneration consulting in the UK. Fees of £17,325 were paid in respect of remuneration services during the year which included advising on best practice, the impact of COVID-19 on remuneration matters, updates on legislative requirements and fees for the Executive Chairman.

Committee activities during the year

During the year, the Committee met six times and a summary of the main activities and decisions dealt with by the Committee are set out below:

- Level of base salaries for Executive Directors and other Executives within its remit.
- Bonus arrangements for Executive Directors for the year ending 28 February 2023.
- Performance of LTIPs over the year.
- LTIP grants.
- Directors' Remuneration Report.
- Fees for the Chairman and his role as Executive Chairman.
- Review of the Terms of Reference of the Committee.

All members of the Committee are independent Non-Executive Directors, as defined under the UK Corporate Governance Code.

Committee attendance for the year ended 28 February 2022:

| | Number of meetings | Meetings attended |
|-----------------|--------------------|-------------------|
| John Coombs | 6 | 6 |
| Ginny Pulbrook | 6 | 6 |
| David Blackwood | 6 | 6 |
| Clive Condie | 6 | 6 |

Under its Terms of Reference, the Committee shall have a Chairman and at least two members, all of whom shall be independent.

Statement of shareholder voting

At last year's AGM on 17 August 2021, the Directors' Remuneration Report received the following votes:

| AGM | Item for approval | Votes for (% total votes cast) | Votes against (% total votes cast) | Votes withheld |
|----------------|--|-----------------------------------|---------------------------------------|----------------|
| 17 August 2021 | Approval of the Directors' Remuneration Report | 99.18% | 0.82% | 476,305 |

Our approach to remuneration

We are required by the Code to report to you on various matters relating to remuneration, and in particular with regard to those matters set out in provisions 40 and 41 of the Code. These matters are as follows:

The strategic rationale for Executive Directors' remuneration policies, structures and any performance metrics:

The key principles that underpin the design of our Remuneration Policy for Executive Directors, including the structure of remuneration, are to:

- Attract, retain and motivate high-calibre talent to ensure continued growth and success of the Group;
- Recognise and reward stretching performance taking into account the skills and experience of the Directors and the nature and complexities of their responsibilities;
- Encourage and support an entrepreneurial and high performance culture, providing incentives that promote the delivery of sustainable growth and are aligned to medium and longer-term business strategy;
- Align the interests of the Executive Directors, senior management and employees with those of shareholders;
- Ensure that remuneration and incentives adhere to the principles of good corporate governance, support good risk management practice and promote sustainable Group performance; and
- Have a competitive mix of fixed remuneration and short-term and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Group's performance.

The reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps:

We regularly review the remuneration of our Executive Directors to align it to the strategy and results of the Group, to remuneration in our industry more generally and for senior executives of the type and quality we wish to employ, and we remain cognisant of the relative pay of our employees. We believe that our remuneration structures reflect these requirements and benchmarks, but we are conscious that remuneration and our ability to pay bonuses and make long term incentive awards has been impacted by the pandemic and will need to be addressed during FY23, as the aviation industry in particular seeks to return to a greater level of activity. We are also conscious that the impact of the COVID-19 pandemic on our business, particularly through the measures we have deployed to control costs partly through a hiring freeze and pay restraint in the year, have impacted our ability to adjust relative pay across the Group.

A description, with examples of how the Remuneration Committee has addressed the factors in Provision 40 of the Code, which are as follows:

- Clarity – we believe our remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce. We report in full on Executive Director remuneration in our Annual Report and we engage regularly with our workforce on many matters, including Executive pay. We have a Board member, Ginny Pulbrook, who acts as a direct link with our employees and we use our various employee engagement forums to ensure we are aware of the diverse view of our employees;

Directors' Remuneration Report continued

- b. Simplicity – we believe that our base remuneration, bonus and long-term incentive awards are simple and easy for stakeholders to understand, avoid complexity and their rationale and operation are easy to understand. Our Remuneration Policy was supported by our shareholders at 2020's AGM, after consultation with them, and we continue to implement our policy in all of our considerations with regard to remuneration;
- c. Risk – we strive to ensure that our remuneration arrangements avoid reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, and that possible risks are identified and mitigated. We have robust clawback arrangements in our incentive structures and require holding periods for shares issued under LTIP awards and bonuses. We closely monitor the assessment of performance against targets set, and our Audit Committee provides a robust check and challenge with regards to the assessment of the Group's financial performance and systems of financial control and risk management;
- d. Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions have been identified and explained at the time of approving the policy by shareholders in 2020. We review the likely outcome of remuneration structures against the Group's projected financial performance but also strive to ensure that the elements of remuneration incentivise recipients to deliver exceptional performance;
- e. Proportionality – we believe that the link between individual awards, the delivery of strategy and the long-term performance of the Company is clear (rewards are geared to the generation of long-term value for shareholders and appropriately reference performance of the business over both the short and longer-term via the balance between annual bonus and long-term incentive awards) and we do not believe that outcomes should reward poor performance. The Committee retains a discretion over bonuses and vesting of awards in circumstances where the financial position of the Group is not reflected in the outcome of individual award criteria. We took action during the previous year to reduce base remuneration to reflect the effects of the pandemic and the receipt of government funding and delayed the annual bonus scheme and the award of LTIPs; and
- f. Alignment to culture – incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy. Esken has a clear strategy to develop valuable growth assets from aviation and energy from waste. We believe that our remuneration structures are clearly dedicated to rewarding our Executives for the development of long-term value via our LTIP awards (which reward performance based on stretching financial performance targets, including TSR) whilst also motivating good performance in the short term via the annual bonus scheme. We believe this growth will come as we create smarter experiences that connect the world around us in fulfilment of our purpose.

An assessment of whether the remuneration policy has operated as intended in terms of performance and quantum:

We believe that the remuneration policy has operated as intended in terms of Company performance and quantum, whilst recognising that FY22 was a particularly challenging year for the Group, as it was the second year in a row in which remuneration outcomes were challenged by the ongoing business environment associated with COVID-19. We also recognise that the Company needs to return to a position where it offers competitive salaries, a bonus scheme and long-term incentive awards in order to be able to retain its key Executives.

The Company's engagement with shareholders and the impact this has had on policy and outcomes with regard to remuneration:

Details on how we engaged with our shareholders during the year is set out on pages 66 to 68. We consulted widely with them in 2020 in relation to setting our remuneration policy, which was subsequently approved by shareholders at our 2020 AGM, but our engagement with them during FY22 was more limited. We did, however, consult with them over the change to the Executive leadership team and the continued combination of the Chairman and Chief Executive responsibilities.

The Company's engagement with the workforce to explain executive remuneration and how it aligns with wider Company pay policy:

The extent of our engagement with the workforce is set out on pages 60 to 62 of this report. We engage with them directly via our People Forums and via their union representatives. In our Aviation Services division, we have consulted extensively on pay and conditions with UNITE, the union, and employees directly. In May 2021, we finalised negotiations and issued new terms and conditions across all employees to come into effect from June 2021. This was so that our contracts were sustainable and robust enough to see us through the COVID-19 pandemic and allow for the recovery and growth strategy to follow this. In January 2022, we consulted with UNITE once again on the annual employee cost of living award. This resulted in hourly-paid employees within the collective bargaining units receiving a 10% uplift in base pay.

The discretion applied to remuneration outcomes and why:

We applied discretion to remuneration during the year by not making general cost-of-living increases to base salaries and delaying the regular implementation of variable pay awards in the form of bonuses for the year ended 28 February 2022 and LTIPs. The Committee and the Board as a whole felt that this was necessary in light of the impact of the pandemic on the Group's financial position, our receipt of considerable government support via the furlough scheme and the uncertain economic environment which persisted for much of the year.

Approval

The Directors' Remuneration Report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

John Coombs
Chairman of the Remuneration Committee

24 May 2022

Directors' Report

Introduction

As a Guernsey registered Company, we are not obliged to follow the UK Companies Act 2006 but we choose to do so as indicated in relevant places in the Directors' Report. The Directors' Report also sets out certain information in accordance with the requirements of the Financial Conduct Authority's Listing Rules and Disclosure and Transparency Rules (DTR).

The Directors' Report should be read in conjunction with the Strategic Report (pages 5 to 77) and Governance (pages 78 to 111) which are incorporated by reference into the Directors' Report.

Results and dividends

The financial statements set out the results of the Group for the year ended 28 February 2022 and are shown on pages 119 to 172.

There were no dividends paid in respect of the year ended 28 February 2022.

Directors' and Officers' insurance and indemnities

The Group maintains an appropriate level of Directors' and Officers' insurance whereby Directors are indemnified against liabilities to third parties to the extent permitted by Guernsey company law.

The Group also, in addition to the indemnity granted to the Directors under the Articles of Incorporation, entered into instruments of indemnity with each Director. These instruments of indemnity contain provisions that are permitted by the director liability provisions of the Companies Act 2006 (in accordance with the Listing Rules), The Companies (Guernsey) Law, 2008 and the Articles of Incorporation and remain in force as at the date of this report.

Directors' interests

No Director had any interests in contracts of significance in relation to the Company's business during the year.

Political donations

No donations were made for political purposes during the year in question.

Share capital

Details of the authorised and issued share capital and reserves of the Company are shown in note 30 to the financial statements.

During the year ended 28 February 2022, the Company issued 394,410,618 ordinary shares on 26 August 2021 in connection with the Firm Placing and Placing and Open Offer announced on 27 July 2021.

As at 28 February 2022, the Company held no treasury shares.

The share capital of Esken Limited at 28 February 2022 was made up of 1,025,336,741 ordinary shares of 10p and the total number of voting rights was 1,025,336,741. The ordinary shares are listed on the London Stock Exchange.

Shareholdings, voting rights and Articles of Incorporation

The Board has absolute discretion to decline to register any transfer of any share which is not a fully paid share or on which the Company has a lien, provided that this would not prevent dealings in the share from taking place on an open and proper basis on the London Stock Exchange (if applicable).

The Articles also provide that the Board may decline to register a transfer of shares if:

- (a) In relation to a share in a certified form, if evidence on title cannot be provided;
- (b) It is in respect of more than one class of share; or
- (c) It is in favour of more than four joint transferees; or
- (d) It is in favour of any Non-Qualified Holder (as defined in the Articles).

Registration of a transfer of an uncertified share may only be refused in the circumstances set out in the rules and regulations applicable to CREST and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertified shares is to be transferred exceeds four.

The Board, under the Articles of Incorporation, may appoint a Director but any such Director must stand for election at the next General Meeting. Directors are elected or re-elected by ordinary resolution at a General Meeting. Under the Articles, Directors retire and offer themselves for re-election annually. The Articles of Incorporation may only be amended by a special resolution.

Substantial shareholdings

The table below sets out, as at 29 April 2022 those shareholders who owned 3% or more of the issued ordinary shares of the Company.

| Name | Number of ordinary shares 29 April 2022 | % |
|---------------------------------------|--|-------|
| Toscafund Asset Management | 285,077,383 | 27.80 |
| Strategic Value Partners | 94,101,386 | 9.18 |
| Harwood Capital Mgt Group | 81,870,883 | 7.98 |
| Schroders | 57,279,110 | 5.59 |
| Cyrus Capital Partners | 53,763,529 | 5.24 |
| Invesco | 39,460,550 | 3.85 |
| Hargreaves Lansdown PLC | 36,850,510 | 3.59 |
| Mr Richard Griffiths | 33,807,667 | 3.30 |
| Tetragon Financial Group Limited | 33,170,440 | 3.24 |
| Royal London Mutual Assurance Society | 30,755,391 | 3.00 |

Directors' Report continued

Other information

The Company has chosen to set out in the Strategic Report certain information which would be required under Section 414C (11) of the Companies Act 2006 (if that Act were to apply to the Company) to be contained in the Directors' Report. That information, together with other disclosures required by the Companies Act 2006 (as if that Act applied to the Company) and the DTR, can be found on the pages listed below.

| | | |
|---|---|-----------------|
| Corporate governance | DTR 7.2.1R to DTR 7.2.11R | Pages 78 to 111 |
| Directors' biographical details and dates of appointment | Companies Act 2006 Section 416(1)(a) ¹ | Pages 78 to 79 |
| Directors' interests in shares | | Page 97 |
| Diversity | DTR 7.2.8AR | Page 47 |
| Employment of disabled persons | Paragraph 10, Schedule 7, Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (2008 Regulations) | Page 47 |
| Engaging with stakeholders | Paragraphs 11B and 11C, Schedule 7, 2008 Regulations ¹ | Pages 60 to 68 |
| Employee engagement | Companies (Miscellaneous Reporting) Regulations 2018 | Pages 60 to 61 |
| Future developments in the business | Paragraphs 7(1)(a) and 7(2), Schedule 7, 2008 Regulations ¹ | Pages 24 to 27 |
| Greenhouse gas (GHG) emissions | Paragraphs 15, -20 Schedule 7, 2008 Regulations ¹ | Pages 14 to 15 |
| Energy and carbon information | Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 | Pages 54 to 58 |
| Risk management and internal control: How the business manages risk | Paragraph 6, Schedule 7, 2008 Regulations and DTR 4.1.11R(6) ¹ | Pages 69 to 76 |

¹ As if the Companies Act 2006 and the 2008 Regulations applied to the Company.

Going concern

The Group's business activities, together with factors likely to affect its future performance and position, are set out in the Chairman's statement on pages 20 to 25 and the financial position of the Group, its cash flows and funding are set out in the Financial Review on pages 28 to 31.

For detailed going concern disclosures, please refer to note 1 on page 124.

Directors' responsibilities

The Directors are responsible for preparing the annual financial statements in accordance with Companies (Guernsey) Law 2008 and UK-adopted international accounting standards. Our Guernsey registration dates back to January 2002, the days of the Westbury Property Fund. We have looked at options to re-register in the UK and have found it to be too complicated and costly to enact at this time. Guernsey company law requires the Directors to prepare Group financial statements for each financial year.

Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law. Under common law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable, relevant and reliable.
- State whether they have been prepared in accordance with UK-adopted international accounting standards.
- Assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intended to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law 2008.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board and senior Executives of the Group are accountable to the shareholders and communicate with them on a regular basis in a number of ways. Communication methods and channels include:

- Annual General and Extraordinary Meetings.
- Announcements on the London Stock Exchange.
- Regular briefings on the Group's website.
- Bi-annual presentations to institutional shareholders.

Responsibility statement of the Directors in respect of the Annual Report and Group financial statements

The Directors confirm to the best of their knowledge that:

- The financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.
- The Annual Report includes a fair view of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces.
- The Directors consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and to contain the information necessary for shareholders to assess and provide the Group's position and performance, business model and strategy.
- A robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity has taken place.

Auditor

Resolutions to appoint the auditor of the Company following the outcome of the ongoing tender process referred to elsewhere in this document and for the approval of its remuneration are to be proposed at the 2022 AGM.

The Directors who held office at the date of the approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as Director to make themselves aware of any relevant audit information and establish that the Group's auditor is aware of that information.

The Directors' Report was approved by the Board and signed on its behalf by:

Matthew Joy
Company Secretary

24 May 2022

Independent Auditor's Report

to the members of Esken Limited

1. Our opinion is unmodified

We have audited the financial statements of Esken Limited (the Group) for the year ended 28 February 2022, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflows for the year then ended and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 28 February 2022 and of the Group's loss for the year then ended;
- are in accordance with UK-adopted international accounting standards; and
- comply with the Companies (Guernsey) Law 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

| | |
|---------------------------------------|--------------------------------|
| Materiality: | £1,000,000 (2021: £985,000) |
| Group financial statements as a whole | 0.96% (2021: 0.97%) of revenue |

| | |
|-----------------|----------------------------------|
| Coverage | 83% (2021: 93%) of Group revenue |
|-----------------|----------------------------------|

| | |
|--------------------------|----------------|
| Key audit matters | vs 2021 |
|--------------------------|----------------|

| | |
|------------------------|---------------|
| Recurring risks | Going concern |
|------------------------|---------------|



| | |
|---------------------|--|
| Event driven | New: Aircraft maintenance provision held by Propius |
|---------------------|--|

2. Material uncertainty relating to going concern

| | The risk | Our response |
|---|---|--|
| <p>Going concern</p> <p>We draw attention to note 1 to the financial statements which describes a material uncertainty in respect of securing the necessary funds required before maturity of the revolving credit facility in January 2023 to meet working capital requirements, the repayment of aircraft leases and maintenance commitments, and repayment of the exchangeable bond before its maturity in May 2024.</p> <p>These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in this respect.</p> <p><i>Refer to (Audit Committee report) page 94, disclosure of material uncertainties related to going concern (note 1).</i></p> | <p>Disclosure quality</p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's business model and how those risks might affect the Group's financial resources or ability to continue operations over a period until May 2024 from the date of approval of the financial statements.</p> <p>There is little judgement involved in the Director's conclusion that the risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Group to continue as a going concern for the period until May 2024, from the date of approval of the financial statements.</p> <p>However, clear and full disclosure of the facts and the Directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.</p> | <p>Our procedures included:</p> <p>Assessing transparency: We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, the availability of funding and the likely outcome should the required funding not be obtained in the timetable expected.</p> <p>We assessed the completeness of the going concern disclosure.</p> <p>Testing application: We inspected the aircraft leasing agreements held by Propius in addition to the exchangeable bond agreement to assess the expected payment profile of these obligations and compared this to management's model.</p> <p>Enquiry of Directors: We made inquiries with the Board of Directors to understand the status of refinancing and available funding options with external parties.</p> <p>Assessing forecasts: We critically assessed assumptions in base case and downside scenarios relevant to liquidity, in particular in relation to securing the required funding, the ability to achieve forecasts, accuracy of historical forecasts and consistency with other internal forecasts. We assessed whether downside scenarios applied mutually consistent and severe assumptions in aggregate, using our assessment of the possible range of each key assumption and our knowledge of inter-dependencies.</p> <p>We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise, which included deferral of discretionary outflows and the sale of non-core assets, taking into account the extent to which the Directors can control the timing and outcome of these.</p> |

Independent Auditor's Report continued

to the members of Esken Limited

3. Other key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matter, in arriving at our audit opinion above, together with our key audit procedures to address this matter. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

| | The risk | Our response |
|--|---|--|
| <p>Aircraft maintenance reserves held by Propius <i>Refer to summary of significant accounting judgements and estimates (note 2c), Provisions (note 25), Audit committee report page 94.</i></p> <p>(£23.6m; 2021: £20.0m)</p> | <p>Subjective estimates Propius a wholly owned subsidiary (as a lessee) leases aircrafts from a third party. Propius previously sub-leased these aircraft to Stobart Air. However, following the liquidation of Stobart Air the aircraft were recovered from the administrator by Propius and grounded. Under the head lease agreement Propius is required to return the aircraft in a pre-determined condition specified in the lease agreement at the termination date. During the year, the Group has re-assessed the value of the maintenance reserve due to the aircraft being grounded.</p> <p>Provisions for the maintenance reserves held by Propius require the directors to make judgments and estimates for the full costs of ensuring that the aircraft are returned in a pre-determined condition specified in the lease agreement at the termination date. The maintenance costs are sensitive to the underlying condition of specific components (for example engines, propellers and air frames) and the associated overhaul costs.</p> <p>The effect of this matter is that, as part of our risk assessment for audit planning purposes, we determined that the amount of the provision required had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 2c) disclose the sensitivity estimated by the Group.</p> | <p>We performed the tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support relying on them.</p> <p>Our procedures included: Test of detail: We obtained and assessed the head lease agreement to evaluate the existence and completeness of maintenance obligations including any penalty clauses for each aircraft.</p> <p>Challenge of assumptions: We challenged the Group's assumptions by assessing the accuracy and completeness of the inputs into the Group's maintenance reserve calculation by agreeing costs to supporting documentation such as the lease agreements, third party quotes, invoices for comparable maintenance events. We obtained individual aircraft flight hour reports maintained for regulatory purposes to corroborate the flight hours in the maintenance reserves calculation.</p> <p>Sensitivity analysis: We performed sensitivity analysis of the key assumptions, which included the scrap rates of propeller blades and the cost uplift applied to airframe checks to take account of the time the aircraft had been grounded.</p> <p>Assessing transparency: We assessed whether the Group's disclosure in respect of the maintenance provision, including the sensitivity of the provision to changes in key assumptions, have been adequately disclosed.</p> |

The Key Audit Matter in the prior year relating to Stobart Air and Propius-provisions for guarantees given by the Group prior to the re-acquisition of lease obligations, impairment of acquired right-of-use assets post-acquisition, and post-balance sheet decision to liquidate Stobart Air, which related to the Group's guarantees prior to reacquisition (which took place in the prior year), is no longer a Key Audit Matter. Following the liquidation of Stobart Air in the year, we have identified the Aircraft maintenance reserves held by Propius as a Key Audit Matter. We continue to perform procedures over the impairment of Right of Use assets, however following the impairment recognised to reduce the carrying amount to £nil in the prior year we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

4. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1,000,000 (2021: £985,000), determined with reference to a benchmark of revenue, of which it represents 0.96% (2021: 0.97%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2021: 65%) of materiality for the financial statements as a whole, which equates to £650,000 (2021: £640,000). We applied this percentage in our determination of performance materiality based on our assessment of the control environment during the current period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £50,000 (2021: £49,250), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality and performance materiality levels specified above and was performed by a single audit team.

Of the Group's 19 (2021: 17) reporting components, we subjected five (2021: six) to full scope audits for Group purposes and six (2021: six) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. We conducted reviews of financial information (including enquiry) at a further eight (2021: five) non-significant components to identify any risks in these components. No such risks noted.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 17% (2021: 7%) of total Group revenue, 9% (2021: 9%) of Group loss before tax and 11% (2021: 6%) of total Group assets is represented by eight (2021: five) reporting components, none of which individually represented more than 10% (2021: 10%) of any of total Group revenue, Group loss before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team approved the component materialities, which ranged from £50,000 to £700,000 (2021: £130,000 to £715,000), having regard to the mix of size and risk profile of the Group across the components. The work on 0 of the 19 components (2021: 1 of the 17 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Group revenue from continuing operations

£104.6m (2021: total revenue £101.4m)



Group materiality

£1.0m (2021: £0.985m)

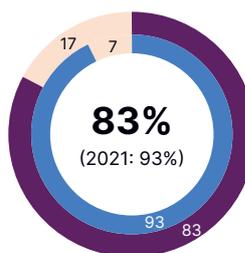
£1.0m
Whole financial statements materiality (2021: £0.985m)

£0.650m
Whole financial statements performance materiality (2021: £0.640m)

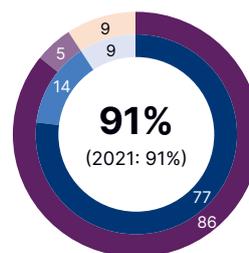
£0.700m
Range of materiality at 11 components (£0.050m-£0.700m) (2021: 12 components £0.130m to £0.715m)

£50,000
Misstatements reported to the Audit Committee (2021: £49,250)

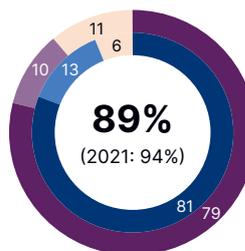
Group revenue



Group loss before tax



Group total assets



- Full scope for Group audit purposes 2022
- Specified risk-focused audit procedures 2022
- Full scope for Group audit purposes 2021
- Specified risk-focused audit procedures 2021
- Residual components

Independent Auditor's Report continued

to the members of Esken Limited

5. The impact of climate change on our audit

In planning our audit, we have considered the potential impact of risks arising from climate change on the Group's business activities and its financial statements.

We considered that the key areas contained within the financial statements for which climate change could have the greatest impact were the recoverability of goodwill relating to the Energy CGU and property, plant and equipment relating to the LSA CGU.

We considered the adequacy of the impairment testing disclosures for both the property, plant and equipment relating to the LSA CGU and goodwill relating to the Energy CGU and given the level of headroom in those impairment assessments we have not assessed climate related risk to be a key assumption in the calculation of the recoverable amount.

We took climate change factors into account of evaluating the directors' assessment of the useful life of the non-current assets relating to the Energy CGU.

As a part of our audit, we have performed risk assessment procedures, including making enquiries of Directors and management, reading Board meeting minutes and applying our knowledge of the Group and sectors in which it operates to understand the extent of the potential impact of climate change risk on the Group's financial statements.

While the impact of climate change on the Group is inherently uncertain, our risk assessment was therefore that the impact of climate change does not currently have a significant impact on the financial statements. Climate change therefore only had a limited impact on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

We have read the Group's TCFD in the Annual Report considered consistency with the financial statements and our audit knowledge.

6. Going concern basis of preparation

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group, or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic for at least 24 months from the date of approval of the financial statements (the going concern period). As stated in section 2 of our report, they have also concluded that there is a material uncertainty related to going concern.

An explanation of how we evaluated management's assessment of going concern is set out section 2 of our report.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting, and their identification therein of a material uncertainty over the Group's ability to continue to use that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable.

7. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (fraud risks) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit, internal and external legal counsel and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for Directors and key management personnel.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited incentives, rationalisations and/or opportunities to fraudulently adjust revenue recognition, in addition to the fact revenue levels have significantly fallen as a result of COVID-19. We did not identify any additional fraud risks.

We discussed with the Audit Committee and those charged with governance matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Group's license to operate. We identified the following areas as those most likely to have such an effect: environmental regulations, aviation regulations, health and safety, anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit Committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

8. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements' audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, other than the material uncertainties related to going concern referred to above, we have nothing further to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement page 77 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements' audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's longer-term viability.

Independent Auditor's Report continued

to the members of Esken Limited

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

9. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- the Group has not kept proper accounting records; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

We have nothing to report in these respects.

10. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 110, the Directors are responsible for: the preparation of the financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

11. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Froom for and on behalf of KPMG LLP
Chartered Accountants and Recognised Auditor

1 St Peter's Square
Manchester
M2 3AE
24 May 2022

Consolidated income statement

for the year ended 28 February 2022

| | Notes | Year ended 28 February 2022 £'000 | Restated ¹ Year ended 28 February 2021 £'000 |
|--|-------|--|---|
| Continuing operations | | | |
| Revenue | 4 | 104,633 | 101,404 |
| Other income | 6 | 8,364 | 389 |
| Operating expenses – other | 7 | (102,479) | (109,039) |
| Share of post-tax losses of associates and joint ventures | 14 | (356) | (218) |
| Gain on swaps | 22 | 93 | 80 |
| Adjusted EBITDA | | 10,255 | (7,384) |
| Depreciation | 13 | (20,464) | (19,424) |
| (Impairment)/reversal of impairment of property assets | 13 | (5,369) | 824 |
| Operating loss | | (15,578) | (25,984) |
| Impairment of loan notes | 10 | – | (8,000) |
| Finance costs | 10 | (21,228) | (13,191) |
| Finance income | 9 | 2,239 | 3,004 |
| Loss before tax | | (34,567) | (44,171) |
| Tax | 11 | 9,865 | 7,083 |
| Loss for the year from continuing operations | | (24,702) | (37,088) |
| Discontinued operations | | | |
| Loss from discontinued operations, net of tax | 5 | (2,386) | (118,025) |
| Loss for the year | | (27,088) | (155,113) |
| Loss per share expressed in pence per share – continuing operations | | | |
| Basic | 12 | (2.99)p | (6.89)p |
| Diluted | 12 | (2.99)p | (6.89)p |
| Loss per share expressed in pence per share – total | | | |
| Basic | 12 | (3.28)p | (28.81)p |
| Diluted | 12 | (3.28)p | (28.81)p |

¹ The 2021 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 for more details.

The notes on pages 124 to 171 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 28 February 2022

| | Notes | Year ended 28 February 2022 £'000 | Restated ¹ Year ended 28 February 2021 £'000 |
|--|-------|--|---|
| Loss for the year | | (27,088) | (155,113) |
| Discontinued operations, net of tax, relating to exchange differences | | (1,824) | 3,826 |
| Other comprehensive (expense)/income – items that are or may be reclassified subsequently to profit or loss, net of tax | | (1,824) | 3,826 |
| Remeasurement of defined benefit plan | 23 | 1,876 | 1,176 |
| Change in fair value of financial assets classified as fair value through other comprehensive income | 15 | (1,187) | 4,643 |
| Rent review of property headlease and sublease | | (323) | – |
| Tax on items relating to components of other comprehensive income | 11 | (417) | (182) |
| Other comprehensive (expense)/income – items that will not be reclassified to profit or loss, net of tax | | (51) | 5,637 |
| Other comprehensive (expense)/income for the year, net of tax | | (1,875) | 9,463 |
| Total comprehensive expense for the year | | (28,963) | (145,650) |

¹ The 2021 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 for more details.

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

The notes on pages 124 to 171 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 28 February 2022

| | Notes | 28 February 2022 £'000 | 28 February 2021 £'000 |
|---|-------|------------------------------|------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 13 | 265,637 | 285,621 |
| Investment in associates and joint ventures | 14 | 1,016 | 1,372 |
| Other financial assets | 15 | 14,105 | 10,392 |
| Intangible assets | 16 | 54,669 | 54,669 |
| Net investment in leases | 28 | 16,204 | 15,824 |
| Defined benefit pension surplus | 23 | 348 | – |
| Other receivables | 18 | 1,495 | 1,495 |
| | | 353,474 | 369,373 |
| Current assets | | | |
| Inventories | 17 | 12,552 | 15,334 |
| Trade and other receivables | 18 | 23,883 | 27,378 |
| Cash and cash equivalents | 22 | 52,738 | 12,408 |
| Corporation tax | 11 | – | 324 |
| | | 89,173 | 55,444 |
| Total assets | | 442,647 | 424,817 |
| Non-current liabilities | | | |
| Loans and borrowings | 22 | (217,539) | (122,116) |
| Defined benefit pension obligation | 23 | – | (2,418) |
| Other liabilities | 20 | (8,643) | (8,271) |
| Deferred tax liability | 24 | – | (261) |
| Provisions | 25 | (13,279) | (39,534) |
| | | (239,461) | (172,600) |
| Current liabilities | | | |
| Trade and other payables | 19 | (30,160) | (52,735) |
| Financial liabilities | 22 | – | (1,581) |
| Loans and borrowings | 22 | (24,714) | (89,121) |
| Exchangeable bonds | 22 | (52,385) | (52,010) |
| Corporation tax | 11 | (5,110) | – |
| Provisions | 25 | (20,674) | (8,457) |
| | | (133,043) | (203,904) |
| Total liabilities | | (372,504) | (376,504) |
| Net assets | | 70,143 | 48,313 |
| Capital and reserves | | | |
| Issued share capital | 27 | 102,534 | 62,492 |
| Share premium | | 403,225 | 390,336 |
| Foreign currency exchange reserve | | 218 | 3,826 |
| Reserve for own shares held by employee benefit trust | | (7,596) | (7,480) |
| Retained deficit | | (428,238) | (400,861) |
| Group shareholders' equity | | 70,143 | 48,313 |

The notes on pages 124 to 171 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 24 May 2022 and were signed on its behalf by:

David Shearer
Executive Chairman

Lewis Girdwood
Director

Consolidated statement of changes in equity

for the year ended 28 February 2022

For the year ended 28 February 2022

| | Notes | Issued share capital £'000 | Share premium £'000 | Foreign currency exchange reserve £'000 | Reserve for own shares held by EBT £'000 | Retained deficit £'000 | Total equity £'000 |
|--|-------|-------------------------------|------------------------|--|---|---------------------------|-----------------------|
| Balance at 1 March 2021 | | 62,492 | 390,336 | 3,826 | (7,480) | (400,861) | 48,313 |
| Loss for the year | | – | – | – | – | (27,088) | (27,088) |
| Other comprehensive expense for the year | | – | – | (1,824) | – | (51) | (1,875) |
| Total comprehensive expense for the year | | – | – | (1,824) | – | (27,139) | (28,963) |
| Issue of ordinary shares | 27 | 40,042 | 12,889 | – | – | (600) | 52,331 |
| Employee benefit trust | | – | – | – | (116) | (4) | (120) |
| Reclassification of exchange differences on disposal of subsidiaries | | – | – | (1,784) | – | – | (1,784) |
| Share-based payment charge | 26 | – | – | – | – | 285 | 285 |
| Tax on share-based payment charge | 24 | – | – | – | – | 81 | 81 |
| Balance at 28 February 2022 | | 102,534 | 403,225 | 218 | (7,596) | (428,238) | 70,143 |

For the year ended 28 February 2021

| | Notes | Issued share capital £'000 | Share premium £'000 | Foreign currency exchange reserve £'000 | Reserve for own shares held by EBT £'000 | Retained deficit £'000 | Total equity £'000 |
|--|-------|-------------------------------|------------------------|--|---|---------------------------|-----------------------|
| Balance at 1 March 2020 | | 37,465 | 324,368 | – | (7,161) | (251,574) | 103,098 |
| Loss for the year | | – | – | – | – | (155,113) | (155,113) |
| Other comprehensive income for the year | | – | – | 3,826 | – | 5,637 | 9,463 |
| Total comprehensive income/ (expense) for the year | | – | – | 3,826 | – | (149,476) | (145,650) |
| Issue of ordinary shares | 27 | 25,027 | 65,968 | – | – | – | 90,995 |
| Employee benefit trust | | – | – | – | (319) | 3 | (316) |
| Share-based payment charge | 26 | – | – | – | – | 190 | 190 |
| Tax on share-based payment charge | 24 | – | – | – | – | (4) | (4) |
| Balance at 28 February 2021 | | 62,492 | 390,336 | 3,826 | (7,480) | (400,861) | 48,313 |

The notes on pages 124 to 171 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 28 February 2022

| | Notes | Year ended 28 February 2022 £'000 | Restated ¹ Year ended 28 February 2021 £'000 |
|--|-------|--|---|
| Cash generated from continuing operations | 31 | 2,846 | 1,291 |
| Cash outflow from discontinued operations | 5 | (17,330) | (30,269) |
| Income taxes paid | | – | (465) |
| Net cash outflow from operating activities | | (14,484) | (29,443) |
| Purchase of property, plant and equipment | | (3,015) | (3,022) |
| Purchase/development of property inventories | | – | (164) |
| Proceeds from the sale of property, plant and equipment | | 1,115 | 426 |
| Proceeds from disposal of assets held for sale | | – | 9,867 |
| Receipt of capital element of net investment in lease | | 1,547 | 768 |
| Acquisition of subsidiary undertakings (net of cash acquired) | | – | (864) |
| Cash disposed on liquidation/disposal of subsidiary undertakings | 5 | (362) | (1) |
| Acquisition of other investments | 15 | (4,900) | (973) |
| Interest received | | 415 | – |
| Cash outflow from discontinued operations | 5 | (7,808) | (1,058) |
| Net cash (outflow)/inflow from investing activities | | (13,008) | 4,979 |
| Proceeds from the issue of ordinary shares (net of issue costs) | 27 | 52,330 | 90,996 |
| Proceeds from issue of convertible debt (net of costs) | 22 | 111,459 | – |
| Proceeds from grants | 21 | 2,600 | – |
| Principal element of lease payments | 22 | (17,026) | (12,973) |
| Net repayment of revolving credit facility (net of costs) | 22 | (58,165) | (24,286) |
| Repayment of other borrowings | 22 | – | (4,500) |
| Interest paid | 10 | (8,992) | (5,445) |
| Cash outflow from discontinued operations | 5 | (14,384) | (16,722) |
| Net cash inflow from financing activities | | 67,822 | 27,070 |
| Increase in cash and cash equivalents | | 40,330 | 2,606 |
| Cash and cash equivalents at beginning of year | | 12,408 | 9,802 |
| Cash and cash equivalents at end of year | | 52,738 | 12,408 |

¹ The 2021 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 for more details.

The notes on pages 124 to 171 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 28 February 2022

1 Accounting policies of Esken Limited

Basis of preparation and statement of compliance

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

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

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

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

Measurement convention

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

Going concern

The Group's business activities, together with factors likely to affect its future performance and position, are set out in the Executive Chairman's statement on pages 20 to 25 and the financial position of the Group, its cash flows and funding are set out in the Financial Review on pages 28 to 31.

Note 22 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 until May 2024 (representing the maturity of the exchangeable bond and the going concern assessment period). Accordingly, the financial statements have been prepared on a going concern basis. However, there is a material uncertainty in respect of this going concern assumption and the Directors have exercised a significant degree of judgement in concluding that the Group remains a going concern. In particular, the assumption that a refinancing will be completed at a sufficient level prior to the expiration of the revolving credit facility (RCF) and exchangeable bond that mature in February 2023 and May 2024 respectively.

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

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

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

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

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

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

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

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

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

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

Significant accounting policies

Changes in accounting policies and disclosures

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

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

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

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

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

1 Accounting policies of Esken Limited continued

(b) New standards and interpretations not applied

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

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

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

Summary of significant accounting policies

Revenue

The Aviation division provides some of its services under contracts and others relate to the sale of goods. Revenue is recognised in the consolidated income statement at the point in time when the performance obligation has been met, and this is the same for all revenue streams. It is recognised at the fair value of the consideration received or receivable, net of VAT. The principal sources of revenue within the Aviation division are aeronautical income, jet fuel sales, retail and concession income, hotel income, surface access income and ground handling services.

A receivable is recognised when the services are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Any marketing contributions paid to airlines under contractual agreements are separately disclosed, not netted against revenue, as the marketing contributions arise from a separate transaction that is not linked to the revenue generated.

Revenue from the Renewables division mainly relates to gate fee income, in relation to waste wood taken, and delivery of processed material to biomass power plants. Gate receipts are not contracted, and revenue received is recognised on receipt of waste material as this is the point in time that the consideration is unconditional. The majority of revenue from the supply of processed material is contracted. These contracts detail the specification of material required, annual tonnages required and the price per tonne. Revenue and a contract asset are recognised on delivery of the material as that is when the performance obligations have been met. Contract assets are transferred to receivables when proof-of-delivery paperwork has been processed and the right becomes unconditional, which is around two weeks from delivery.

Within certain fuel supply agreements there are 'take or pay' provisions where revenue can be recognised on material not taken by plants. This revenue is recognised at a point in time in line with specific contractual provisions. During the year, the tonnages delivered under each contract are reviewed to ensure that contracted tonnages will be met. As soon as there is reason to believe contract tonnages will not be met, a contract liability is provided to reduce the revenue recognised to date.

Revenue from the Non-Strategic Infrastructure division relates to rental income under contracts. Revenue is recognised in the consolidated income statement at the contractual rental income over the term of the lease, as these charges represent the service provided.

Revenue generated in Group Central principally relates to rental income and is recognised at a point in time. In the prior year Group Central also generated royalty revenue from the licence of its trademarks and designs which was recognised in the consolidated income statement over the licence agreement period as the obligations of the licence agreement were met.

Revenue is analysed by segment in note 4.

Presentation of consolidated income statement

Adjusted EBITDA, a non-GAAP measure, is the key profitability measure used by management for performance review in the day-to-day operations of the Group. The Group's calculation of adjusted EBITDA is explained in more detail in note 33. Non-GAAP measures are used as they are considered to be both useful and necessary. They are used for internal performance analysis; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies.

Functional and presentation currency

The Group's functional and presentational currency is GBP. The functional currency of subsidiaries Stobart Air and Propius are EUR and USD respectively.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to control the relevant activities of another entity or business; has exposure, or rights, to variable returns from its involvement with the entity; and has the ability to use its power over the entity to affect the amount of the returns to the Company; it is classified as a subsidiary. The consolidated financial statements present the results of Esken Limited and its subsidiaries (the Group) as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Discontinued operations and business disposals

A subsidiary is derecognised when the Group no longer has control. A profit or loss on disposal is recognised in the consolidated income statement, calculated as proceeds less net assets/liabilities disposed and disposal costs incurred.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is abandoned. The post-tax results of discontinued operations, along with any gain or loss recognised on the measurement to fair value less costs to sell (FVLCS) or on the disposal of the assets or disposal groups constituting the discontinued operation, are disclosed as a single amount in the consolidated income statement. The comparative period results are restated accordingly. Further analysis of the results and cash flows from discontinued operations is set out in note 5.

Business combinations (from 1 March 2010)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition costs are expensed and included within operating profit/loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration payable to be transferred by the acquirer is recognised at fair value at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the fair value of the assets acquired and the liabilities assumed in exchange for the business combination.

Identifiable intangible assets, meeting either the contractual-legal or separability criterion, are recognised separately from goodwill.

Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably. If the aggregate of the acquisition-date fair value of the consideration transferred (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities, and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment in carrying value is charged to the consolidated income statement. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) (or groups of CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which goodwill is monitored for internal management purposes and shall not be larger than an operating segment before aggregation. See note 6 for details on business combinations.

Business combinations (prior to 1 March 2010)

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The minority interest is accounted for using the Parent-entity extension method, whereby the difference between the consideration paid and the book value of the share in net assets acquired is recognised as goodwill.

Goodwill was initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Where the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities was greater than the cost of investment, the difference was recognised in the consolidated income statement.

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

1 Accounting policies of Esken Limited continued

Impairment of non-financial assets

Impairment tests of goodwill are undertaken at least annually at the financial year end and also if there are indicators of impairment. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value-in-use and fair value less costs to sell), the asset is written-down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's CGU (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

The Group's CGUs are the lowest groups of assets for which there are separately identifiable cash inflows. These are predominantly the trading legal entities.

Impairment charges are included in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of other comprehensive income. Impairment losses, except losses relating to goodwill, can be reversed in certain circumstances.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the consolidated statement of financial position date.

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

The assets and liabilities of foreign operations are translated into GBP at the rate of exchange prevailing at the statement of financial position date. The income statements are translated at the average rate. The exchange differences arising on the translation are taken directly to a separate component of equity.

Financial instruments

The classification of financial instruments is determined by the contractual cash flows and where applicable the business model for managing the financial instruments.

Financial assets are classified at initial recognition and subsequently measured at amortised cost, FVOCI, or fair value through profit or loss (FVPL). A financial asset is measured at amortised cost, if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. It is initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, the financial asset is measured using the effective interest method less any impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The captive cell investment is a financial asset recognised at FVPL, see note 15.

All equity instruments are recognised at fair value. For equity instruments, on initial recognition, an irrevocable election (on an instrument-by-instrument basis) can be made to designate these as at FVOCI instead of FVPL. Dividends received on equity instruments are recognised in profit or loss when the right of payment has been established.

Financial liabilities are measured at amortised cost or FVPL. Debt and trade payables are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. Interest expense on debt is accounted for using the effective interest method, and other than interest capitalised, is recognised in profit or loss.

The Group uses derivative financial instruments such as fuel and currency swaps to mitigate the risk of fuel price and currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at FVPL at each reporting date with reference to market values. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Forward contracts are entered into by the Group to purchase and/or sell biomass-related products and management judges that these forward commodity contracts are entered into for the Group's 'own use' rather than as trading instruments. They continue to be held in accordance with the Group's expected purchase, sale and/or usage requirements. Accordingly, these contracts are not accounted for as derivatives or other financial instruments.

The financial liability element of the convertible debt instrument, see note 22, is measured at amortised cost. The convertible debt includes three derivatives in relation to conversion into shares in London Southend Airport Company Limited. These have been accounted for as one single compound derivative, as they are not considered independent of each other, which is separate from the host contract. The fair value of the embedded derivative is considered at each reporting date and the movement in fair value is recognised through profit and loss.

The financial liability element of the exchangeable bond is measured at amortised cost. The option for bondholders to convert to shares in Logistics Development Group has been accounted for as a separate derivative which is separate from the host contract. The fair value of the embedded derivative is considered at each reporting date and the movement in fair value is recognised through profit and loss.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

Own shares held by the employee benefit trust

Esken Limited shares held by the employee benefit trust are designated as own shares held, classified in shareholders' equity and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and original cost taken to retained earnings.

Pension arrangements and other post-employment benefits

The Group has pension schemes of both a defined benefit and defined contribution nature. The Group's defined benefit pension liability, which is assessed each period by actuaries, is based on key assumptions including return on plan assets, discount rates, mortality rates, inflation, and future salary and pension costs. These assumptions, individually or collectively, may be different to actual outcomes. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 23.

The liability in respect of defined benefit schemes is the present value of the relevant defined benefit obligation at the consolidated statement of financial position date less the fair value of scheme assets. The trustees commission a full actuarial valuation triennially and the present value of the obligation is updated annually by external professional actuaries using the projected unit method for financial reporting purposes. The present value of the obligation is determined by the estimated future cash outflows using interest rates of high-quality corporate bonds which have terms to maturity approximating to the terms of the related liability. The current service cost, and gains and losses on settlements and curtailments, are recognised in operating costs in the consolidated income statement.

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) and other expenses related to defined benefit plans are recognised in the consolidated income statement. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the consolidated statement of comprehensive income.

For defined contribution schemes, costs are charged to the consolidated income statement as they accrue.

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

1 Accounting policies of Esken Limited continued

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each consolidated statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

At each reporting period end before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the consolidated income statement, with a corresponding entry in equity.

Where the Group issues share options as consideration for services received, the share-based payment charge reflects the difference between the fair value of services received and the consideration paid for the services and is charged to the consolidated income statement at the point in time when services are received.

Where cash-settled share-based payment arrangements are awarded to employees, the liability at grant is recognised in the consolidated income statement. The liability is assessed at each reporting period end and any change in the liability is recognised in the consolidated income statement. For schemes that are part settled in cash and part settled with equity the respective parts of the scheme are treated as outlined above.

Leased assets

A lease liability is recognised in the statement of financial position at the present value of the future minimum lease payments, discounted at the incremental borrowing rate, along with a corresponding right-of-use asset. The interest element of the lease liability is charged to the consolidated income statement over the period of the lease. Right-of-use assets are depreciated over the period of the lease and the depreciation is charged to the consolidated income statement. Where the lease is short term or the asset is of low value (less than £5,000) the lease payments are charged to the consolidated income statement. Any variable payments above the future minimum lease payments are charged to the consolidated income statement. The lease liability is remeasured when there is a change in future lease payments arising from a revision in substance to fixed lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Group has subleases in place for two of its property assets. For each, a net investment is recognised at the present value of the future minimum lease payments receivable, discounted at the incremental borrowing rate of the headlease.

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the consolidated statement of financial position date. The Group is subject to corporate taxes in the UK and Ireland jurisdictions, and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the information available and where the anticipated liability can be estimated. Where the final outcome of such matters differs from the amount recorded, any differences may impact the current tax and deferred tax provisions in the period in which the final determination is made. Liabilities are classified as current.

The Directors use in-house tax experts, professional firms and previous experience when assessing tax risks.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been substantively enacted by the consolidated statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/ (recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company; or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is credited to deferred income and released to the consolidated income statement to match the depreciation of the related asset. The receipt of government grants is disclosed as a financing cash flow in the consolidated statement of cash flows as the cash provides the Group with financing for designated operations or assets.

UK Government Coronavirus Job Retention Scheme (furlough)

Payments received by the Group from the UK Government for furloughed employees are in the form of a grant. The payments are recognised in the same period in which the related expense is incurred and are netted off against the expense. The amount received is disclosed in note 8.

Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Dividends

Dividends are recognised when they become legally payable; in the case of interim dividends to equity shareholders, this is when paid; in the case of final dividends, this is when approved by the shareholders at the AGM.

Property, plant and equipment

Freehold land and buildings, and plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is provided on items of property, plant and equipment, other than land and assets under construction, to write-off to their residual value the carrying value of items over their expected useful lives. Assets under construction are not depreciated until they are in the location and condition necessary for them to be capable of operating in the manner intended. Right-of-use assets are depreciated over the term of the lease. Useful lives and residual values are reconsidered on an annual basis.

Depreciation is applied at the following rates:

| | |
|----------------------------------|----------------------------------|
| Buildings | 0.5%–30% per annum straight line |
| Plant and machinery | 2%–50% per annum straight line |
| Commercial vehicles | 14%–33% per annum straight line |
| Fixtures, fittings and equipment | 3%–33% per annum straight line |

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated income statement in the period the asset is derecognised. Borrowing costs attributable to qualifying assets are capitalised.

Self-constructed assets

The cost of a self-constructed asset is determined using the same principles as for an acquired asset. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs include employee benefits, site preparation, delivery and handling, installation and assembly, testing and professional fees. For assets made for sale or similar to those made for sale then the cost is the same as the cost of constructing an asset for sale including fixed and variable overheads which are considered directly attributable. Internal net profits are eliminated in arriving at such costs.

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

1 Accounting policies of Esken Limited continued

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Inventories include property assets which are held for development and/or disposal, to the extent that they are not used in the Group's operations or held for investment purposes. The net realisable value of these property inventory assets is determined by assessment of fair value less costs to sell, using a similar method to that used in impairment workings, except for the cash flows not being discounted.

Non-current assets held for sale and disposal groups

Non-current assets are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- An active programme to locate a buyer has been initiated;
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- It is highly probable that a sale is expected to complete within 12 months from the date of classification (or an extended period if the delay is caused by circumstances beyond the entity's control but the Group remains committed to the plan to sell the asset).

Non-current assets classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy and FVLCS. Following their classification as held for sale, non-current assets are not depreciated. The results of operations disposed of during the prior year are included in the consolidated income statement up to the date of disposal.

Associates and joint ventures

The Group's investments in its associates are accounted for using the equity method of accounting unless the investment is classified as held for sale. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Investments in joint ventures, which are jointly controlled entities, are included in the financial statements using the equity method of accounting unless the investment is classified as held for sale.

Under the equity method, the equity investment in the associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture, but any loss is limited to the equity investment made, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not amortised. Loans to associates or joint ventures, where the settlement is planned or expected to be repaid in the foreseeable future, do not form part of the equity investment and are included in other receivables or non-current amounts owed by associates and joint ventures according to the expected repayment terms.

The consolidated income statement reflects the share of the results of operations of the associate or joint venture, but the loss is limited to the equity investment made, plus any loans which form part of the net investment in the associate, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity and the statement of other comprehensive income. The Group's share of profits and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates and joint ventures. The Group determines at each consolidated statement of financial position date whether there is any objective evidence that an investment in an associate or joint venture is impaired. If this is the case and there is a resulting impairment, the amount is recognised in the consolidated income statement.

Aircraft maintenance provision

Under certain lease arrangements in Propius Holdings Limited, the Group is responsible for major overhaul aircraft maintenance costs. The estimated cost is provided for to ensure the amount held at the year end is sufficient to cover all costs up to the date of hand back of the aircraft. The provision consists of expected costs of maintaining engines, landing gear, propellers, airframe and paint for each aircraft. See note 2 for information on significant estimation uncertainties relating to the provision. Any change in value of the maintenance provision is recognised in the consolidated income statement.

2 Summary of significant accounting judgements and estimates

The Group makes judgements and estimates in preparing the financial statements. Judgements and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these judgements and estimates. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements**(a) Going concern**

The accounts have been prepared on the going concern basis. This treatment is based on judgements including the performance of the business, the forecast cash flows for the foreseeable future, the capital requirements of the Group and the funding options available, see note 1 for the basis of preparation.

Estimates**(a) Defined benefit pension obligation**

The Group operates a defined benefit pension scheme. The year-end valuation has been performed by a qualified actuary using the projected unit method. Estimates include the discounts rate applied to future pension payments, price inflation and mortality after retirement. Further information, including carrying values, is set out in note 23.

(b) Aircraft maintenance provision

The Group has provided for the full cost of ensuring that the eight ATR aircraft leased by Propius are in the condition specified by the lease agreement at the termination clause date, see note 25. The calculation of the level of provision required includes certain items which are contractual and known in advance, so are not open to estimation, and total £13.6m. The carrying value of the estimated portion of £10.0m included in the statement of financial position is based on extensive industry experience within Propius. The uncertainty of the estimated portion will be reduced as each aircraft is handed back, with the final hand back in September 2023.

(c) Remediation provision

At the year ended 28 February 2022 the Group has a £3.9m provision relating to the estimated cost required for remediation works on leased land in Widnes. The Group commissioned surveys by a firm of independent environmental and sustainability specialists which indicated a cost of remediation of between £2.1m and £5.7m depending on the scope of work and method of rectification. Discussions are ongoing in relation to the level of works required to remediate the obligation and hence the provision could materially change when this is confirmed. See note 25 for further details.

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

3 Segmental information

The reportable segment structure is determined by the nature of operations and services. The operating segments are Aviation, Renewables, Investments and Non-Strategic Infrastructure. In the current year the Energy segment was renamed to the Renewables segment. In the prior year, the results of Stobart Air and Propius were included in the Investments reporting segment. However, following the liquidation of Stobart Air and abandonment of Propius, the results of Stobart Air and Propius are no longer included in the Investments segment but are presented as discontinued operations on the face of the consolidated income statement, see note 5.

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

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

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

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

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

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

4 Revenue

Disaggregation of revenue

Revenue is primarily from contracts with customers. Other sources of revenue are from owned and leased fixed assets. The following tables detail the split between revenue from contracts with customers and other revenue, and disaggregate the revenue from contracts with customers.

| Year ended 28 February 2022 | Aviation £'000 | Renewables £'000 | Investments £'000 | Non-Strategic Infrastructure £'000 | Group Central and Eliminations £'000 | Total £'000 |
|---------------------------------------|-------------------|---------------------|----------------------|--|---|----------------|
| Revenue from contracts with customers | 23,035 | 79,650 | – | 117 | – | 102,802 |
| Other revenue – lease income | 354 | – | – | 446 | 1,031 | 1,831 |
| | 23,389 | 79,650 | – | 563 | 1,031 | 104,633 |

| Year ended 28 February 2022 | Aviation £'000 | Renewables £'000 | Investments £'000 | Non-Strategic Infrastructure £'000 | Group Central and Eliminations £'000 | Total £'000 |
|--|-------------------|---------------------|----------------------|--|---|----------------|
| Major product/service line | | | | | | |
| Sale of goods | 3,644 | 71,561 | – | – | – | 75,205 |
| Rendering of services | 19,327 | 8,089 | – | 117 | – | 27,533 |
| Royalties/commissions | 64 | – | – | – | – | 64 |
| | 23,035 | 79,650 | – | 117 | – | 102,802 |
| Primary geographical markets | | | | | | |
| United Kingdom | 18,054 | 79,650 | – | 117 | – | 97,821 |
| Europe | 4,967 | – | – | – | – | 4,967 |
| Rest of world | 14 | – | – | – | – | 14 |
| | 23,035 | 79,650 | – | 117 | – | 102,802 |
| Timing of revenue recognition | | | | | | |
| Products and services transferred at a point in time | 23,035 | 79,650 | – | 117 | – | 102,802 |
| | 23,035 | 79,650 | – | 117 | – | 102,802 |

| Restated Year ended 28 February 2021 | Aviation £'000 | Renewables £'000 | Investments £'000 | Non-Strategic Infrastructure £'000 | Group Central and Eliminations £'000 | Total £'000 |
|---|-------------------|---------------------|----------------------|--|---|----------------|
| Revenue from contracts with customers | 23,890 | 74,733 | – | 191 | 292 | 99,106 |
| Other revenue – lease income | 721 | – | – | 718 | 859 | 2,298 |
| | 24,611 | 74,733 | – | 909 | 1,151 | 101,404 |

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

4 Revenue continued

| Restated Year ended 28 February 2021 | Aviation £'000 | Renewables £'000 | Investments £'000 | Non-Strategic Infrastructure £'000 | Group Central and Eliminations £'000 | Total £'000 |
|--|-------------------|---------------------|----------------------|--|---|----------------|
| Major product/service line | | | | | | |
| Sale of goods | 3,840 | 73,575 | – | 30 | 7 | 77,452 |
| Rendering of services | 20,050 | 1,158 | – | 161 | – | 21,369 |
| Royalties/commissions | – | – | – | – | 285 | 285 |
| | 23,890 | 74,733 | – | 191 | 292 | 99,106 |
| Primary geographical markets | | | | | | |
| United Kingdom | 20,273 | 74,733 | – | 190 | 292 | 95,488 |
| Europe | 3,615 | – | – | 1 | – | 3,616 |
| Rest of world | 2 | – | – | – | – | 2 |
| | 23,890 | 74,733 | – | 191 | 292 | 99,106 |
| Timing of revenue recognition | | | | | | |
| Products and services transferred at a point in time | 23,890 | 74,733 | – | 191 | 7 | 98,821 |
| Products and services transferred over time | – | – | – | – | 285 | 285 |
| | 23,890 | 74,733 | – | 191 | 292 | 99,106 |

In both the current and prior year, no customer amounted to more than 10% of the Group's total continuing revenue.

Contract balances

Opening and closing receivables, contract assets and contract liabilities from contracts with customers are provided in the table below.

| Contract balances | 2022 £'000 | 2021 £'000 |
|----------------------|---------------|---------------|
| Receivables | 10,064 | 9,301 |
| Contract assets | 3,327 | 5,463 |
| Contract liabilities | – | (6,326) |
| | 13,391 | 8,438 |

Contract assets relate to the Group's right to consideration for work completed but not billed at the reporting date on contracts in the Renewables division. Contract assets are transferred to receivables when the right becomes unconditional.

Contract liabilities in the prior year related to advance consideration received from customers for flight bookings not yet fulfilled in Stobart Air and have decreased in the year due to the liquidation of Stobart Air and de-consolidation of their balance sheet from the Group accounts.

Receivables and contract assets are included in trade and other receivables, and contract liabilities are in trade and other payables on the consolidated statement of financial position.

5 Discontinued operations

Stobart Air and Propius

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued for the year ended 28 February 2022

5 Discontinued operations continued

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

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

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

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

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

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

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

Disposal of Stobart Rail Limited

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

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

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

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

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

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

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

Summary of discontinued operations recognised within the consolidated income statement

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

Summary of cash flows from discontinued operations

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

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

6 Other income

| | 2022 £'000 | Restated 2021 £'000 |
|---|---------------|---------------------------|
| Profit on termination of onerous lease | 4,667 | – |
| Connect Airways recoveries and disposal | 1,963 | – |
| R&D tax credit | 1,426 | 286 |
| Profit on disposal of property, plant and equipment | 308 | 98 |
| Profit on sale of trade and assets | – | 5 |
| Operating income | 8,364 | 389 |

On 3 March 2022 an agreement was signed with the owners of Judd House for the Group to exit its long-term onerous lease at the property. The exit resulted in the release of provisions, generating a profit of £2,260,000 (see note 25), and reassessment of lease term, generating a profit of £2,407,000.

During the year, the Group received £813,000 from the administrators of Connect Airways Limited (Connect Airways), relating to a secured first ranking loan that was fully impaired in the year ended 29 February 2020. Subsequent to this, the Group sold its rights to all fully impaired loans due from Connect Airways for £1,150,000.

7 Operating expenses

Operating expenses are after charging the following:

| | 2022 £'000 | Restated 2021 £'000 |
|---|----------------|---------------------------|
| Employee benefits expenses excluding share-based payment charge | 33,219 | 39,092 |
| Share-based payment charge | 285 | 81 |
| Direct material and other costs | 29,329 | 37,985 |
| Diesel and oil | 9,384 | 8,244 |
| Maintenance | 4,832 | 5,691 |
| Litigation and claims | 6,806 | 3,318 |
| Rates, light and heat | 4,345 | 4,841 |
| Insurance | 3,133 | 1,876 |
| Other purchases and external expenses | 11,146 | 7,911 |
| Operating expenses – other | 102,479 | 109,039 |

Amounts receivable by the auditor and its associates in respect of the following:

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Remuneration receivable in respect of the audit of the Company | 631 | 705 |
| The auditing of accounts of any subsidiary of the Company | 434 | 576 |
| Audit-related services – interim results review | 150 | 173 |
| Audit-related services – working capital review for capital raise | 320 | 320 |
| | 1,535 | 1,774 |

8 Staff costs

| Staff costs (including Directors) comprise: | Note | 2022 £'000 | Restated 2021 £'000 |
|---|------|---------------|---------------------------|
| Wages and salaries | | 29,476 | 34,789 |
| Social security costs | | 2,859 | 3,518 |
| Other pension costs | | 1,031 | 872 |
| Share-based payment charge | 26 | 285 | 81 |
| | | 33,651 | 39,260 |

Included in staff costs above are costs which have been capitalised within assets under construction totalling £147,000 (2021: £87,000).

UK Government Coronavirus Job Retention Scheme (furlough)

The Group utilised the Coronavirus Job Retention Scheme implemented by the UK Government where those employees designated as being 'furloughed workers' were eligible to have a proportion of their wage costs paid up to a maximum amount of £2,500 per month. Payments received for furloughed employees are in the form of a grant and are recognised in the same period in which the related expense is incurred and are netted off against the expense in the consolidated income statement. During the year £1,425,000 (2021: £9,419,000) was received by the Group under the furlough scheme.

9 Finance income

| | 2022 £'000 | Restated 2021 £'000 |
|--|---------------|---------------------------|
| Foreign exchange gains | – | 1 |
| Change in fair value of financial liabilities | 1,581 | 2,378 |
| Interest receivable from net investment in lease | 658 | 607 |
| Other | – | 18 |
| | 2,239 | 3,004 |

During the year the Group's put option with fellow Connect Airways shareholder Cyrus Capital Partners was exercised, see note 22. The exercise meant that the associated financial liability had a fair value of £nil and £1,581,000 was released and presented within finance income (2021: £458,000 cost) in the consolidated income statement.

10 Finance costs

| | 2022 £'000 | Restated 2021 £'000 |
|---|---------------|---------------------------|
| Interest on revolving credit facility | 2,879 | 3,090 |
| Interest on exchangeable bond | 1,460 | 1,484 |
| Net interest of retirement benefit schemes | 37 | 64 |
| Finance charges payable under leases | 4,083 | 4,669 |
| Amortisation of deferred issue costs | 5,784 | 2,229 |
| Interest accrued on convertible debt | 6,404 | – |
| Foreign exchange losses | 484 | 985 |
| Change in fair value of financial liabilities | – | 458 |
| Other interest | 97 | 212 |
| | 21,228 | 13,191 |

During the year no (2021: £nil) interest was capitalised. In addition to the amounts above, an impairment charge of £nil (2021: £8,000,000) was recognised in relation to shareholder loan notes relating to Mersey Bioenergy Holdings Limited, the Widnes biomass plant owner. A new £20m revolving credit facility (RCF) was agreed in the year replacing the old £120m RCF. As a result, the remaining debt issue costs of £1,717,000 relating to the old RCF were released in full and are included within amortisation of deferred issue costs in the above table. During the year interest paid in cash on continuing operations amounted to £8,992,000 (2021: £5,445,000), this included bank loans and loan notes of £5,084,000 (2021: £3,703,000) and finance charges payable under leases of £3,908,000 (2021: £1,742,000).

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

11 Tax

| | 2022 £'000 | 2021 £'000 |
|--|----------------|----------------|
| Total tax charged in the consolidated income statement from continuing and discontinued operations | | |
| Corporation tax: | | |
| Current year corporation tax | (9,433) | (456) |
| Adjustment in respect of prior years | 254 | 54 |
| Total corporation tax | (9,179) | (402) |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (2,258) | (5,174) |
| Adjustment in respect of prior years | 1,542 | (1,920) |
| Effect of changes in tax rates | 120 | 293 |
| Total deferred tax | (596) | (6,801) |
| Total credit in the consolidated income statement | (9,775) | (7,203) |
| Split between: | | |
| – Continuing operations | (9,865) | (7,083) |
| – Discontinued operations | 90 | (120) |

Included in the above tax charges are a total current tax credit on continuing operations of £9,179,000 (2021: £402,000) and a total deferred tax credit on continuing operations of £686,000 (2021: £6,681,000) giving a total tax credit on continuing operations in the consolidated income statement of £9,865,000 (2021: £7,083,000). In addition, there is a total tax charge on discontinued operations of £90,000 (2021: £120,000 credit) giving a total tax credit on continuing and discontinued operations in the consolidated income statement of £9,775,000 (2021: £7,203,000).

The current tax adjustment of £164,000 in respect of prior years is in relation to the R&D expenditure credit in Esken Renewables Limited; there is a deferred tax adjustment of an equal and opposite amount. In addition, there is a £90,000 charge relating to Propius.

The deferred tax adjustment in respect of prior years is primarily in relation to fixed asset timing differences between the financial statements and the final submitted tax returns for the period, and the consequential adjustments made in relation to the settlement of the tax enquiry are included in the revised carried forward tax written down value and loss numbers.

The effective tax rate in the year was 26.7% which was driven by the release of the uncertain tax position as a current year movement.

Reconciliation of income tax charge

A reconciliation of the income tax credit applicable to the results from ordinary activities at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year is as follows:

| | 2022 £'000 | 2021 £'000 |
|--|----------------|----------------|
| Net loss before tax from continuing and discontinued operations | (36,863) | (162,316) |
| UK income tax at rate 19% ¹ (2021: 19%) | (7,004) | (30,840) |
| Effects of: | | |
| Release of uncertain tax position | (9,590) | – |
| Income not taxable | (5,485) | (4,976) |
| Reversal of deferred tax on impairment reversal | (156) | – |
| Losses carried forward not recognised | 7,349 | 5,308 |
| Expenses incurred not relievable against current tax | 3,196 | 23,223 |
| Adjustments in respect of prior years | 1,795 | (1,866) |
| Impact of change in tax rate | 120 | 1,948 |
| Total credit in the consolidated income statement from continuing and discontinued operations | (9,775) | (7,203) |

¹ The Parent Company of the Group is tax resident in the UK. As such, the tax rate in the reconciliation of income tax charge is the UK corporation tax rate.

Expenses incurred not relievable against current tax include legal fees in relation to the acquisition, disposal and liquidation of investments, and depreciation on assets which previously didn't qualify for capital allowances. The £9,590,000 release of uncertain tax position relates primarily to the release of tax provisions, see note 25.

Included in the statement of other comprehensive income is a tax charge of £417,000 (2021: £182,000), all in relation to deferred tax. Included in the statement of changes to equity is a credit of £81,000 (2021: £4,000 charge), all in relation to deferred tax.

Non-taxable income includes profit on the disposal of net liabilities in relation to the liquidation of Stobart Air.

The deferred tax credit in the consolidated income statement is analysed as follows:

| | 2022 £'000 | 2021 £'000 |
|--|---------------|----------------|
| Accelerated allowances on plant and machinery | 3 | (1,603) |
| Revaluation of properties to fair value on acquisition | (796) | 469 |
| Brands recognised on acquisition | - | (1,700) |
| Other temporary differences | 161 | (3,967) |
| | (632) | (6,801) |

Cumulative deferred tax on temporary differences amounts to £78,935,000 (2021: £59,329,000). This has not been recognised in the financial statements on the basis that these temporary differences relate to tax losses of certain Group entities that have a history of making losses. Convincing other evidence is required before these unused tax losses can be recognised and at the year end this evidence was not of a convincing enough level. These losses do not have an expiry date.

Esken Limited's affairs are conducted such that it is considered to be resident in the UK for tax purposes. HM Revenue & Customs (HMRC) has not objected to this position. As a result, the Company is liable to pay UK corporation tax on its profits.

Factors that may affect the future tax charge

Changes to the future expected UK corporation tax rates were enacted as part of The Finance (No. 2) Act 2021 which received Royal Assent on 10 June 2021, in which the government announced that the corporation tax main rate will remain at 19% for the years starting 1 April 2021 and 2022 before increasing to 25% for the year starting 1 April 2023 and thereafter. Deferred taxation assets and liabilities have been remeasured at the blended average rates at which they are expected to unwind.

Corporation tax in the consolidated statement of financial position is a net liability of £5,110,000. Within this liability are uncertain tax provisions of £5,897,000. £5,922,000 was reclassified from provisions (see note 25), including £2,586,000 relating to a settlement with HMRC that will be paid in quarterly instalments between April 2022 and March 2023. The Directors believe that a range of outcomes for the liabilities under these enquiries is between £2,586,000 and £5,922,000. Offsetting this liability is a £787,000 asset relating to a Research and Development Expenditure Credit claim in the Renewables division.

No deferred tax assets have been recognised as at 28 February 2022 in respect of tax losses carried forward within various Group entities. This is on the basis that there is insufficient visibility of future taxable profits against which the potential deferred tax assets would unwind.

12 Earnings per share

Basic earnings per share (EPS) amounts are calculated by dividing net profit or loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary 10p shares outstanding during the year.

Diluted EPS is calculated by dividing net profit or loss attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares, adjusted for share options which have exercise prices below the average market price of shares during the year. No share options have been included in the calculation of diluted EPS as the exercise prices of the SAYE schemes are above the average market share price and the other options have performance conditions which have not been unconditionally met at the year end.

Notes to the consolidated financial statements continued for the year ended 28 February 2022

12 Earnings per share continued

The following table reflects the income and share data used in the basic and diluted EPS calculations:

| Numerator | 2022 £'000 | Restated 2021 £'000 |
|---|--------------------|---------------------------|
| Continuing operations | | |
| Loss for the year used for basic and diluted earnings | (24,702) | (37,088) |
| Discontinued operations | | |
| Loss for the year used for basic and diluted earnings | (2,386) | (118,025) |
| Total | | |
| Loss for the year used for basic and diluted earnings | (27,088) | (155,113) |
| Denominator | | |
| | Number | Number |
| Weighted average number of shares used in basic EPS | 826,598,148 | 538,444,665 |
| Effects of employee share options | – | – |
| Weighted average number of shares used in diluted EPS | 826,598,148 | 538,444,665 |
| Weighted average of own shares held and therefore excluded from weighted average number | 4,197,496 | 3,514,092 |

On 22 June 2017, 896,721 awards were made to Executive Directors and other senior employees under a Long-Term Incentive Plan (LTIP). During prior years, 2,700 shares were exercised, 361,026 shares were forfeited and 532,995 shares lapsed. There were no shares outstanding from this award at the year-end date.

On 3 November 2017, 2,333 awards were made to other senior employees under an LTIP. During the prior year, these options lapsed. There were no shares outstanding from this award at the year end.

On 20 June 2018, 726,522 awards were made to Executive Directors and other senior employees under an LTIP. During prior years, 1,946 shares were exercised, 15,576 shares were forfeited and 249,889 shares lapsed. During the year, 459,111 shares lapsed. There were no shares outstanding from this award at the year end.

On 21 December 2018, the Group invited qualifying employees to join a Save As You Earn (SAYE) scheme. During prior years, 108,548 options were forfeited and 1,061,057 options were cancelled. During the year, 9,221 shares were forfeited and 20,883 shares were cancelled. There are 13,442 shares outstanding at the year end. These are potentially dilutive instruments but have not been included in the calculation of diluted EPS because the exercise price is higher than the average market share price during the year.

On 3 July 2019, 1,939,896 awards were made to Executive Directors and other senior employees under an LTIP. During prior years, 295,665 shares lapsed. During the year 5,086 additional shares were granted as a result of the equity raise in August 2021 and 416,845 shares lapsed. There are 1,232,472 shares outstanding at the year end. These are potentially dilutive instruments but were not included in the calculation of diluted EPS because the performance conditions had not been met unconditionally at the year-end date.

On 2 August 2019, the Group invited qualifying employees to join a SAYE scheme. During prior years, 571,010 shares were forfeited and 1,235,909 shares were cancelled. During the year, 193,876 shares were forfeited and 436,313 shares were cancelled. There are 525,820 shares outstanding at the year end. These are potentially dilutive instruments but have not been included in the calculation of diluted EPS because the exercise price is higher than the average market share price during the year.

On 31 August 2021, 11,116,945 awards were made to Executive Directors and other senior employees under an LTIP. During the year, 1,048,290 shares lapsed. There are 10,068,655 shares outstanding at the year end. These are potentially dilutive instruments but were not included in the calculation of diluted EPS because the performance conditions had not been met unconditionally at the year-end date.

On 21 December 2021, 18,165,737 awards were made to Executive Directors and other senior employees under an LTIP. All of these shares are outstanding at the year end. These are potentially dilutive instruments but were not included in the calculation of diluted EPS because the performance conditions had not been met unconditionally at the year-end date.

No treasury shares were held at year end (2021: nil). Treasury shares are not included in the weighted average number of shares used to calculate EPS. Own shares held in an employee benefit trust are excluded from the weighted average number of shares.

13 Property, plant and equipment

| Year ended 28 February 2022 | Land and buildings £'000 | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Commercial vehicles and aircraft £'000 | Total £'000 |
|---|-----------------------------|------------------------------|---|---|----------------|
| Cost | | | | | |
| At 1 March 2021 | 284,048 | 66,257 | 17,425 | 56,213 | 423,943 |
| Additions | 2,806 | 1,743 | 84 | – | 4,633 |
| Right-of-use asset additions | 1,576 | 537 | – | – | 2,113 |
| Disposals | (791) | (4,411) | (478) | (489) | (6,169) |
| Right-of-use asset disposals | (271) | (112) | – | – | (383) |
| Transfers between categories | (2,982) | 3,040 | (69) | 11 | – |
| Liquidation of subsidiary undertaking | (1,973) | (1,094) | (407) | (15,208) | (18,682) |
| At 28 February 2022 | 282,413 | 65,960 | 16,555 | 40,527 | 405,455 |
| Aggregate depreciation and impairment charges | | | | | |
| At 1 March 2021 | 57,828 | 27,246 | 10,426 | 42,822 | 138,322 |
| Charge for the year | 6,364 | 6,079 | 1,881 | 3,026 | 17,350 |
| Charge for the year on right-of-use assets | 2,804 | 246 | – | 64 | 3,114 |
| Impairment | 5,369 | – | – | – | 5,369 |
| Disposals | (794) | (3,867) | (481) | (221) | (5,363) |
| Right-of-use asset disposals | (243) | (49) | – | – | (292) |
| Transfers between categories | (3) | (9) | (1) | 13 | – |
| Liquidation of subsidiary undertaking | (1,973) | (1,094) | (407) | (15,208) | (18,682) |
| At 28 February 2022 | 69,352 | 28,552 | 11,418 | 30,496 | 139,818 |
| Net book value at 28 February 2022 | 213,061 | 37,408 | 5,137 | 10,031 | 265,637 |
| Net book value of right-of-use assets included in the table above | 42,949 | 19,401 | 713 | 8,934 | 71,997 |

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

13 Property, plant and equipment continued

| Year ended 28 February 2021 | Land and buildings £'000 | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Commercial vehicles and aircraft £'000 | Total £'000 |
|---|-----------------------------|------------------------------|---|---|----------------|
| Cost | | | | | |
| At 1 March 2020 | 283,758 | 72,241 | 12,145 | 34,806 | 402,950 |
| Acquisition of subsidiary | 1,618 | 1,098 | 463 | 33,554 | 36,733 |
| Additions | 3,460 | 1,046 | 225 | 352 | 5,083 |
| Right-of-use asset additions | 866 | 390 | – | 163 | 1,419 |
| Disposals | (542) | (559) | (66) | (809) | (1,976) |
| Right-of-use asset disposals | (4,436) | (25) | – | (15) | (4,476) |
| Transfers between categories | (1,464) | 3,901 | 6,959 | (7,611) | 1,785 |
| Disposal of subsidiary undertaking | (37) | (11,785) | (2,213) | (475) | (14,510) |
| Transfer from inventory | 470 | – | – | – | 470 |
| Effect of movements in foreign exchange | 355 | (50) | (88) | (3,752) | (3,535) |
| At 28 February 2021 | 284,048 | 66,257 | 17,425 | 56,213 | 423,943 |
| Aggregate depreciation and impairment charges | | | | | |
| At 1 March 2020 | 53,546 | 17,682 | 6,846 | 18,292 | 96,366 |
| Charge for the year | 4,685 | 6,994 | 2,560 | 3,273 | 17,512 |
| Charge for the year on right-of-use assets | 3,635 | 239 | – | 11,283 | 15,157 |
| (Impairment reversal)/impairment | (1,201) | 1,493 | 353 | 20,500 | 21,145 |
| Disposals | (542) | (382) | (45) | (678) | (1,647) |
| Right-of-use asset disposals | (926) | (22) | – | (5) | (953) |
| Transfers between categories | (1,293) | 7,954 | 2,835 | (7,711) | 1,785 |
| Disposal of subsidiary undertaking | (35) | (6,658) | (2,035) | (283) | (9,011) |
| Effect of movements in foreign exchange | (41) | (54) | (88) | (1,849) | (2,032) |
| At 28 February 2021 | 57,828 | 27,246 | 10,426 | 42,822 | 138,322 |
| Net book value at 28 February 2021 | 226,220 | 39,011 | 6,999 | 13,391 | 285,621 |
| Net book value of right-of-use assets included in the table above | 53,270 | 26,696 | 803 | 13,192 | 93,961 |

Of the total depreciation charge for the year of £20,464,000 (2021: £32,669,000) included in the above tables, £nil (2021: £13,246,000) is included within the loss from discontinued operations, net of tax, on the consolidated income statement. Of the total impairment for the year of £5,369,000 (2021: £21,145,000) included in the above tables, £nil (2021: £22,921,000) is included within the loss from discontinued operations, net of tax, on the consolidated income statement.

Impairment of assets

At the year end, the Group subjected two land and buildings assets at Carlisle Lake District Airport (CLDA) and a water port and storage site at Weston Point Runcorn (Runcorn), to external independent development valuations carried out by Knight Frank LLP on a fair value less costs to sell basis. The valuations were performed in accordance with the RICS Valuation Standards issued by the Royal Institution of Chartered Surveyors. These valuations have driven a reversal of impairment of £820,000. The key assumptions taken in arriving at the valuations include rental yields and rates per acre.

It was expected that a portion of land leased in Widnes was to be used in the Renewables division, but during the year the Group reassessed its strategy for the use of the land and concluded that this was not viable. Consequently, the Group has considered the recoverable amount of the right-of-use asset and deemed it immaterial resulting in an impairment of £6,189,000.

The impairment charges in the current and prior years are presented on a separate line on the face of the consolidated income statement. Any future increases in value will be recognised as a gain through the same line on the face of the consolidated income statement.

Impairment testing of other property, plant and equipment where no charge for impairment has been recognised

The London Southend Airport (LSA) cash-generating unit (CGU) comprises the business operations of the commercial airport, airport hotel and railway station ancillary operations. The CGU has been tested for impairment as the business suffered a loss before tax in the year to 28 February 2022. The Group estimated the fair value less costs to sell (FVLCS) of the CGU and determined that no charge for impairment was necessary. The FVLCS method is used as the Directors believe this better represents the value of the assets. The completion of the investment in LSA through a £125m convertible loan from Carlyle Global Infrastructure Opportunity Fund provides evidence towards the FVLCS recoverable amount. Taking into account climate change factors in addition to the current aviation market due to COVID-19, it is the view of the Directors that the FVLCS is in excess of £375m, which has been calculated based on the underlying equity value of LSA, and as such is more than sufficient to cover the carrying amount of the LSA CGU assets. The carrying amount of the LSA CGU asset base as at 28 February 2022 is £154m. The assumptions used to determine this recoverable amount include future forecast EBITDA, including passenger growth, and multiples achieved by London airports. Although there continues to be uncertainty in the aviation industry which has impacted airline allocation decisions, the Directors believe that the relaxation of travel restrictions and pent-up demand will allow LSA to recover close to pre-pandemic passenger volumes at profitable levels by 2025. The Directors have considered the impact on the FVLCS of a delay in reaching pre-pandemic levels until 2027 and are satisfied that it would not result in a material impairment. The fair value measurement of the CGU is categorised as level 3. See note 22, convertible debt section, for method and assumptions used in the calculation of the FVLCS.

Other disclosures in relation to property, plant and equipment

Bank borrowings are secured on the Group's freehold land and buildings, see note 22 for further details.

Included in land and buildings at 28 February 2022 are assets under construction of £4,772,000 (2021: £9,098,000). The current year assets relate principally to development work at LSA and CLDA.

14 Investments in associates and joint ventures

| Entity | Year end | Issued ordinary shares | Company holding direct investment | Residence | Principal activity of the entity or group headed by the entity | % of nominal value of issued shares or members' capital held |
|--------------------------------------|-------------|------------------------|-----------------------------------|-------------|--|--|
| Convoy Limited ¹ | 5 April | 2 | SPD1 Limited | Isle of Man | Property investment | 50% |
| Mersey Bioenergy Holdings Limited | 31 December | 100 | Esken Green Energy Limited | UK | Operation of energy plant | 39.6% |
| Connect Airways Limited ¹ | 31 December | 500,000,100 | Esken Aviation Limited | UK | Commercial airlines | 30% |
| AirPortr Technologies Ltd | 31 December | 8,248,892 | Esken Limited | UK | Aviation services company | 16.3% |
| AirPortr Technologies Ltd | 31 December | 8,248,892 | Esken Brands LLP | UK | Aviation services company | 3.0% |

¹ These entities are joint ventures; all others are associates.

None of the entities above is strategic to the Group's activities.

Associates and joint ventures

| | 2022 £'000 | 2021 £'000 |
|--------------------------|---------------|---------------|
| At 1 March | 1,372 | 1,590 |
| Share of post-tax losses | (356) | (218) |
| At 28 February | 1,016 | 1,372 |

The balance at 28 February 2022 relates to the investment in AirPortr Technologies Ltd.

Aggregate joint ventures

The 30% investment in Connect Airways Limited is fully written-down due to the business entering administration on 18 March 2020.

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

14 Investments in associates and joint ventures continued

Aggregate associates

| | 2022 £'000 | 2021 £'000 |
|--------------------------|---------------|---------------|
| Carrying amount | 1,016 | 1,372 |
| Share of post-tax losses | (356) | (218) |

During the year, the Group did not take a 39.6% share of the Mersey Bioenergy Holdings Limited losses (2021: £nil) as equity-accounted losses had already reached the cap at the value of the investment. During the year, AirPortr Technologies Ltd contributed equity-accounted losses of £356,000 (2021: £218,000). The Group's exposure for AirPortr Technologies Ltd's losses is limited to its investment in the company. There was no impact on the consolidated statement of cash flows.

15 Other financial assets

| | 2022 £'000 | 2021 £'000 |
|-----------------------|---------------|---------------|
| At 1 March | 10,392 | 4,776 |
| Additions | 4,900 | 973 |
| Impairments | – | (70) |
| Revaluation – FVOCI | (1,187) | 4,713 |
| At 28 February | 14,105 | 10,392 |

During the year, the Group utilised a Protected Captive Cell (PCC) arrangement as part of its insurance portfolio. The PCC had to be fully funded once the policies were issued; thus of the £5,000,000 paid, £100,000 related to an insurance premium which was expensed to the consolidated income statement, and £4,900,000 was capitalised and added to other financial assets on the consolidated statement of financial position. There have been no drawdowns on the PCC and the value of the investment at 28 February 2022 was £4,900,000.

At the year end the Group holds 9.14% of the total nominal value of issued shares of AIM-listed Logistics Development Group plc (LDG). At 28 February 2022 the Group's investment was worth £9,205,000 (2021: £10,392,000). The exchangeable bond (see note 22) is secured on ordinary shares in LDG and of the total 64,149,500 shares held by the Group, the pool of shares for which the bond may be exchanged is 51,708,179. The Group made an irrevocable election to account for LDG as fair value through other comprehensive income, on adoption of IFRS 9 on 1 March 2018. The fair value of LDG is calculated using the market price per AIM. The revaluation in the year relates to the change in LDG share price.

16 Intangible assets

| | Goodwill £'000 | Customer relationships £'000 | Total £'000 |
|---|-------------------|------------------------------------|----------------|
| Cost | | | |
| At 1 March 2020 | 87,419 | 1,793 | 89,212 |
| At 28 February 2021 and 28 February 2022 | 87,419 | 1,793 | 89,212 |
| Amortisation and impairment | | | |
| At 1 March 2020 | 32,750 | 1,793 | 34,543 |
| At 28 February 2021 and 28 February 2022 | 32,750 | 1,793 | 34,543 |
| Net book value | | | |
| At 29 February 2020 | 54,669 | – | 54,669 |
| At 28 February 2021 and 28 February 2022 | 54,669 | – | 54,669 |

No internally generated intangible assets are recognised in the financial statements.

Customer relationships consisted of contractual relationships with customers recognised on acquisitions.

Goodwill

The goodwill from a business combination has been allocated to a cash-generating unit (CGU). Carrying amounts of goodwill allocated to each CGU are set out in the following table. These assets are considered to have indefinite lives because there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group.

| | Renewables | | Total | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 |
| Carrying amount of goodwill | 54,669 | 54,669 | 54,669 | 54,669 |

Impairment testing of goodwill

In accordance with IAS 36 Impairment of Assets, the Group has undertaken impairment testing for each CGU. The key assumptions applied in respect of each CGU are set out below. A sensitivity analysis has been performed, at the individual CGU level, in order to review the effect of changes in key assumptions.

Renewables CGU

The recoverable amount of goodwill in the Renewables CGU has been based on value-in-use calculations using projections from financial forecasts approved by senior management covering a five-year (2021: five-year) period. The main assumptions on which the forecasts were based include gate fee income cash flows and estimated contracted volumes supplied. The gate fee income and profit margins are based on management's past experience and are primarily determined by gate fees received and material costs. The pre-tax discount rate applied to the cash flow projections was 12.6% (2021: 12.8%) based on a weighted average cost of capital based on market participant parameters, taking into account the cost of equity and debt for the CGU, and adjusting for risk specific to the CGU. Cash flows beyond the five-year period have been recognised up to 2037, being the expiration of Renewable Obligation Certificates issued to renewable energy plants, with an annual growth rate of 2.0% (2021: 2.0%) assumed in the calculations beyond year five. The forecast cash flows are restricted to 2037, rather than continuing to perpetuity, to reflect the contracted supply to renewable energy plants. Whilst not all long-term fuel supply agreements go out to at least 2037 the Directors are satisfied that it is more likely than not that all will run to at least this point through contract renewals and extensions.

No impairment losses have been recognised in the current or prior year. The calculation of the value-in-use is most sensitive to the discount rate, gate fee income received, and substantial achievement of contracted volumes as the business matures. Whilst individually sensitising these key assumptions does not result in an impairment, a combination of all could result in a material impairment. However, the Directors are satisfied that the risk of all sensitivities crystallising is remote. In order for the estimated recoverable amount to equal the carrying amount, the pre-tax discount rate would have to increase to 31.8% or cash flows would have to reduce by 48.5%.

The methods used to determine the factors within the discount rate calculations were consistent with the prior year. Reasons for changes in some of the discount rates include a reduction in size premium and variations in risk-free rate, gearing and beta values for comparative companies used to calculate cost of equity.

The Renewables CGU is the same as the Renewables segment.

17 Inventories

| | 2022 £'000 | 2021 £'000 |
|-----------------------|---------------|---------------|
| Consumable supplies | 581 | 3,771 |
| Goods held for resale | 520 | 112 |
| Property inventories | 11,451 | 11,451 |
| | 12,552 | 15,334 |

Consumable supplies has reduced in the year primarily due to the de-consolidation of Stobart Air's balance sheet from the Group accounts.

During the year inventory of £11,447,000 (2021: £13,107,000) was expensed to the consolidated income statement within operating expenses, and £nil (2021: £nil) was written-off to the consolidated income statement.

Property inventory relating to Widnes is subject to a fixed charge under the revolving credit facility, see note 22 for further details.

Development land at Widnes was subject to an external independent development valuation carried out by Knight Frank LLP. The valuation was performed in accordance with the RICS Valuation Standards issued by the Royal Institution of Chartered Surveyors. The valuation provided a value of £10,590,000 (2021: £10,675,000). As this value was not materially different to the carrying value of £10,675,000 no impairment (2021: £952,000) has been recognised.

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

18 Trade and other receivables

| | 2022 £'000 | 2021 £'000 |
|---------------------------------------|---------------|---------------|
| Non-current | | |
| Deferred consideration | 1,495 | 1,495 |
| | 1,495 | 1,495 |
| Current | | |
| Trade receivables – net | 8,364 | 15,657 |
| Other receivables and prepayments | 15,519 | 11,721 |
| | 23,883 | 27,378 |
| Movement in the loss allowance | | |
| At 1 March | 417 | 210 |
| Movement in the year | 912 | 207 |
| At 28 February | 1,329 | 417 |

The £1,495,000 deferred consideration relates to the sale of brand assets to a third party in May 2020.

The analysis of trade receivables by due date is as follows:

| | 2022 Receivable £'000 | 2022 Provision £'000 | 2021 Receivable £'000 | 2021 Provision £'000 |
|-----------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| Current | 4,824 | (69) | 7,480 | (11) |
| 1 month | 2,297 | – | 1,145 | (11) |
| 2 months | 307 | (8) | 609 | 8 |
| 3+ months | 2,265 | (1,252) | 6,840 | (403) |
| | 9,693 | (1,329) | 16,074 | (417) |

The standard period for credit sales varies from 30 days to 60 days. The Group assesses creditworthiness of all trade debts on an ongoing basis providing for expected credit losses in line with IFRS 9. The Group has considered credit risk rating grades, which are based on the ageing categories above. New customers are subject to stringent credit checks. COVID-19 has not had a material impact on the collection of 28 February 2022 year-end trade receivables. The analysis of trade receivables past due but not impaired by invoice date is as follows:

| | 2022 £'000 | 2021 £'000 |
|-------------------------------|---------------|---------------|
| Neither past due nor impaired | 5,770 | 8,514 |
| <30 days | 1,447 | 1,036 |
| 31-60 days | 204 | 747 |
| 61-90 days | 107 | 976 |
| 91-120 days | 1,644 | 2,343 |
| >120 days | 521 | 2,458 |
| | 9,693 | 16,074 |

19 Trade and other payables

| | Note | 2022 £'000 | 2021 £'000 |
|---------------------------------|------|---------------|---------------|
| Trade payables | | 10,828 | 16,789 |
| Other taxes and social security | | 1,772 | 3,382 |
| Other payables and accruals | | 14,653 | 31,064 |
| Government grants | 21 | 2,907 | 1,500 |
| | | 30,160 | 52,735 |

20 Other liabilities

| | Note | 2022 £'000 | 2021 £'000 |
|-----------------------------|------|---------------|---------------|
| Other payables and accruals | | 1 | 34 |
| Government grants | 21 | 8,642 | 8,237 |
| | | 8,643 | 8,271 |

21 Government grants

The Aviation division has received several grants for development work at London Southend Airport on runway refurbishment and extension, operational buildings, new road, radar and airport operations. The grants are released to the consolidated income statement either in line with the useful life of the assets to which they relate if applicable, or over the period specified in the grant terms.

The Renewables division has received a number of grants for site development at several locations, with conditions on job creation and spend in designated geographical areas. The grants are released to the consolidated income statement in line with the useful life of the assets to which they relate.

The Non-Strategic Infrastructure division was awarded a grant from the Regional Growth Fund and related to job creation for land remediation at the 3MG site in Widnes. The grant is held on the statement of financial position and released to the consolidated income statement based on the number of jobs created. The division was also awarded a grant for the creation of jobs and employment space at Carlisle Lake District Airport. The grant is released to the consolidated income statement in line with the useful life of the asset.

Payments received under the UK Government Coronavirus Job Retention Scheme are in the form of a grant and are recognised in the same period in which the related expense is incurred, see note 8.

Reconciliation of movement in grant liability to cash flows arising from financing activities

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Balance at 1 March | 9,737 | 10,199 |
| Changes from financing cash flows: | | |
| New grants received | 2,600 | - |
| Total changes from financing cash flows | 2,600 | - |
| Release to consolidated income statement | (788) | (480) |
| Reclass from other creditors | - | 18 |
| Balance at 28 February | 11,549 | 9,737 |

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

22 Financial assets and liabilities

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

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

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

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

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

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

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

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

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

The book value and fair values of financial assets and financial liabilities are as follows:

| | Book value 2022 £'000 | Fair value 2022 £'000 |
|------------------------------|-----------------------------|-----------------------------|
| Financial assets | | |
| Cash | 52,738 | 52,738 |
| Other investments | 14,105 | 14,105 |
| Trade receivables | 8,364 | 8,364 |
| Other receivables | 335 | 335 |
| Financial liabilities | | |
| Trade payables | 10,828 | 10,828 |
| Exchangeable bonds | 52,385 | 47,402 |
| Convertible debt | 118,862 | 122,511 |
| Lease obligations | 123,391 | 123,542 |
| Other payables | 23 | 23 |

Notes to the consolidated financial statements continued for the year ended 28 February 2022

22 Financial assets and liabilities continued

| | Book value 2021 £'000 | Fair value 2021 £'000 |
|------------------------------|-----------------------------|-----------------------------|
| Financial assets | | |
| Cash | 12,408 | 12,408 |
| Other investments | 10,211 | 10,211 |
| Trade receivables | 15,658 | 15,658 |
| Other receivables | 9,258 | 9,258 |
| Swaps | 310 | 310 |
| Financial liabilities | | |
| Trade payables | 19,558 | 19,558 |
| Revolving credit facility | 52,329 | 52,329 |
| Exchangeable bonds | 52,010 | 47,920 |
| Lease obligations | 158,908 | 148,647 |
| Other payables | 2,034 | 2,034 |
| Swaps | 404 | 404 |

The following financial assets and liabilities, included in the above tables, are measured at fair value: other investments, swaps and £nil (2021: £1,581,000) within other payables. All others are measured at amortised cost. For trade and other receivables/payables with a remaining life of less than one year, the carrying amount is considered to reflect the fair value.

The fair values of loans and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of lease liabilities and of loans and borrowings are classified as level 2 in the fair value hierarchy.

Convertible debt

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

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

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

The key valuation assumption and sensitivities for the option valuation are:

Discount rate

Judgement is used in arriving at the appropriate discount rate which includes a specific risk premium which takes into account the significant uncertainty in LSA achieving forecasted growth and the comparable cost of debt and equity for other European airports. A discount rate of 11.25% was used. A 1% movement in rate would lead to an increase/decrease in the value of the option of c.£500,000.

Probability weighting of scenarios

The probability weighting of scenarios flexes passenger forecasts adopted in the Base Case scenario model and assigns probabilities to each scenario.

Exchangeable bonds

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

Cyrus put option

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities measured at fair value

| As at 28 February 2022 | Total £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|------------------------------|----------------|------------------|------------------|------------------|
| Financial assets | | | | |
| Other financial assets | 14,229 | 9,205 | 4,900 | 124 |
| Financial liabilities | | | | |
| Other financial liabilities | 1,088 | – | – | 1,088 |

| As at 28 February 2021 | Total £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|------------------------------|----------------|------------------|------------------|------------------|
| Financial assets | | | | |
| Other financial assets | 10,516 | 10,392 | – | 124 |
| Currency swaps | 310 | – | 310 | – |
| Financial liabilities | | | | |
| Other financial liabilities | 1,581 | – | – | 1,581 |
| Currency swaps | 358 | – | 358 | – |
| Diesel swaps | 46 | – | 46 | – |

Fair value calculation methodology

Other investments are valued based on quoted market price. Swaps are valued based on market rates and market-accepted models. Fair value for financial instruments held at amortised cost has been estimated by discounting cash flows at prevailing interest rates.

During the current and prior year, there were no transfers between level 1 and level 2 fair value measurements, no transfer into level 3 fair value measurements and one transfer out of level 3 due to the exercise of the Cyrus put option.

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

22 Financial assets and liabilities continued

Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Diesel price risk
- Currency price risk
- Fair value or cash flow interest rate risk
- Capital risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Convertible debt
- Exchangeable bonds
- Floating-rate revolving credit facility
- Cash at bank
- Trade and other payables
- Lease obligations

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

All credit sales are made under Group payment and delivery terms and conditions and are mostly covered by insurance. All credit limits are formally set and are in agreement with the bank.

The recoverability of the net trade receivables, including contract assets, is considered highly likely. This is supported by the collection history of the Group. In generating the expected credit loss provision, historical credit loss rates for the preceding five years are observed, including consideration given to factors that may affect the ability of customers to settle receivables, and percentages applied to the trade and other receivable ageing buckets at the year end. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected credit losses on other receivables have not been recognised as the resultant provision would not be material to the financial statements.

Interest rate risk

The Group is exposed to cash flow interest rate risk from long-term borrowings and cash at variable rates. There are loan facilities at variable rates as well as amounts held on deposit. These borrowing policies are managed centrally. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The Group's fixed and variable rate borrowings were denominated in GBP.

Capital risk

The Group is exposed to capital risk in relation to its shareholding in Logistics Development Group (LDG). Any adverse movement in the quoted share price will directly impact the fair value of the investment held.

Diesel price risk

The Group is exposed to diesel price risk as diesel fuel is a key supply to the transport fleet of vehicles in the Renewables business. If diesel prices rise, there will be increases in the base costs that cannot be fully passed on to customers.

To mitigate this risk, when necessary the Group takes out diesel swap contracts to manage its exposure.

The fair value of diesel swap contracts falling within level 2 of the fair value hierarchy as at 28 February 2022 is £nil (2021: £46,000 liability) and the gross swap coverage was £nil (2021: £333,000). The fair value of the swaps is calculated by Lloyds Bank Corporate Markets plc (Lloyds Bank plc) and Mitsui Bussan Commodities Ltd based on mid-market levels as of the close of business on 28 February 2022.

Foreign exchange risk

The Group is exposed to currency price risk as it undertakes certain transactions denominated in foreign currencies, primarily the leasing of aircraft, and purchase of spare parts, maintenance and fuel in USD and EUR. To mitigate this risk, when necessary the Group takes out currency swap contracts to manage its exposure.

The fair value of currency swap contracts falling within level 2 of the fair value hierarchy as at 28 February 2022 is £nil (2021: £48,000 liability) and the gross swap coverage was £nil (2021: £10,052,000). The fair value of the swaps is calculated by Lloyds Bank plc based on mid-market levels as of the close of business on 28 February 2022.

Sensitivity analysis

The sensitivity analysis set out in the following table summarises the sensitivity of the market value of financial instruments to hypothetical changes in market rates and prices. Sensitivity is calculated based on all other variables remaining constant.

The interest rate analysis assumes a 1% change in interest rates, the currency analysis assumes a 1% change in currency price and the diesel price analysis assumes a 10% price change. The diesel and currency price sensitivity analysis is based on diesel and currency-related derivative instruments held at the end of each reporting period.

The following table discloses:

- The impact on the fair value of fixed-rate hire purchase agreements, and the impact to the consolidated income statement from floating rate hire purchase agreements and the RCF, of a 1% increase in interest rates;
- The impact to the fair value and impact to the consolidated income statement of a 1% increase in currency price on currency swaps; and
- The impact to the fair value and impact to the consolidated income statement of a 10% increase in the diesel price on diesel swaps.

A corresponding decrease results in an equal and opposite impact on the consolidated income statement.

| | Interest rate 1% increase £'000 | Diesel price 10% increase £'000 | Currency price 1% increase £'000 |
|--|---------------------------------------|---------------------------------------|--|
| At 28 February 2022 | | | |
| Decrease in fair value of financial instruments | (155) | – | – |
| Impact on profit: loss | (332) | – | – |
| At 28 February 2021 | | | |
| (Decrease)/increase in fair value of financial instruments | (767) | 30 | 6 |
| Impact on profit: (loss)/gain | (731) | 30 | 6 |

Capital management

The objective of the Group's capital management is to ensure that it maintains a strong credit rating and for capital ratios to be at a level that supports the business strategy going forward and maximises shareholder value.

The Group monitors capital using gearing ratios. Gearing based on net debt divided by capital was 326.7% at 28 February 2022 (2021: 519.2%). The Group includes the following within borrowings: bank loans, lease obligations and exchangeable bonds. Capital comprises equity attributable to the equity holders of the Parent.

The Group uses share capital to partly fund major acquisitions where considered appropriate. The Group is not subject to any externally imposed capital restraints except compliance with normal bank covenants. Dividends are payable after considering the solvency of the Group and the forecast funding requirements and headroom.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. See the maturity profile of loans and borrowings below.

The Group prepares and reviews rolling weekly cash flow projections. Actual cash and debt positions along with available facilities and headroom are reported weekly. These are monitored by senior management.

In addition, full annual five-year forecasts are prepared including cash flow and headroom forecasts. These are full, detailed forecasts prepared by each division and consolidated for the Group.

Notes to the consolidated financial statements continued for the year ended 28 February 2022

22 Financial assets and liabilities continued

The financial statements have been prepared using the going concern basis. See note 1 for further details.

The table below summarises the maturity analysis of financial liabilities based on contractual undiscounted payments:

| | <1 year £'000 | 1 to 5 years £'000 | >5 years £'000 | Total £'000 |
|----------------------------|------------------|-----------------------|-------------------|----------------|
| At 28 February 2022 | | | | |
| Loans and borrowings | – | 53,075 | 193,750 | 246,825 |
| Obligations under lease | 30,208 | 54,870 | 115,954 | 201,032 |
| Trade payables | 10,828 | – | – | 10,828 |
| | 41,036 | 107,945 | 309,704 | 458,685 |
| At 28 February 2021 | | | | |
| Loans and borrowings | 55,882 | – | – | 55,882 |
| Obligations under lease | 39,821 | 68,571 | 92,684 | 201,076 |
| Trade payables | 19,558 | – | – | 19,558 |
| Swaps | 404 | – | – | 404 |
| | 115,665 | 68,571 | 92,684 | 276,920 |

23 Employee benefits – pension schemes

The Ansa plan remains open for employees of Ansa Logistics Limited, a subsidiary of the Group. The latest actuarial valuation of the Ansa plan was as at 31 December 2019 and was carried out by an independent qualified actuary using the projected unit method. At the date of the latest actuarial valuation, the realisable value of assets was £28,176,000, which was sufficient to cover 78% of the value of benefits that had accrued to members, measured on the continuing basis. Total contributions payable for the year to 28 February 2022 amounted to £1,211,000 (2021: £1,176,000) with no contributions (2021: none) due to the plan at 28 February 2022.

The scheme is established under trust law and has a corporate trustee that is required to run the scheme in accordance with the scheme's trust deed and rules and to comply with all the relevant legislation. Responsibility for governance of the scheme lies with the trustee. The trustee is a company whose Directors comprise representatives of the Group and the scheme participants, in accordance with its Articles of Association and UK pension law.

The scheme was formed after 1997 and therefore Guaranteed Minimum Pension is not an issue.

The principal assumptions for the purpose of the actuarial valuations used in these consolidated financial statements were as follows:

| | 2022 | 2021 |
|--------------------------------------|---|---|
| Discount rate for scheme liabilities | 2.50% | 1.90% |
| Rate of inflation (RPI) | 3.70% | 3.10% |
| Rate of inflation (CPI) | 2.80% | 2.40% |
| Rate of general increase in salaries | n/a | n/a |
| Mortality table used | S3NA, CMI_2020, 1.25% minimum annual improvement | S3NA, CMI_2019, 1.25% minimum annual improvement |

While COVID-19 has had an impact on mortality in the current year, the impact on future mortality trends is currently unknown and consequently no adjustment has been made to mortality assumptions in this regard.

Longevity assumptions for members of the Ansa plan

The life expectancies based on the plan's IAS 19 mortality assumptions at the plan's normal retirement age of 65 are as follows:

| | Male life expectancy | Female life expectancy |
|------------------|----------------------|------------------------|
| 28 February 2022 | 85 | 89 |
| 28 February 2042 | 86 | 90 |
| 28 February 2021 | 87 | 89 |
| 28 February 2041 | 88 | 90 |

The figures for the members 20 years in the future show how the expected future improvements in longevity, as a result of the CMI projections and the 1.25% per annum minimum annual improvements, affect life expectancies. An 'improvement' means the decrease in the rate of mortality at a given age over the time period.

Sensitivities to principal assumptions

The principal risk to the Group in relation to the plan is that the Group would be required to fund any deficits in the plan, the level of which is variable and depends upon mortality rates, inflation and returns on plan assets.

The most significant sensitivity stems from the following assumptions:

- **Discount rate:** This is a key assumption because it is applied to the future pension payments.
- **Price inflation:** This is a key assumption because it is used to determine increases to pensions in payment and in deferment and increases to pensionable salaries for the one active member.
- **Mortality after retirement:** This is a key assumption because it determines how long pensions are paid for when they come into payment. The central assumptions are the S3NA base tables, with the CMI_2020 projections of future experience, subject to a 1.25% per annum minimum annual improvement with no age rating.

Sensitising the assumptions listed above would have the following effects on the total liabilities, assets and deficit positions. For the purposes of the mortality sensitivity illustrations, we have varied the minimum annual improvement.

| Discount rate assumption | 2.25% £'000 | 2.50% £'000 | 2.75% £'000 |
|--------------------------|----------------|----------------|----------------|
| Liabilities | 30,213 | 29,151 | 28,147 |
| Assets | 29,499 | 29,499 | 29,499 |
| (Surplus)/deficit | (714) | 348 | 1,352 |

| RPI inflation assumption | 3.45% £'000 | 3.70% £'000 | 3.95% £'000 |
|--------------------------|----------------|----------------|----------------|
| Liabilities | 28,380 | 29,151 | 29,919 |
| Assets | 29,499 | 29,499 | 29,499 |
| Deficit/(surplus) | 1,119 | 348 | (420) |

| Minimum annual improvement | 0.75% £'000 | 1.25% £'000 | 1.75% £'000 |
|----------------------------|----------------|----------------|----------------|
| Liabilities | 28,644 | 29,151 | 29,674 |
| Assets | 29,499 | 29,499 | 29,499 |
| Deficit/(surplus) | 855 | 348 | (175) |

Amounts recognised in the consolidated statement of financial position

| | 2022 £'000 | 2021 £'000 |
|---|---------------|----------------|
| Present value of funded obligations | (29,151) | (30,862) |
| Fair value of scheme assets | 29,499 | 28,444 |
| Net asset/(liability) recognised in the consolidated statement of financial position | 348 | (2,418) |

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

23 Employee benefits – pension schemes continued

Amounts recognised in the consolidated income statement

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Return on scheme assets | 540 | 445 |
| Interest expense | (577) | (509) |
| Finance expense | (37) | (64) |
| Current service cost (included in staff costs) | (4) | (4) |

Amounts recognised in the consolidated statement of comprehensive income

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Actual return less return recognised in profit or loss | 596 | 201 |
| Experience (losses)/gains arising on the scheme liabilities | (511) | 326 |
| Changes in financial assumptions underlying the present value of the scheme liabilities | 446 | 761 |
| Changes in demographic assumptions underlying the present value of the scheme liabilities | 1,345 | (112) |
| Amounts recognised in the consolidated statement of comprehensive income | 1,876 | 1,176 |
| Deferred tax | (417) | (182) |
| Remeasurement on defined benefit plan | 1,459 | 994 |
| Actual return less return recognised in profit or loss | | |
| Actual return on scheme assets | 1,136 | 646 |
| Less return recognised in profit or loss | (540) | (445) |
| | 596 | 201 |

Changes in the present value of defined benefit obligations and the fair value of scheme assets are as follows:

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Defined benefit obligation | | |
| Opening defined benefit obligation | 30,862 | 32,311 |
| Current service cost | 4 | 4 |
| Interest expense | 577 | 509 |
| Actuarial gains | (1,280) | (975) |
| Employee contributions | 1 | 1 |
| Benefits paid | (1,013) | (988) |
| Closing defined benefit obligation | 29,151 | 30,862 |
| Fair value of scheme assets | | |
| Opening fair value of scheme assets | 28,444 | 27,889 |
| Return recognised in profit or loss | 540 | 445 |
| Actuarial gains | 596 | 201 |
| Contributions made by the Group | 1,211 | 1,176 |
| Employee contributions | 1 | 1 |
| Benefits paid | (1,013) | (988) |
| Expenses | (280) | (280) |
| Closing fair value of scheme assets | 29,499 | 28,444 |

The fair value of the scheme assets at the year end is analysed as follows:

| | 2022 £'000 | 2021 £'000 |
|------------------------------------|---------------|---------------|
| Equity instruments | 8,063 | 7,201 |
| Bonds | 14,296 | 14,097 |
| Diversified growth funds | 7,017 | 6,912 |
| Other (including cash) | 123 | 234 |
| Fair value of scheme assets | 29,499 | 28,444 |

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. The trustees of the Ansa plan regularly review their investment strategies to ensure that wherever possible the nature of assets held in each scheme is appropriate to the maturity profile of the underlying pension obligation. The types of assets held are shown above, all of which have quoted prices in active markets with the exception of other assets. The age profile of the Ansa plan members, which provides an indication of the maturity profile of the defined benefit obligation, is as follows:

| | 2022 Years | 2021 Years |
|----------------------------------|---------------|---------------|
| Normal retirement age | 65 | 65 |
| Average age of deferred members | 58 | 56 |
| Average age of pensioner members | 70 | 68 |

The Group expects to contribute £1,243,000 to the Ansa plan in the year ended 28 February 2023. A schedule of contributions was agreed with the trustees in the year ended 28 February 2022 to cover a period ending 31 December 2026, setting out the deficit contributions payable into the scheme. The trustees seek to align the investment strategies with the maturity profile of the liabilities in the schemes. An additional liability for any surplus contributions payable as a result of this agreement has not been recognised as the Group has the right to a refund of any surplus.

The Group operates a defined contribution plan. The charge in the year to the consolidated income statement was £1,031,000 (2021: £872,000). The value of contributions outstanding as at 28 February 2022 and included in other payables is £111,000 (2021: £187,000).

24 Deferred tax Deferred tax liabilities

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Accelerated allowances on plant and machinery | (4,813) | (4,816) |
| Other temporary differences | (840) | (3,402) |
| Roll-over relief | – | 2,030 |
| Revaluation of properties to fair value on acquisition | 5,653 | 6,449 |
| | – | 261 |

Deferred tax assets have been recognised in respect of temporary differences giving rise to deferred tax assets because it is probable that the assets will be recovered. These temporary differences on which deferred tax has been recognised relate to fixed assets, provisions, pensions, share-based payments and interest disallowance carried forward. All deferred tax assets recognised relate to the UK.

Deferred tax has not been recognised in respect of tax losses of certain Group entities of £78,935,000 as at 28 February 2022 (2021: £59,329,000) on the basis that there is uncertainty over whether taxable profit will be available within the trades operated by these entities against which the unused tax losses can be utilised in future periods. These losses do not have an expiry date.

Notes to the consolidated financial statements continued for the year ended 28 February 2022

24 Deferred tax continued

The deferred tax balances have been calculated at a blended rate, the amounts expected to unwind pre-April 2023 are calculated at 19% and the amounts expected to unwind post-April 2023 are calculated at 25%, as these were the rates that were substantively enacted at the statement of financial position date. The deferred tax liability at the year end is £nil.

Movement in recognised deferred tax balances during the year

| | Balance 29 February 2020 £'000 | Transfer out on disposal £'000 | Recognised in profit or loss £'000 | Recognised in other comprehen- sive income £'000 | Recognised in retained earnings £'000 | Balance 28 February 2021 £'000 | Recognised in profit or loss £'000 | Recognised in other comprehen- sive income £'000 | Recognised in retained earnings £'000 | Balance 28 February 2022 £'000 |
|---|---|--------------------------------------|---|--|--|---|---|--|--|---|
| Provisions | 464 | (6) | 951 | - | - | 1,409 | (791) | - | - | 618 |
| Tax losses | - | - | - | - | - | - | - | - | - | - |
| Share-based payments | 120 | (31) | (29) | - | (4) | 56 | 41 | - | 46 | 143 |
| Pension | 754 | - | (113) | (182) | - | 459 | (129) | (417) | - | (87) |
| Roll-over relief | (2,543) | - | 513 | - | - | (2,030) | (891) | - | - | (2,921) |
| Revaluation of properties to fair value on acquisition | (5,980) | - | (469) | - | - | (6,449) | 796 | - | - | (5,653) |
| Brands recognised on acquisition | (1,700) | - | 1,700 | - | - | - | - | - | - | - |
| Accelerated allowances on plant and machinery | 4,316 | (1,103) | 1,603 | - | - | 4,816 | (3) | - | - | 4,813 |
| Capitalised interest | (1,782) | - | 1,782 | - | - | - | - | - | - | - |
| Corporate interest restriction disallowance | 615 | - | 863 | - | - | 1,478 | 1,609 | - | - | 3,087 |
| | (5,736) | (1,140) | 6,801 | (182) | (4) | (261) | 632 | (417) | 46 | - |

25 Provisions

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

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. Details of each provision category are as follows.

Site restoration

The Group leased a long leasehold property which is currently unoccupied, in respect of which it had annual dilapidation and holding costs obligations. Post year end, on 3 March 2022 an agreement was signed with the owners of the property for the Group to exit the lease. The exit resulted in the release of dilapidation obligations of £1,862,000 to the consolidated income statement within other income, see note 6. The remaining £1,250,000 held on the statement of financial position at the year end was paid in March 2022.

Onerous contracts

The exit of the property lease also led to the release of holding cost provisions of £398,000 to the consolidated income statement within other income, see note 6.

Following the liquidation of Stobart Air, see note 5, there was a review of unavoidable costs related to the eight ATR aircraft in Propius prior to redelivery which led to the Group making a provision of £2,503,000. During the year, £517,000 of this provision has been used. The provision is separate from the maintenance provision held for the aircraft, see following.

Tax

During the year ended 28 February 2022, the Group has released £9,514,000 from provisions, following a reassessment of all open tax enquiries and settlements with HMRC. The Group changed tax advisors in late 2020 and since this appointment there has been an increase in engagement with HMRC which has provided a better understanding and clarity regarding the open enquiries and timing of settlements. Consequently, remaining uncertain tax provisions of £5,922,000, have been reclassified to corporation tax payable (see note 11) and £674,000 has been reclassified to other payables.

Litigation and claims

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

Remediation provision

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

In addition, it was anticipated that the land would be used in the Renewables division, but during year the Group reassessed its strategy for the use of the land and concluded that this was not viable. Consequently, the Group has considered the recoverable amount of the right-of-use asset and deemed it immaterial resulting in an impairment of £6.2m, see notes 3 and 13.

Maintenance reserves

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

The estimated proportion of the provision is £10.0m and largely relates to airframe and propeller blade costs. The key estimates include the scrap rate of propeller blades, currently 15% (c.£1.3m). A 500 basis points change in this rate would lead to a £0.4m change in provision. Airframe checks include significant estimation uncertainty, with £0.7m relating to an uplift in cost due to the fact the aircraft are grounded. Total estimation within airframe costs is £7.1m. The condition of each aircraft across the fleet is not expected to significantly differ due to their age and the hours that each has flown. The key driver to all provision estimation is the work required to put the aircraft into a condition defined by the leases prior to redelivery, outside of the fixed cost work required. If all estimated costs increased by 20%, this would drive a material increase in provision of c.£2.0m. See note 2 for information on significant estimation uncertainties.

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

26 Share-based payments

The table below shows the expenses arising from share-based payment transactions (credited)/charged to operating profit.

| | 2022 £'000 | 2021 £'000 |
|---------------------------------------|---------------|---------------|
| Long-Term Incentive Plan 2014 to date | (9) | 98 |
| Long-Term Incentive Plan 2020 to date | 354 | – |
| SAYE schemes to date | (60) | (88) |
| Stobart Aviation Incentive Plan | – | 180 |
| | 285 | 190 |

Of the total expenses for the year of £285,000 (2021: £190,000), £nil (2021: £109,000) is included within the loss from discontinued operations, net of tax, on the consolidated income statement.

The average life of the share-based payment plans is between 11 and 24 months. The plans are described as follows.

Long-Term Incentive Plan 2014 to date

During the prior years, performance shares were awarded to Executive Directors and other senior management under a Long-Term Incentive Plan (LTIP). These performance shares vest subject to the TSR and the cumulative adjusted EPS, both measured over three-year periods.

50% of the share awards vest dependent on the TSR performance of the Group. None of these share awards will vest if the TSR performance of the Group is less than that of the comparator group (the TSR of the FTSE 250). 25% of the awards will vest if the TSR performance of the Group equals that of the comparator group and the remaining 75% will vest proportionately in line with how the TSR performance of the Group exceeds that of the comparator group between 0% and 10%.

50% of the share awards vest dependent on the cumulative adjusted EPS over the three financial years ending at the end of the third February after grant. None of these share awards will vest if the cumulative adjusted EPS is less than threshold, 25% of the shares will vest if the cumulative adjusted EPS is threshold and the remaining 75% will vest proportionately in line with how the cumulative adjusted EPS performs between threshold and stretch.

If both elements of the performance conditions are achieved in full, the awards will be subject to a multiple up to a maximum of 2x multiplier if the Group's three-year TSR outperforms the index by 40% per annum or more. Further details are included in the Directors' Remuneration Report.

EPS threshold and EPS stretch for each issue

| Grant date | Number of awards | EPS threshold | EPS stretch |
|--------------|------------------|---------------|-------------|
| 20 June 2018 | 726,522 | 20.0p | 28.0p |
| 3 July 2019 | 127,660 | 20.0p | 28.0p |
| 3 July 2019 | 1,939,896 | 4.4p | 14.1p |

Long-Term Incentive Plan 2020 to date

During the year, performance shares were awarded to Executive Directors and other senior management under an LTIP. For Group participants, performance is measured against the TSR performance of the Group at the end of the three-year period. For operating division participants, 75% of the performance shares are measured against the three-year cumulative profit before tax (PBT) performance of the relevant division and 25% are measured on the Group TSR performance at the end of the three-year period.

25% of the shares vest upon achievement of threshold, 50% vest at target and 100% vest at stretch. Vesting is proportionate on a straight line between these points. No shares vest below threshold and no more than 100% vest beyond stretch. Further details are included in the Directors' Remuneration Report.

TSR threshold, target and stretch for each issue

| Grant date | Number of awards | TSR threshold | TSR target | TSR stretch |
|------------------|------------------|---------------|------------|-------------|
| 31 August 2021 | 11,116,945 | 31.9p | 37.7p | 49.2p |
| 21 December 2021 | 18,165,737 | 20p | 25p | 30p |

SAYE schemes to date

During prior years, qualifying employees and Directors were invited to join the Save As You Earn (SAYE) schemes, where participants entered into a contract to save a fixed amount per month of up to a maximum of £500 for three years and were granted an option over shares at a fixed option price, set at a 20% discount to average market price for the three days prior to the invitation to participate. The number of shares comprising the option is determined by the monthly amount saved on maturity of the savings contract. Options granted under the SAYE scheme are not subject to any performance conditions. The range of exercise prices is between £nil and 162p.

| Grant date | Number of awards | Option price |
|------------------|------------------|--------------|
| 21 December 2018 | 1,213,151 | 162p |
| 2 August 2019 | 2,962,928 | 94.88p |

Stobart Aviation Incentive Plan (SAIP)

In January 2017, an eligible participant entered into an incentive plan which gives the participant the opportunity to benefit from a potential increase in value of the Aviation division. This scheme will be part settled with cash and part settled with Esken shares. The updated terms of the SAIP were provided in the Directors' Remuneration Report of the 2019 Annual Report at the 23 July 2019 AGM. This scheme was cancelled during the year and no awards will be made from the scheme. Further details are provided in the Directors' Remuneration Report.

Services rendered

The Group has used share options as partial consideration for services received. The fair value was determined using a market price for the services received. These share options will vest dependent on the market capitalisation of the Group during the performance period.

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, outstanding share awards during the year:

| | 2022 No. '000 | 2022 WAEP | 2021 No. '000 | 2021 WAEP |
|-----------------------------------|------------------|--------------|------------------|--------------|
| Outstanding at 1 March | 3,685 | £0.32 | 5,740 | £0.48 |
| Granted during the year | 29,287 | – | – | – |
| Exercised during the year | – | – | – | – |
| Lapsed during the year | (1,603) | – | (576) | – |
| Forfeited during the year | (203) | £0.98 | (522) | £0.97 |
| Cancelled during the year | (457) | £0.98 | (957) | £0.97 |
| Outstanding at end of year | 30,709 | £0.02 | 3,685 | £0.32 |
| Exercisable at end of year | 13 | £1.62 | – | – |

The weighted average contractual life of awards/options outstanding at the year end is 19 months (2021: 18 months).

Valuation details

The fair value of the options granted without market-based performance conditions is estimated using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The fair value of the options granted with market-based performance conditions are estimated using a Monte Carlo model taking into account the terms and conditions upon which the options were granted.

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

26 Share-based payments continued

The following tables list the inputs to the models used for the current and prior year.

| FY19 LTIP share awards | Long-Term Incentive Plan subject to TSR | Long-Term Incentive Plan subject to EPS |
|----------------------------------|--|--|
| Dividend yield (%) | 5.74 | 5.74 |
| Expected volatility (%) | 25.46 | 25.46 |
| Risk-free interest rate (%) | 0.24 | 0.24 |
| Expected life of options (years) | 3 | 3 |
| Weighted average share price (£) | 2.568 | 2.568 |
| Fair value at date of grant (£) | 1.258 | 2.132 |
| Model used | Monte Carlo | Black-Scholes |
| FY20 LTIP share awards | Long-Term Incentive Plan subject to TSR | Long-Term Incentive Plan subject to EPS |
| Dividend yield (%) | 2.46 | 2.46 |
| Expected volatility (%) | 25.46 | 25.46 |
| Risk-free interest rate (%) | 0.24 | 0.24 |
| Expected life of options (years) | 3 | 3 |
| Weighted average share price (£) | 1.220 | 1.220 |
| Fair value at date of grant (£) | 0.598 | 1.013 |
| Model used | Monte Carlo | Black-Scholes |
| FY21 LTIP share awards | Long-Term Incentive Plan subject to TSR | Long-Term Incentive Plan subject to PBT |
| Dividend yield (%) | 0% | 0% |
| Expected volatility (%) | 74.06% | 74.06% |
| Risk-free interest rate (%) | 0.14% | 0.14% |
| Expected life of options (years) | 1.5 | 1.5 |
| Weighted average share price (£) | 0.139 | 0.139 |
| Fair value at date of grant (£) | 0.043 | 0.139 |
| Model used | Monte Carlo | Black-Scholes |
| FY22 LTIP share awards | Long-Term Incentive Plan subject to TSR | Long-Term Incentive Plan subject to PBT |
| Dividend yield (%) | 0% | 0% |
| Expected volatility (%) | 74.06% | 74.06% |
| Risk-free interest rate (%) | 0.14% | 0.14% |
| Expected life of options (years) | 3 | 3 |
| Weighted average share price (£) | 0.19 | 0.19 |
| Fair value at date of grant (£) | 0.059 | 0.190 |
| Model used | Monte Carlo | Black-Scholes |
| 2018 SAYE scheme | SAYE plan | |
| Dividend yield (%) | 3.97 | |
| Expected volatility (%) | 36.13 | |
| Risk-free interest rate (%) | 0.83 | |
| Expected life of options (years) | 3.5 | |
| Weighted average share price (£) | 1.51 | |
| Fair value at date of grant (£) | 0.29 | |
| Model used | Black-Scholes | |

| 2019 SAYE scheme | SAYE plan |
|----------------------------------|---------------|
| Dividend yield (%) | 5.14 |
| Expected volatility (%) | 55.21 |
| Risk-free interest rate (%) | 0.83 |
| Expected life of options (years) | 3.5 |
| Weighted average share price (£) | 1.17 |
| Fair value at date of grant (£) | 0.29 |
| Model used | Black-Scholes |

The fair value at the date of grant of the awards subject to the multiplier was £0.009 (2021: £0.009).

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

27 Issued share capital and reserves

| | Number of shares 2022 '000 | Share capital 2022 £'000 | Number of shares 2021 '000 | Share capital 2021 £'000 |
|---------------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| Ordinary shares issued and fully paid | | | | |
| At 1 March | 624,926 | 62,492 | 374,653 | 37,465 |
| Share issue | 400,411 | 40,042 | 250,273 | 25,027 |
| At 28 February | 1,025,337 | 102,534 | 624,926 | 62,492 |

During the year, the Company issued 394,410,618 (2021: 250,273,461) ordinary shares of 10p each for 14p (2021: 40p) per share raising £55,217,000 (2021: £100,109,000). The share capital increased by £39,442,000 (2021: £25,027,000) and share premium increased by £12,889,000 (2021: £65,968,000), net of costs. The employee benefit trust purchased 822,307 (2021: 797,465) of the ordinary shares issued.

During the year the Group issued 6,000,000 (2021: none) ordinary shares of 10p each in Esken Limited to Cyrus Capital Partners (Cyrus). The shares were issued to satisfy the put option between Esken and Cyrus, see note 22. The share issue resulted in an increase in share capital £600,000 (2021: £nil) and an increase in retained deficit of £600,000 (2021: £nil).

The number of shares held by the employee benefit trust increased from 3,778,457 at 28 February 2021 to 4,600,764 at 28 February 2022, following the purchase of ordinary shares.

The Group has a retained deficit at 28 February 2022; however, this does not prevent dividends being paid. Esken Limited is registered in Guernsey and under Guernsey Law, prior to making payments to shareholders, a company must satisfy the solvency test, which requires that it is able to meet its liabilities as they fall due and has assets which are greater than its liabilities, and the Directors must certify that this is the case. Taking into account the significant share premium account, the Company continues to satisfy these requirements.

Voting rights

Ordinary shareholders are entitled to vote at all general meetings. The deferred shares have no voting rights.

Nature and purpose of other reserves

Own shares held by employee benefit trust

This comprises the weighted average cost of own shares held by the employee benefit trust.

Notes to the consolidated financial statements continued for the year ended 28 February 2022

28 Lease commitments

Group as lessee

The Group leases a number of premises, vehicles and equipment with varying terms, renewal rights and termination options. Under IFRS 16, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability, with the exception of short-term leases and leases of low-value underlying assets.

The following amounts have been recognised in the consolidated income statement and the consolidated statement of cash flows:

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Interest on lease liabilities | 6,761 | 8,682 |
| Expenses relating to short-term leases | 467 | 379 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | 32 | 36 |
| | 7,260 | 9,097 |

| Recognised in the consolidated statement of cash flows | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Total cash outflow for leases | 32,004 | 27,512 |

Group as lessor

The Group has commercial property leases on some of its properties including subleases on two properties that have been presented as right-of-use assets. The headlease and sublease of the first property have an expiration date of February 2038, which is unchanged from the prior year. The headlease and sublease of the second property have an expiration date of March 2025. Both subleases are presented as net investment in lease in the consolidated statement of financial position.

The maturity analysis of the future undiscounted lease receivables is shown in the table below.

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Less than one year | 1,997 | 1,859 |
| One to two years | 1,864 | 1,859 |
| Two to three years | 1,983 | 1,726 |
| Three to four years | 1,199 | 1,845 |
| Four to five years | 1,199 | 1,061 |
| More than five years | 13,193 | 12,729 |
| Total undiscounted lease receivable | 21,435 | 21,079 |
| Finance income | (5,231) | (5,255) |
| Net investment in lease | 16,204 | 15,824 |

Capital commitments

At 28 February 2022, the Group had commitments of £746,000 (2021: £1,209,000). The commitments relate to development works at London Southend Airport in the Aviation division.

29 Contingent liabilities

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

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

30 Post balance sheet events

There were no post balance sheet events other than a judgement on one legal case, see note 25.

31 Notes to the consolidated cash flow statement

| | Notes | Year ended 28 February 2022 £'000 | Restated Year ended 28 February 2021 £'000 |
|---|--------|--|--|
| Loss before tax from continuing operations | | (34,567) | (44,171) |
| Adjustments to reconcile loss before tax to net cash flows: | | | |
| Non-cash: | | | |
| Realised profit on sale of property, plant and equipment | | (308) | (98) |
| Share of post-tax losses of associate accounted for using the equity method | 14 | 356 | 218 |
| Loss on disposal of assets held for sale | | – | 208 |
| Depreciation of property, plant and equipment | 13 | 20,464 | 19,423 |
| Finance income | 9 | (2,239) | (2,396) |
| Finance costs | 10 | 20,744 | 19,599 |
| Release of grant income | 21 | (788) | (479) |
| Release of deferred premiums | | – | (167) |
| Impairment/(impairment reversal) | 13, 17 | 5,369 | (824) |
| Charge for share-based payments | 26 | 285 | 81 |
| (Gain)/loss on swaps mark to market valuation | | (93) | 42 |
| (Decrease)/increase in retirement benefits and other provisions | | (5,018) | 226 |
| Working capital adjustments: | | | |
| Increase in inventories | | (144) | (28) |
| Decrease in trade and other receivables | | 6,625 | 4,213 |
| (Decrease)/increase in trade and other payables | | (7,840) | 5,444 |
| Cash generated from continuing operations | | 2,846 | 1,291 |

Notes to the consolidated financial statements continued

for the year ended 28 February 2022

32 Related parties

Relationships of common control or significant influence

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

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

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

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

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

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

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

Associates and joint ventures

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

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

There were no other balances between the Group and its joint ventures and associates during the current or prior year.

All loans are unsecured and all sales and purchases are settled in cash on the Group's standard commercial terms.

Key management personnel

Key management personnel are the Executive and Non-Executive Directors. Total aggregate emoluments, including pension contributions and excluding share-based payments, were £1,419,000 (2021: £1,534,000) and consisted of:

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Emoluments | 1,324 | 1,358 |
| Share-based payment | 135 | 229 |
| Company contribution to money purchase pension plan | 95 | 176 |
| | 1,554 | 1,763 |

Further details of the Executive and Non-Executive Directors' remuneration are set out in the Directors' Remuneration Report.

33 Alternative performance measures

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

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

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

Adjusted EBITDA

Adjusted EBITDA is the key profitability measure used by management for performance review in the day-to-day operations of the Group. Adjusted EBITDA represents loss before interest, tax, depreciation and impairments. Refer to note 3 for reconciliation to statutory loss before tax.

Headroom

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

Net debt

Net debt is defined as the sum of obligations under leases, revolving credit facility, exchangeable bonds and convertible debt, less cash and cash equivalents. See note 22 for reconciliation of these measures.

Gearing

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

Divisional operating cash flow

This is defined as a division's net cash flow from operating activities, less net intercompany cash flows. Group operating cash flow for the year is an outflow of £14,484,000 (2021: £29,443,000) which is made up of Aviation £4,663,000 outflow (2021: £4,050,000), Renewables £17,924,000 inflow (2021: £15,440,000) and other £27,745,000 outflow (2021: £40,833,000).

Propius lease and aircraft-related costs

This is the sum of cash outflows related to the ATR aircraft in Propius to be paid in FY23 and FY24. It consists of net lease payments, less deposit paid, of £21.4m, maintenance outflows of £23.6m, see note 25 maintenance reserves, and other unavoidable aircraft costs of £2.0m, see note 25 onerous leases/contracts.

Directors, officers and advisers

Executive Directors

David Shearer Appointed 1 June 2019 as Director, appointed 9 February 2021 as Executive Chairman

Nick Dilworth Appointed 1 September 2018
Chief Operating Officer and Executive Director – Renewables

Lewis Girdwood Appointed 1 April 2019
Chief Financial Officer and Executive Director – Aviation

Non-Executive Directors

David Blackwood Appointed 1 March 2019
Deputy Chairman and Senior Independent Director

John Coombs Appointed 1 July 2014
Ginny Pulbrook Appointed 1 October 2018
Clive Condie Appointed 1 July 2020

Company Secretary

Matthew Joy

Registered office

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

Registered number

39117

Administrator

Ocorian Administration (Guernsey) Limited
Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY

Auditor

KPMG LLP
1 St Peter's Square, Manchester M2 3AE

Banker

Lloyds Bank plc
Black Horse House, 91 Sandyford Road, Newcastle upon Tyne NE1 8HQ

Corporate Broker and Financial Adviser

Canaccord Genuity Limited
88 Wood Street, London EC2V 7QR

Corporate Broker

Liberum Capital Limited
25 Ropemaker Street, London EC2Y 9LY

Financial Adviser

UBS Investment Bank
5 Broadgate, London EC2M 2QS



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

esken.com