Annual Report & Accounts 2023

p20-23
Chairman's Statement

The board conducted a strategic review and has decided to pursue a sale of our core businesses.

David Shearer,
Executive Chairman

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Introduction

David Shearer

We secured a debt fund raising in difficult market conditions, completed a strategic review, and are now progressing with our plans to sell our core operating businesses.

David Shearer,
Executive Chairman

Esken has made good progress securing additional funding, supporting the growth of its operating businesses and advancing a realisation process that we believe will ultimately allow Esken to deliver value to its shareholders.

In November 2022, Esken secured a new debt facility comprising of £50m of committed funding. Having secured these funds, Esken had £50.3m of headroom at the year end. This will be used to fund our liabilities connected to Stobart Air and Propius and provide working capital for the Group as we continue to advance our plans to sell both our core operating business and our non-core assets.

The sale of Esken Renewables is at an advanced stage working with a preferred bidder on an exclusive basis, while we have also started the process to sell London Southend Airport.

We have been pleased to see good progress made by London Southend Airport both during the year under review and in the current year. The airport signed a multi-year partnership with easyJet in January 2023 and the airline will now serve five destinations from the airport following the start of flights to Amsterdam Schiphol and the announcement in May 2023 that easyJet is restarting its route to Charles de Gaulle airport in Paris at the end of October 2023.

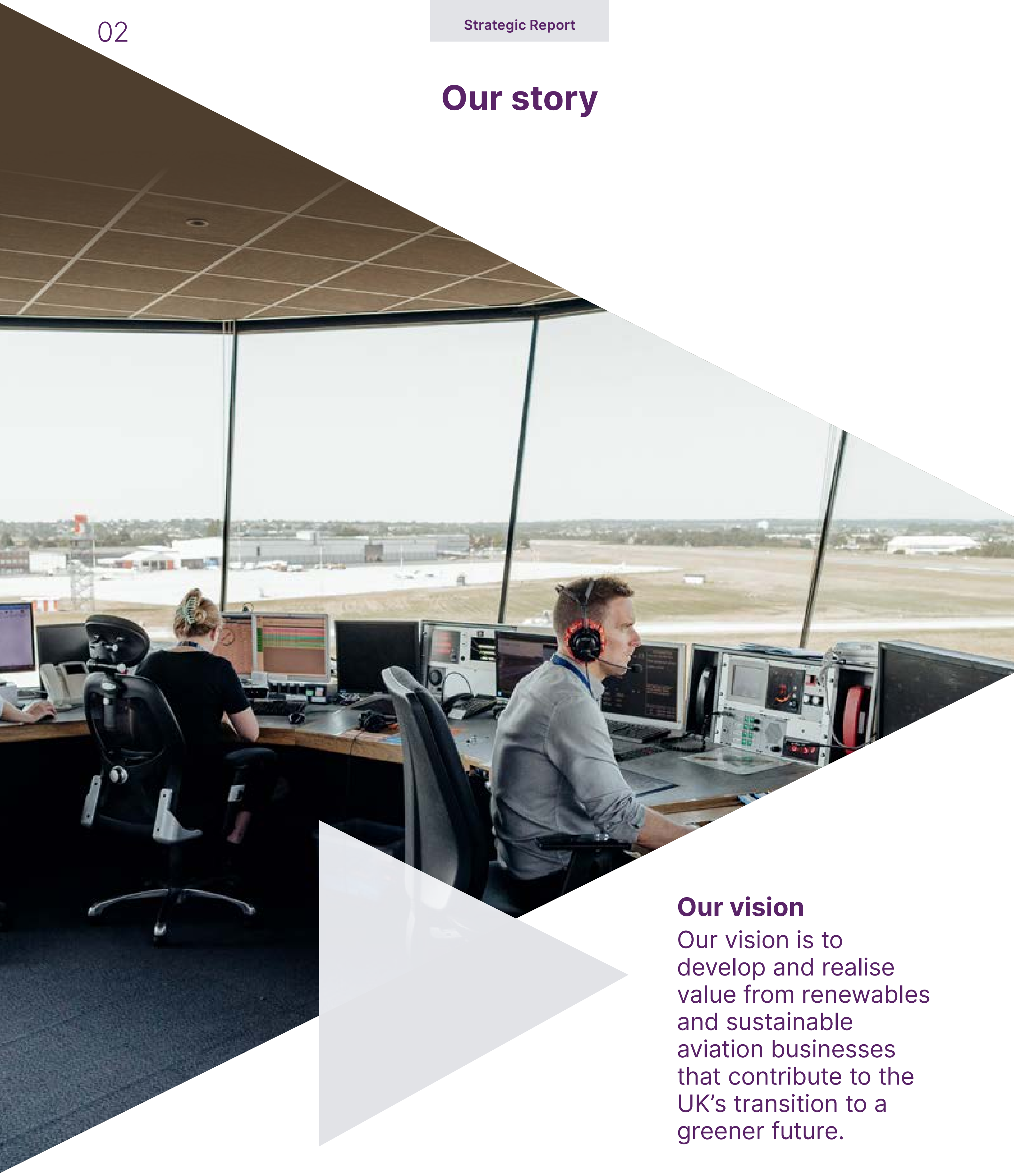
Our Renewables business saw increased revenues albeit at a lower margin, reflecting principally an increased number of unplanned outages at customer waste wood biomass plants. The division is focused on steps to improve margins going forward, including an optimised fleet size and strong cost control.

Esken also made good recent progress, disposing of Star Handling Limited (Star) post year end, its ground handling operations at Manchester and Stansted Airports.

The sale of Star, the expected sale of non-core assets and the progress we are making in disposing of Esken Renewables gives us confidence that we can manage our liabilities, and ultimately start to return value to our shareholders.

David Shearer
Executive Chairman
20 June 2023

Our story



Our vision

Our vision is to develop and realise value from renewables and sustainable aviation businesses that contribute to the UK's transition to a greener future.

Our strategy

Esken's strategy is aligned with our vision and purpose, aiming to deliver shareholder value through the sale of sustainable UK infrastructure businesses.

01
Optimise our core businesses.

02
Reduce our environmental footprint.

03
Maintain strict financial discipline.

04
Dispose of assets and realise value.

Our purpose

Our purpose is to support the sustainable growth of UK infrastructure businesses that benefit people, communities and the world around us.

Our mission

Our mission is to enable our businesses to create smarter ways to supply renewable fuel and travel sustainably, through continuous improvement, collaboration and social responsibility.

Our values

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.

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.

Stay connected

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

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.

Highlights

Adjusted EBITDA[1]
£5.6m
-46.9%

Loss before tax
£27.7m
+22.4%

Headroom
£50.3m
-30.9%

Financial highlights

- Esken's core Renewables and Aviation businesses generated a combined positive adjusted EBITDA of £14.6m (2022: £19.5m). The reduction in combined operating division adjusted EBITDA was a result of unplanned outages impacting higher margin waste wood supply within Esken Renewables and one-off payments not repeating within the Aviation division.
- Group central significantly reduced its costs during the year whilst there was no repeat of the £4.7m benefit of the onerous lease exit in Non-Core Infrastructure in the prior year. Overall Group adjusted EBITDA reduced by 46.9% to £5.6m (2022 £10.6m). However, the Group benefitted from the reversal of impairment of loan notes and a reduction in property impairments in the year and, as a result, total losses before tax improved by 22.4% to £27.7m (2022 £35.7m).
- In November 2022, Esken secured a new lending facility from funds managed by a specialty lender, comprising £50m of committed funding. This facility was used to fund Esken's residual c.£44m of Propius legacy liabilities, cancel the undrawn £19.1m RCF, and provide working capital.
- As at 28 February 2023, Esken had headroom of £50.3m, which is in line with management expectations. See note 33 for definition of headroom.
- At year end, the Group's portfolio of non-core assets had an aggregate book value of £43.1m (2022 £39.7m) following the disposal of a portion of land in Widnes and the reversal of impairment of loan notes during the year. Since the period end, Esken completed the sale of Star Handling Limited for up to £4.8m.

Operational highlights

Renewables

- Esken Renewables supplied 1.6m tonnes of biomass fuel, up 9.4% on last year (2022: 1.5m tonnes). The overall increase in the volume of fuel supplied reflected an improvement in lower margin forestry by-product and third-party fuel supply and resulted in revenue increasing by 17.7% to £93.7m (2022 £79.7m).
- However, a series of unplanned outages at plants where we supply higher margin waste wood fuel, coupled with the impacts of inflation, resulted in a 9.5% reduction in adjusted EBITDA to £18.4m (2022 £20.3m).
- During the year Esken Renewables finalised new supply agreements and reduced ongoing costs through the closure of its Port Clarence processing and storage site.

Aviation

- Staffing challenges and industrial action taking place at airports across Europe reduced some planned flights inbound to LSA at various points during the second half of the year. As a result, passenger numbers reduced by 5.3% from 94k to 89k.
- The Aviation Division received £1.4m related to the recovery of airline marketing support payments and delivered an adjusted EBITDA loss of £3.8m in FY23. In the prior year, the Division reported a loss of £0.8m having benefitted from £3.5m of one-off receipts associated with Connect Airways and the conclusion of the partnership with Teesside International Airport.
- London Southend Airport announced a multi-year agreement with easyJet and added new routes to Amsterdam and Paris and more flights to Faro.

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

ESG

- Across its businesses Esken produced 23,633 tonnes of carbon dioxide, representing a 11% decrease on the baseline year for Scope 1 and 2 emissions.
- Esken has developed a Roadmap to Net Zero to reduce its Scope 1 by 8% over the next 3-5 years and aims to reduce its Scope 2 emissions to nil by 2030.
- Esken continued to collect and voluntarily reported initial Scope 3 emissions data, with reduction plans under review.
- Esken Renewables again undertook third-party research with Logika Consultants to validate Scope 1-3 emissions data. The research established that whilst Esken produced around 134,925 tonnes of greenhouse gas (GHG) emissions in FY23, it saved the UK 620,000 tonnes of additional GHG emissions (equivalent to taking c.430k cars off the road) by supplying biomass power customers directly or via third parties over 1.1m tonnes of waste wood that would have otherwise gone to landfill, producing methane.
- Esken continued to support its charity partnerships through fundraising and launched a volunteering programme, contributing over 500 hours of volunteering to benefit the communities in which we operate.
- The company established an ESG risk register and put in place ESG performance KPIs linked to Executive remuneration.

Esken at a glance

Esken aims to realise value from its 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 and helps to avoid hundreds of thousands of GHG emissions by diverting waste wood from landfill.

For more information
see pages 16-17

London Southend Airport

London Southend Airport has ambitious plans to become the next major London airport by attracting airlines to its untapped, high-value catchment area serving passengers in the east of London and east of England.

The airport is located within one of the UK's most affluent and fastest growing regions, and residents in this area are currently travelling across Essex and east London to airports to the North, West and South of the capital. London Southend Airport offers a better way for millions of people living within its catchment area.

The team are working round the clock to encourage airlines to add to the five popular routes the airport currently serves and will attract passengers through direct road and rail links with the centre of London, an award-winning quick and easy passenger experience and modern, convenient airport infrastructure.

For more information
see pages 18-19

Investment case

Actively working to dispose of core businesses for value

Esken aims to secure the long-term potential of its core businesses and deliver value for Esken shareholders through a managed disposal process.

The sale of Esken Renewables is at an advanced stage working with a preferred bidder on an exclusive basis, while we have also started the process to sell London Southend Airport.

Asset sale proceeds will be used to repay debt and provide liquidity to the remaining businesses up until the disposal programme has been completed. The successful conclusion of this process will result in the return of value to shareholders.

London Southend Airport is a modern, cost effective London airport offering capacity growth

London Southend Airport has the capacity to grow sustainably as the aviation sector recovers, as a result of its significant catchment area serving the growing and wealthy east of London and the east of England.

Established London airports returning to capacity constraints will accelerate airlines' demand for a new base with a distinct catchment area and good transport connections.

London Southend Airport can respond to this opportunity, benefiting from an award-winning passenger experience, direct trains and the ability to grow meaningfully, with sustainable aviation at its core.

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.

Market review
Esken Renewables

Biomass establishing itself as a truly renewable fuel

Biomass energy generation with associated carbon capture is a truly renewable fuel source. The critical part is the sustainability of the biomass fuel source. Waste wood and forestry by-products are sustainable sources of biomass fuel and this is the market Esken Renewables operates within, providing essential services for waste biomass products. It is not involved with the import of pellets or other virgin products.

How Esken Renewables is responding
Esken Renewables is actively engaging with a range of Government bodies to educate and ensure they understand the importance of sustainably sourced biomass fuel within the UK's renewable energy mix.

Government increasingly sees biomass playing a key part in the UK's transition to net zero

In August 2022 the UK Government launched a consultation on how to support the development of biomass energy generation. It stated that energy generated by biomass plants using sustainably sourced fuel while capturing carbon is a critical part of its net zero ambitions, allowing the UK to produce home-grown energy with 'negative emissions'.

How Esken Renewables is responding
Esken Renewables is engaging with industry groups to ensure they continue to proactively make the case to Government for the important role that biomass can play in UK Energy Security providing more power in Britain, for Britain.

The energy crisis has put increased focus on UK domestic energy generation

The reduction in gas supply from Russia has led countries across Europe to reconsider their energy security and review their ability to meet their energy requirements domestically. Generating more energy through renewable sources has been a particular focus for the UK and biomass power stations will seek to make their case to increase their share of the UK energy mix. The UK's 2050 Net Zero manifesto targets an increase in biomass's contribution from 8% of UK primary energy generation to 15%.

How Esken Renewables is responding
Esken Renewables is working closely with biomass plants across the UK to ensure we can play our role in supplying the fuel to deliver the targeted increase in energy generation contributed by biomass in the UK.

Generating more energy through renewable sources has been a particular focus for the UK.

Nick Dilworth,
Executive Director, Renewables

UK continues to generate waste wood to fuel the biomass sector

The majority of UK biomass plants are supplied with fuel that comes from waste wood. That waste wood is largely sourced from the UK construction industry and Household Waste and Recycling Centres. Market forecasts indicate that the volume of waste wood arising from those sources will continue to keep pace with demand, allowing the UK to maintain stable generating capacity.

How Esken Renewables is responding
Esken Renewables is working with current and potential new waste wood suppliers to ensure there is sufficient material throughout the year and that the supply chain is optimised to support the transition to net zero.

Biomass plants expected to improve operational reliability

The UK's biomass plant infrastructure is still relatively new with many just four years into operation. This period included working under pandemic conditions, which impacted the amount that teams could optimise the infrastructure during that time. The heightened demand for UK generated energy during the last year has also added pressure to operate at full capacity for extended periods.

How Esken Renewables is responding
Esken Renewables is working closely with its biomass plant customers to ensure the fuel that we supply is optimised to each plant's requirements in order to maximise efficiency, and ultimately, receive more fuel.

Market review continued

London Southend Airport

Summer sun is leading the recovery

The aviation market continues to recover with short-haul leisure travel leading the way. Summer sun destinations in Spain, Turkey, Portugal and Greece are performing particularly well. However, business travel and city breaks remain some way behind pre-pandemic levels.

How LSA is responding
London Southend Airport is welcoming the return of flights to popular Summer sun destinations Faro, Palma and Malaga, with easyJet increasing the frequency of flights to Faro.

Budget conscious holidays popular in 2023

The cost of living crisis is not dampening people's enthusiasm for Summer holidays with airlines such as easyJet and TUI reporting their strongest ever forward bookings. But while demand for flights remain high, consumer behaviour is shifting toward booking shorter trips to cheaper destinations.

How LSA is responding
London Southend Airport secured a multi-year partnership with easyJet to grow their portfolio of routes, and build further airline partnerships by delivering a quick and easy passenger experience serving proven Summer sun routes.

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

Lewis Girdwood,
Executive Director, Aviation

The London airport system is filling up

London airports are set to operate at around 94% of pre-pandemic levels this Summer. Flights from London to destinations such as Tenerife and Faro are now far ahead of pre-pandemic levels, while day trip type flights to destinations such as Edinburgh and Munich are still some way off.

How LSA is responding
London Southend Airport is not waiting for other London airports to fill up. Instead, it is having proactive conversations with airlines to offer them early mover advantage to base aircraft at the airport now to secure peak slot capacity while they still can.

Airlines rethinking their priorities

The combination of short-haul demand and the approaching return to capacity constraints means airlines may rethink traditional strategies. Airlines need to optimise revenue. This may lead to prioritising long-haul and high capacity aircraft at larger hub airports, while short-haul capacity moves to smaller airports with lower operating costs.

How LSA is responding
London Southend Airport is delivering a clear message to airlines: make money now by flying proven routes that serve the airport's growing and affluent east London and east of England catchment area.

Hub airports under pressure to get greener

Hub airports such as Heathrow and Amsterdam Schiphol are under the twin pressures of increasing terminal capacity and building new runways, while also reducing noise and emissions. This may create an opportunity for smaller airports that can offer capacity while operating within required emission and noise levels.

How LSA is responding
London Southend Airport is progressing conversations with airlines that can reduce their flight times and fuel requirements by flying into London's most easterly airport while avoiding the spaghetti junction that makes up London's air space.

Business model

Esken's business model is designed to support the managed disposal of its assets and return value to shareholders.

Within that context, Esken has set a strategy to deliver a successful asset disposal programme for our core aviation and renewables businesses. We have set accountability from Board level down through the core businesses and provide them with the support needed to deliver our goals, with the Board monitoring progress.

Strategy setting → Support → Measuring progress →

Strategy setting
Esken undertook a strategic review to consider the best way to tackle high levels of debt incurred as it tackled legacy issues, while also enabling operating businesses to realise their potential. The review concluded that it is in the best interests of stakeholders to dispose of these businesses and use the proceeds to repay debt and fund the remaining businesses through to the conclusion of the disposal programme.

Support
Esken provides a range of support and guidance to its operating businesses. Esken is currently transitioning these support services so that they are embedded within the operating divisions. Doing so will ensure the businesses are well placed following the conclusion of the disposal programme, while also reducing central costs.

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 delivering our strategic goal to create value for our stakeholders.

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

Employees
A successful disposal programme aimed at attracting the right buyers to deliver sustained growth will allow our people to flourish.

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

A successful disposal programme will allow Esken to repay debt and ultimately return value to shareholders.

Communities

Finding the right buyers that are committed to growth 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 strategy is to return value to shareholders by realising value in our aviation and renewables businesses.

We aim to do this by:

01

Ensuring our core operating businesses have the right management structure and reporting lines, and a clear growth strategy that will attract the right buyer as part of the managed disposal process.

FY23 progress
Esken appointed John Upton as CEO of London Southend Airport (LSA) and appointed two people to the LSA Board. As a result, LSA has an experienced, entrepreneurial team in place that is adopting a re-start-up mentality to securing new airlines.

02

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

FY23 progress
Esken developed the governance structure of its ESG framework by placing greater focus on division-led accountability for progress. This will be important as the asset disposal programme progresses.

03

Continuously evaluating our portfolio of non-core assets and realising value. Book value of assets at 28 February 2023 is £43.1m.

FY23 progress
Esken continues 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.

FY23 progress
Esken continues to explore further opportunities to reduce Group Central costs and is actively transitioning Group support roles to the operating divisions. This will result in increased efficiencies in the event of disposals and reduce central costs going forward.

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.

FY23 progress
Having developed a strategic relationship with the Cramlington biomass plant over recent years, Esken Renewables was able to move its biomass fuel supply agreement to an exclusive basis in September 2022 and extended it by six years.

02

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

FY23 progress
Esken Renewables optimised its supply strategy by closing its Port Clarence site, having secured a new sub-supply agreement to replace the service provided by Port Clarence. This is expected to deliver an additional £0.9m of annual recurring EBITDA from 1 April 2023.

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.

FY23 progress
Esken Renewables is always working to identify new strategic supply agreements and during the year secured a sub-supply arrangement in Yorkshire, which started in September 2022.

London Southend Airport

01

LSA's 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.

FY23 progress
LSA continues to progress discussions with a wide range or airlines and in January 2023 signed a multi-year partnership agreement with easyJet to operate from LSA.

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.

FY23 progress
LSA developed its proposition for proven routes and announced the popular return of flights to Amsterdam starting from May 2023 and Paris from October 2023.

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.

FY23 progress
LSA partnered with South East and Central Essex Mind to launch a new volunteering scheme for airport staff. Airport team members contributed 174 hours to supporting the mental health charities' facilities in the Southend area, alongside hosting a fundraising event that raised £15,000 for the local charity.

Strategy in action

Esken Renewables

Evaluating every aspect of its supply chain infrastructure

During the year the Esken Renewables' management team undertook a strategic review of the business in order to optimise its supply chain infrastructure. This review concluded with the difficult but necessary decision to close its Port Clarence storage site.

The original business case for the site was to receive processed fuel to supply a new Port Clarence biomass plant, as well as the Chilton biomass plant. Sadly, the Port Clarence biomass plant was never commissioned. As a result, the site only supplied Chilton biomass plant and was never profitable. Added to this, the site had experienced some local regulatory challenges.

Esken Renewables was able to secure a new sub-supply agreement for the Chilton biomass plant from an alternative source. Esken Renewables then agreed with the landlord to exit the site and relocate its transport operation to an alternative depot in the area.

Securing a new sub-supply agreement for Chilton and closing the Port Clarence site is expected to deliver an additional £0.9m of annual recurring EBITDA from 1 April 2023. The closure of the Port Clarence site also generated a one-off cash inflow of £0.9m after exit costs.

> Securing a new sub-supply agreement for Chilton and closing the Port Clarence site is expected to deliver an additional £0.9m of annual recurring EBITDA.
>
> **Nick Dilworth,**
> Chief Operating Officer

Strategy in action continued

London Southend Airport

Targeting new airline agreements

easyJet relaunched its route from London Southend to Amsterdam which last operated in March 2020. The route to the Netherlands adds further choice for customers in London and across the region, whether they're looking for a short city break or travelling for business. Passengers will also be able to make global connections from Amsterdam Schiphol Airport to onward destinations across the world.

Flights will take off up to four times a week from 24 May 2023, and operate alongside Malaga, Majorca, Faro and Paris from October 2023. The airline also added extra flights to Faro, highlighting the popularity of the Portuguese Summer favourite.

The Amsterdam route was previously very popular and the airport has seen a lot of support from people living within its catchment area as London Southend Airport can offer one of the shortest, fastest routes to Amsterdam thanks to its geographical location. Its location also means flight distances can be minimised, particularly with the airport lying outside of London airspace. This in turn provides a fuel saving.

The addition of the Amsterdam route and increased frequencies to Portugal means the airline will now operate up to 18 weekly departures this Summer – a 30% increase compared with last Summer.

> The new Amsterdam route and increased flights to Portugal means easyJet will operate up to 18 weekly departures – a 30% increase compared with last Summer.
>
> **Nick Dilworth,**
> Chief Operating Officer

Chairman’s statement

David Shearer

I am pleased to present my Chairman’s statement for the year to the end of February 2023. This has been a year when the Group, in common with many other businesses, has faced a number of challenges.

David Shearer,
Executive Chairman

Review of the year

The year has seen continued progress as we streamlined the Group to focus on the core businesses of Renewables and Aviation while completing a medium term debt refinancing in difficult market conditions to support the Group through the implementation of its strategy. The Board decided to undertake a strategic review and concluded that it was in the interests of all stakeholders to pursue a sale of the core businesses. I refer to the detail of this review below but we have made good progress with the sale of the Renewables business at an advanced stage working with a preferred bidder on an exclusive basis. The process for the sale of London Southend Airport (LSA) is now under way.

This was all achieved against the backdrop of the Russian invasion of Ukraine which had an immediate impact on energy prices and a significant knock-on effect on the global economy. This occurred just as the aviation industry was finally emerging from the pandemic and created further uncertainty with our airline customers. In addition, the disruption to global supply chains as they recovered from the pandemic led to strong inflationary pressures across the developed world. The response from central banks was to raise interest rates significantly and tighten money supply, all of which impacted demand. These inflationary pressures and interest rate increases affected the cost base of the Group.

In a year characterised by these significant geo-political and economic events, we continued our journey toward becoming a focussed group with interests in Renewables and Aviation, while managing the exit of non-core assets for value and reducing residual liabilities. These liabilities had arisen through the historical decisions in relation to the guarantee of aircraft lease arrangements by the Group in 2017 which crystallised following the failure of Stobart Air as a result of the pandemic in June 2021. A number of these aircraft had been returned by the year end and the remaining liabilities are due to run off during Q3 of FY24. In total the Group is expecting to have spent £134.2m addressing these matters from the administration of Connect Airways to conclusion, meaning these funds were not otherwise available to reduce debt or invest in the core operations. We continued to streamline the cost base of the Group consistent with the prevailing needs of the business.

In November 2022, we concluded a successful debt fund raising with a medium-term facility of £50m to support the operational needs of the business and settle the final residual liabilities of Stobart Air and Propius. In view of the difficult market conditions for raising debt at that time, the cost of this funding was expensive but gave the Group certainty on its funding needs going forward.

At LSA we changed the entire senior management team to ensure the right leadership was in place to take that business forward through the recovery. These changes were a combination of internal promotions and external recruitment and provide a good blend of knowledge of the operational assets and a fresh perspective on the way forward. It was clear in the second half of the year that aviation demand at London airports would recover to pre pandemic levels and LSA is starting to see the impact of this with a continuing momentum in new routes operating from the airport.

Results

Esken Renewables supplied 1.62m tonnes of fuel to biomass plant customers in the year to 28 February 2023, up 9.4% on the prior year (2022 1.47m tonnes). However, this increase reflected improved demand from biomass plants to which Esken Renewables primarily supplies third party and forestry by-product, which is at a lower margin. Higher margin biomass plants that use waste wood experienced an increased number of unplanned outages, particularly during the winter months. This reduced the total volume of waste wood supplied by Esken Renewables and the associated gate fee income. This in turn resulted in adjusted EBITDA reducing by 9.5% from £20.3m to £18.4m.

Esken Renewables has taken a number of steps to improve margins going forward. The fleet has been optimised to achieve the most efficient use of trucks and drivers, and strong cost control has resulted in lower overheads. Inflationary pressures have been eased by RPI-linked indexation elements within the Division's long-term customer supply contracts, however these are retrospective in a number of cases and as such the full benefit of indexation will not be seen until FY24. Esken Renewables also took the decision to close its Port Clarence site having entered into a new sub-supply agreement to replace the supply provided from Port Clarence. This is expected to deliver an additional £0.9m of annual recurring adjusted EBITDA from 1 April 2023.

We continued our journey towards becoming a focused group with interests in Renewables and Aviation, while managing the exit of non-core assets for value and reducing residual liabilities.

Chairman's statement continued

Whilst LSA maintained adequate staffing levels during the year, staffing challenges elsewhere across the aviation sector led to the removal of planned flights at LSA at various points particularly during the second half of the year. This resulted in passenger numbers reducing by 5.3% from 94k to 89k.

The Aviation division received £1.4m relating to the recovery of previously paid airline marketing support payments and delivered an adjusted EBITDA loss of £3.8m in FY23. In the prior year, the Division reported a loss of £0.8m having benefitted from £3.5m of one-off receipts associated with Connect Airways and the conclusion of the partnership with Teesside International Airport.

The airport continued to make progress despite the residual impacts of the pandemic across the sector. It signed a multi-year partnership with easyJet in January 2023 and easyJet started operating a new route to Amsterdam at the end of May 2023 with Paris staring October 2023. These two new routes will operate year round. The addition of these routes takes the number of destinations easyJet serves from the airport to five including Malaga, Palma and Faro. The airline has also announced an increase in the weekly frequency of flights to Faro.

Central costs were significantly reduced during the year as the business was streamlined whilst there was no repeat of the £4.7m benefit of the onerous lease exit in Non-Core Infrastructure in the prior year. Overall Group adjusted EBITDA reduced by 46.9% to £5.6m (2022 £10.6m). However, the Group benefitted from the reversal of impairment of loan notes and a reduction in property impairments in the year and, as a result, total losses before tax improved by 22.4% to £27.7m (2022 £35.7m).

At year end, the Group's portfolio of non-core assets had an aggregate book value of £43.1m (2022 £39.7m) following the sale of a portion of land in Widnes and the reversal of impairment of loan notes. Esken continues to work to realise the value of its non-core assets and future proceeds will be used to reduce debt and provide working capital as the Group executes its realisation strategy. Since the year end Esken completed the sale of Star Handling Limited for up to £4.8m in May.

Strategic review of operating businesses

At the time of our interim results we announced that a decision had been taken by the Board to conduct a strategic review of the Group's operational businesses. This was prompted by the fact that the two core operating Divisions were recovering at differing rates coming out of the pandemic, there was limited synergy between the two businesses, each had different strategic and financial needs to realise the full potential of its business, and the Group remained financially constrained to support those future growth plans. In common with many companies at the smaller end of the UK listed market, there also appeared to be a disconnect between the share price and the potential value of the businesses on a sum of the parts basis.

The Board worked with Canaccord Genuity in conducting this review and the Board has concluded that the interests of all stakeholders would be best served by seeking a new owner for each of the core businesses through a managed sale process. In each case the Renewables and Aviation businesses will benefit from long term strategic owners with access to capital to support growth ambitions, while offering stability and certainty to staff, customers and suppliers. The market will determine the value of each of these businesses and the proceeds, in conjunction with the ongoing disposal process of the non-core assets, will be used to repay debt, provide working capital and ultimately return value to shareholders.

In view of the different rates of recovery of the businesses we initiated a sale of the Renewables business first and are at an advanced stage of process with a preferred bidder now undertaking due diligence. We have also started the process for LSA which is the key strategic asset within the Aviation business. The market for aviation has improved significantly over the last six months with most external analysis suggesting that capacity use at London airports will have returned to pre pandemic levels this Summer. We would expect to see continuing positive moves by our airline partners in the months ahead which will offer support to our market approach. LSA was a proven airport in the pre pandemic period and is a key strategic asset in the provision of passenger air services to London at a time when peak time slots are starting to become constrained once more. The Board is of the view that the airport has strong potential within the right ownership structure along with capital to support its medium to long term growth ambitions.

In May 2023 we announced the sale of Star Handling, our ground handling business with operations at Manchester and Stansted Airports, while retaining the ground handling capability at LSA to support the airport. While this business had been successful in winning contracts and delivering for its airline clients it remained sub scale in a market dominated by major international competitors and we took the opportunity to exit for value at this time.

As we progress with these disposals we are reducing the underlying cost base of the Group to a level sufficient to support the remaining operations, including an exit from the residual non -core assets. In line with this approach we are exploring a move to the Standard segment of the Main Market at the time of completing the disposal of Renewables. The Board believe that moving from the Premium segment will have a limited effect on shareholders but will allow us to reduce the costs of being a listed business while making it easier from an administrative point of view to conclude the final delivery of the strategy. Once there is clarity on the outcome of the sale processes we will review the appropriate means to return value to shareholders.

Environmental, social and governance

We have continued to build on the last two years of our ESG journey by increasing the ownership and delivery within our operating divisions. In light of the outcome of the strategic review the divisions have further enhanced their own governance structure to include a Steering Group, Working Groups and ownership and oversight of their own individual implementation plans and KPI tracking.

We understand the importance of developing our plans to reduce our carbon footprint and this year have developed Net Zero Roadmaps for our operating divisions that aim to bring our carbon footprint to zero by 2040. These roadmaps are aligned with each division's growth plans.

Our colleagues have continued to build relationships and fundraise for our charitable partnerships. A partnership has been developed with the Co-op Levy Share to contribute a percentage of Esken's apprenticeship levy to community partners to take on apprentices. An employee volunteering programme was also launched during Volunteers' Week and our colleagues contributed over 500 hours of volunteering in the local community. Not only did this benefit the chosen cause, but also provided invaluable team building opportunities.

Board and people

I would like to express my personal thanks to my Board and all of our colleagues at Esken for their hard work and support over the last year. It has continued to be a challenging time for everyone and I appreciate the efforts and dedication of our staff through this difficult period. I do appreciate that the decisions taken following the strategic review of our operating businesses creates an element of uncertainty as to the future, in particular for those people who work in the Group support areas at the centre. In making the decision to sell the core operating businesses we will have regard to ensuring that new owners will offer long term security to the workforce and the opportunity for these businesses to grow. Throughout the implementation period, the senior management team and myself have engaged actively with staff affected and will offer support for those who need to seek new roles outside the Group.

We have deferred any decisions around future Board composition given the future direction of the Group. In particular, while recognising that the Group does not meet the diversity targets in respect of either gender or ethnicity, the skill sets which we have around the Board table are best placed to support the Group through its realisation strategy. The Board has decided against adding additional Board members in view of the revised strategic objectives.

Future

A successful conclusion to the sale process for Renewables will allow the Group to reduce its core debt significantly while providing working capital to facilitate the managed reduction of Group support functions, facilitate the exit of the remaining non-core assets and support the liquidity needs of LSA through to its sale. There is no set timescale on the completion of the airport sale as the Board wishes to ensure that the value is optimised from a shareholder perspective as aviation continues to recover. Following the completion of these steps the remaining value will be returned to shareholders.

David Shearer
Executive Chairman
20 June 2023

Key performance indicators

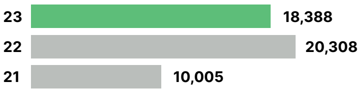
We assess the Group's performance according to a wide range of measures and indicators. Our key performance indicators (KPIs) help the Board and Executive management team measure performance against our strategic priorities and business plans.

Esken Renewables

Revenue (£'000)

Renewables revenue increased by 17.7% driven by RPI-linked indexation elements within the division's long-term customer supply contracts and an increase in supplier demand.

Adjusted EBITDA[1] (£'000)



Reductions in gate fees and the challenges of unplanned shutdowns at customer plants have resulted in a £1.9m decrease in adjusted EBITDA.

Divisional operating cash flow[2] (£'000)

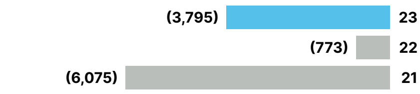
A £4.1m decrease in cash flow from operating activities, driven by worsening of adjusted EBITDA and large working capital receipts received early prior to the start of the current year.

London Southend Airport

Revenue (£'000)

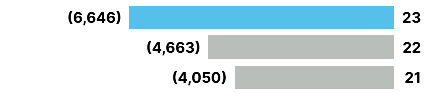
Aviation revenue increased by 8.7% due to improved performance of the hotel, solar farm and Star Handling, partly offset by a £1.5m receipt related to Teesside International Airport in the prior year which has not been repeated.

Adjusted EBITDA[1] (£'000)



Adjusted EBITDA loss increased mainly due to £3.5m of one-off benefits in the prior year related to Connect Airways and Teesside International Airport not being repeated. Savings in airline marketing costs helped mitigate the adverse movement.

Divisional operating cash flow[2] (£'000)



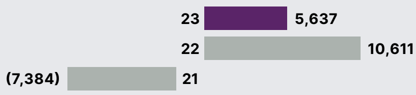
Reduction due to one-off receipts for Teesside and Connect in the prior year cash profit, partially offset by recovery of airline marketing costs in the current year.

Group: Financial

Revenue (£'000)

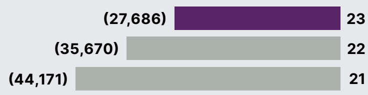
Revenue has increased by 14.7% to £120.0m, mainly due to RPI-linked customer contracts in the Renewables division and strong performance of the hotel and solar farm in Aviation.

Adjusted EBITDA[1] (£'000)



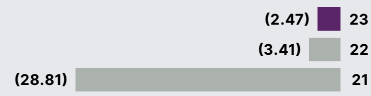
Group adjusted EBITDA reduced by £5.0m to a profit of £5.6m mainly due to £8.2m of one-off adjustments in the prior year. Stripping these out there has been a like-for-like adjusted EBITDA improvement.

Loss before tax (£'000)



The decrease in adjusted EBITDA has been outweighed by a £7.3m reversal of loan note impairment and a reduction in impairments of property assets, resulting in a loss before tax improvement of £8.0m to a loss of £(27.7)m.

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 increased from prior year mainly due to the settlement of legacy Propius liabilities, cash used in continuing operations and interest accrued on the Carlyle convertible loan.

Group: ESG

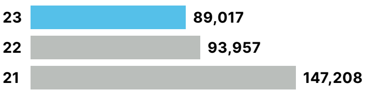
Tonnes supplied (MT)

There was an overall 9.3% increase in tonnes supplied to customers, consisting of an increase in volumes supplied on lower margin contracts and a decrease in volumes to higher margin contracts which were impacted by unplanned plant shutdowns.

Volume of waste wood received (MT)

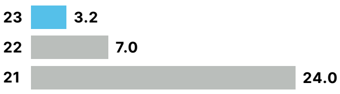
The competitive market for waste wood, in addition to the reduced ability of several processing sites to take in material during times of unplanned customer plant closures, resulted in a 4.8% reduction in waste wood received.

Total passenger numbers at LSA



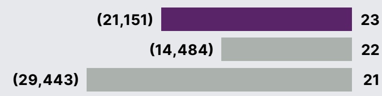
Challenges in the aviation sector led to the removal of planned flights during Summer 2022 driving a 5.3% reduction in passenger volume.

Cargo tonnage (thousand tonnes)



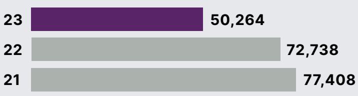
The ending of the contract with London Southend Airport's global logistics partner in September 2022 led to the 54.3% reduction in cargo tonnage.

Cash flow from operating activities (£'000)



A reduction in cash profit in addition to demands on working capital has resulted in Group cash flow generated from operating activities reducing by £5.7m.

Headroom (£'000)



The Group had £50.3m of cash headroom available at the year end, driven by the term loan £44.8m, offset by cash outflows for working capital, discontinued operations and lease payments.

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.

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.

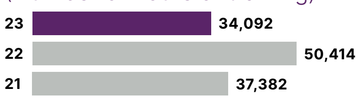
Taking climate action (Tonnes CO_2 per £m of revenue)

These figures for CO_2 represent the equivalent amounts of CO_2 for greenhouse gases for Scope 1 and 2 emissions and using FY19 as baseline data. For more information see page 60.

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.

* Scope 1-2.

Financial review

Lewis Girdwood

Following the Board's strategic review, we now have a roadmap to realising the Group's underlying value for all shareholders.

Lewis Girdwood,
Chief Financial Officer

Strategic review

The Board has concluded that it is in the best interests of all stakeholders to secure the long-term potential of the Group's operating divisions, Esken Aviation and Esken Renewables, and deliver value for the Esken shareholders through a managed disposal of both of the businesses. A sale process for Esken Renewables is at an advanced stage working with a preferred bidder on an exclusive basis. A sale of the Aviation business will focus on London Southend Airport (LSA) with the aim of securing a buyer with the capital to drive growth at the airport over the long term.

Renewables

Adjusted EBITDA for the division was lower than anticipated at the start of the financial year at £18.4m due to a number of challenges. An increased number of unplanned shutdowns at customer plants have resulted in a lower than expected supply of biomass material by the division, along with increases in associated costs. Gate fee income has been reduced as a result of a more competitive market for waste wood impacting volumes and prices, in addition to the reduced ability of several processing sites to take in waste wood during times of unplanned customer plant closures. The transport margin has been adversely affected by high fuel costs and the rollover impact of wage inflation due to driver shortages last year. The division has taken mitigating actions to counter these challenges: the fleet size has been reduced to achieve the most efficient use the trucks and drivers, and strong cost control has resulted in lower than anticipated overheads. Inflationary pressures have been eased by RPI-linked indexation elements within the division's long-term customer supply contracts. However, these are retrospective in a number of cases and as such the true benefits of indexation will not be seen until FY24.

Aviation

The division serviced three routes for passenger flights during the year, however airline take up of available slots at the airport was lower than expected and passenger numbers are still well below pre-COVID-19 levels. Due to the slow take up management decided that the best course of action was for LSA to be closed to commercial flights for Winter 2022/2023. The division's cargo contract with its global logistics partner ceased in September 2022 resulting in an estimated £3.8m reduction in adjusted EBITDA for FY23 and FY24. These downsides have been partly offset by cash benefits of receipt of airline marketing costs and a number of commercial initiatives including filming and other media opportunities.

LSA has secured a multi-year agreement with easyJet. The airline will operate a new route to Amsterdam, in addition to the three existing destinations of Malaga, Majorca and Faro. For the Summer 2023 season LSA will operate around 30% more flights in Summer 2023 than in Summer 2022 due to the new route and an increase in the number of flights to Faro.

Liquidity

On 9 November 2022, the Group signed a three-year £50m term loan agreement, see note 22 for further details. The new loan will be used to settle maintenance and lease liabilities in Propius, fees payable for cancellation of the old Revolving Credit Facility (RCF) and entry into the facility itself, and provide working capital for the Group. This loan was fully drawn on 15 December 2022 and on the same day the Group cancelled its £19.1m RCF with Lloyds and AIB. Going forward, the Group will operate all corporate banking through Barclays. The Group's headroom at the year end is £50.3m and includes £5.3m of ring-fenced cash in LSA. The Group also has non-core assets with a net book value of £43.1m.

Non-core assets and sale of Star Handling

In August 2022, the Group disposed of another plot of land at Widnes for £3.5m at net book value. Management is exploring a number of options for the Group's remaining non-core assets.

On 15 May 2023, the Group disposed of Star Handling Limited, our ground handling business with operations at Manchester and Stansted Airports, to Skytanking UK Ltd for a maximum cash consideration of £4.8m.

Discontinued operations

Four of the eight ATR aircraft leased by Propius have been successfully returned to the lessor by the year end, with the remaining four to be returned in the period to September 2023. The Group agreed the early hand back of two of the four aircraft returned, resulting in maintenance savings of £2.0m. At 28 February 2023, the Group has c.£25.2m of obligations relating to leases, maintenance and other aircraft-related costs, that will be settled within one year, see note 33 for breakdown of the costs. The remaining costs have been fully provided for in these financial statements.

Revenue

	2023 £m	2022 £m	Movement
Renewables	**93.7**	79.7	17.7%
Aviation	**25.5**	23.4	8.7%
Revenue from two main operating divisions	**119.2**	103.1	15.6%
Investments	**–**	–	0.0%
Non-Strategic Infrastructure	**0.6**	0.7	-7.1%
Group Central and Eliminations	**0.2**	0.8	-79.6%
Total revenue	**120.0**	104.6	14.7%

Revenue from continuing operations has increased by 14.7% to £120.0m. Revenue from our two main operating divisions, Renewables and Aviation, has increased by 15.6% to £119.2m. RPI-linked contracts in the Renewables division have been the main driver of the increase in the division's revenue year-on-year. Revenue in the Aviation division increased due to improved performance of the hotel, solar farm and Star Handling, partly offset by a £1.5m one-off receipt in the prior year related to Teesside settlement not repeating in the current year.

Financial review continued

Profitability

	2023 £m	Restated[1] 2022 £m	Movement
Adjusted EBITDA[2]			
Renewables	**18.4**	20.3	-9.5%
Aviation	**(3.8)**	(0.8)	-390.9%
Adjusted EBITDA from two main operating divisions	**14.6**	19.5	-25.3%
Investments[3]	**–**	–	0.0%
Non-Strategic Infrastructure	**(1.7)**	3.3	-151.8%
Group Central and Eliminations	**(7.3)**	(12.2)	41.0%
Adjusted EBITDA	**5.6**	10.6	-46.9%
Depreciation	**(18.3)**	(20.7)	
Impairments	**(1.0)**	(6.0)	
Operating loss	**(13.7)**	(16.1)	
Reversal of impairment of loan notes	**7.3**	–	
Finance costs (net)	**(20.7)**	(19.2)	
Share of post-tax losses of associates and joint ventures[3]	**(0.6)**	(0.4)	
Loss before tax	**(27.7)**	(35.7)	
Tax	**2.5**	9.9	
Loss for the year from continuing operations	**(25.2)**	(25.8)	
Loss from discontinued operations, net of tax	**(0.0)**	(2.4)	
Loss for the year	**(25.2)**	(28.2)	

1 The 2022 results have been restated where required due to prior period adjustments, see note 34.

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.

3 In the prior year the share of post-tax losses of associates and joint ventures was presented as part of adjusted EBITDA. This year it is presented on its own line as part of the loss before tax.

Adjusted EBITDA and profit before tax are the Group's key measures of profitability. Adjusted EBITDA has decreased by 46.9% to £5.6m (2022: £10.6m) and the loss before tax has decreased by £8.0m to £27.7m (2022: £35.7m).

In the Renewables division, performance has been hit by unplanned shutdowns of customer plants and the impact of market pressures on gate fee receipts, leading to a 9.5% decrease in adjusted EBITDA to £18.4m (2022: £20.3m). The Aviation division adjusted EBITDA loss has increased by 390.9% to £3.8m (2022: £0.8m) primarily due to one-off receipts in the prior year of £3.5m associated with Connect Airways and the conclusion of the partnership with Teesside International Airport not being repeated in the current year.

In the Non-Strategic Infrastructure division a £4.7m one-off receipt in the prior year relating to the agreement to exit a long-term onerous property lease has not been repeated in the current year. This is the main driver of the decrease in adjusted EBITDA to a £1.7m loss (2022: £3.3m gain). The Group Central and Eliminations division's adjusted EBITDA loss decreased by 41.0% to £7.3m (2022: £12.2m) mainly due to one-off legal fees and an increase in the provision for part 1 claims relating to LSA in the prior year which have not been repeated.

Business segments

The business segments reported in the financial statements are Renewables, Aviation, 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), increased by £1.0m (2022: £1.2m decrease) due to an increase in the LDG share price. The gain on revaluation of the investment to current market share price is presented in the consolidated statement of comprehensive income.

The Non-Strategic Infrastructure division continues to realise value from its property assets when the time and price is right. At 28 February 2023, the book value of Infrastructure assets held was £43.1m (2022: £39.7m). During the year, there was a disposal of a portion of Widnes land generating net proceeds of £3.5m (2022: £nil). Following commercial discussions regarding a potential disposal of the Group's investment in, and shareholder loan notes issued to, Mersey Bioenergy Holdings Limited (MBHL), the Group recognised a reversal of impairment of the loan notes from £nil to £7.3m.

Depreciation

Depreciation has reduced from £20.7m to £18.3m due to an overall reduction in the asset base across the Group.

Impairments and reversal of impairment of loan notes

There was an impairment of £1.0m of assets relating to the Port Clarence site in the Renewables division ahead of the disposal of the site post year end. The £7.3m reversal of impairment of MBHL loan notes is presented on a separate line, impairment of loan notes, on the consolidated income statement.

Net finance costs

Finance costs increased by £3.3m to £24.8m, mainly due to full year's interest charged on the CGI convertible debt instrument in the current year, but only part year in the prior. Finance income increased by £1.8m to £4.0m primarily due to gains on the revaluation of Esken Limited's intercompany US Dollar denominated loan with Propius.

Tax

The tax credit on continuing operations of £2.5m (2022: £9.9m) reflects an effective tax rate of 9.1% (2022: 27.7%). The effective rate is lower than the standard rate of 19%, mainly due to the net release of provisions relating to uncertain tax positions. 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
The results of Propius, our aircraft leasing business are presented as discontinued as it is abandoned in line with the IFRS 5 definition of a discontinued operation. The decrease in the loss from discontinued operations of £2.4m to £0.1m is primarily due to the provision of maintenance and other aircraft related costs being made in the prior year.

Loss per share
Loss per share from continuing operations was 2.47p (2022: 3.12p). Total basic loss per share was 2.47p (2022: 3.41p).

Balance sheet

	2023 £m	Restated[1] 2022 £m
Non-current assets	**352.7**	359.3
Current assets	**86.2**	89.2
Non-current liabilities	**(272.7)**	(244.9)
Current liabilities	**(126.3)**	(133.0)
Net assets	**39.9**	70.6

The overall value of property, plant and equipment (PPE) of £263.4m (2022: £269.9m) has decreased in the year mainly due to the depreciation charge across the Group and the impairment of Port Clarence assets, partly offset by the reclass of Widnes land from property inventories, and fixed asset additions related to terminal improvements at LSA and plant and machinery in Renewables.

There has been a £7.3m reversal of impairment of MBHL loan notes and a £3.1m increase in trade receivables, offset by a £10.8m decrease in property inventory and a £2.5m decrease in cash, see following section on the major cash flows in the year.

Non-current liabilities have increased from £244.9m to £272.7m. In the year a £44.8m liability was recognised on the balance sheet relating to the term loan and an interest accrual of £12.2m on the CGI convertible debt. These increases are partially offset by a £19.3m reduction in lease liabilities, due to capital repayments, and a £13.3m reduction in non-current provisions, mainly due to maintenance payments.

Current liabilities have reduced mainly due to a reduction in corporation tax provisions.

Debt and gearing

	2023	Restated[1] 2022
Loans and borrowings	**£340.4m**	£300.0m
Cash	**£(50.3m)**	(£52.7m)
Net debt	**£290.1m**	£247.3m
Adjusted EBITDA/interest	**0.2**	0.6
Net debt/total assets	**66.1%**	55.1%
Gearing	**726.8%**	350.5%

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

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 signed a three year £50m term loan, following the loan the £19.1m RCF with current bank lenders was cancelled.

Cash flow

	2023 £m	2022 £m
Operating cash flow	**(10.5)**	3.2
Investing activities	**9.6**	(5.2)
Financing activities	**22.4**	82.2
Increase in the year	**21.5**	80.2
Discontinued operations	**(24.9)**	(39.9)
Restricted cash	**1.0**	–
At beginning of year	**52.7**	12.4
Cash at end of year	**50.3**	52.7

Discontinued cash flows in the year relates to Propius lease, maintenance and other aircraft related costs.

Restricted cash relates to money held in escrow within the Renewables division as security for one of its contracts.

Investing activities include inflows of £3.5m received from the sale of a portion of Widnes land, £2.2m from the sale of PPE and £1.7m for the receipt of the capital element of net investment in leases.

Financing activities includes net proceeds from the term loan of £44.8m. Offsetting this there were outflows of £16.4m for the repayment of the capital element of lease obligations and £6.8m for interest payments.

Lewis Girdwood
Chief Financial Officer
20 June 2023

Operational review
Renewables

Esken Renewables supplied 1.62m tonnes of fuel to biomass plant customers in the year to 28 February 2023, up 9.4% on the prior year (2022 1.47m tonnes).

However, this increase reflected improved demand from biomass plants to which Esken Renewables primarily supplies third party and forestry by-product, at a lower margin. Higher margin biomass plants that use waste wood experienced an increased number of unplanned outages, particularly during the winter months. This reduced the total volume of waste wood supplied by Esken Renewables and the associated gate fee income. Ongoing fluctuations in UK construction supply chains also led to a market wide reduction in waste wood, further impacting gate fee income and margins.

The overall increase in volume supplied resulted in revenue increasing 17.7% to £93.7m (2022 £79.7m) but the reduction in higher margin waste wood income resulted in adjusted EBITDA reducing by 9.5% from £20.3m to £18.4m.

Margins are expected to improve as biomass plant customers continue to better understand their infrastructure and optimise performance. Margins will also be supported by continued annual contracted indexation revisions that reflect the cost inflation experienced during the year. RPI linked contracts for two of the six largest plants were revised to reflect higher costs in April 2022 with a further two revised by the end of the first half of the financial year. The remaining two contracts were revised in January 2023.

Further steps were taken to optimise ongoing margins through the closure of Esken Renewables' Port Clarence processing and storage site, which had originally been built to service the Port Clarence biomass plant, which was never commissioned. The processing site had never been profitable as a result.

Esken Renewables took the decision to close the site having entered into a new sub-supply agreement to support the Chilton Biomass plant, replacing the supply provided from Port Clarence. The sub-supply agreement and closure of Port Clarence is expected to deliver an additional £0.9m of annual recurring EBITDA from 1 April 2023.

A new sub-supply arrangement in Yorkshire and the Cramlington supply contract moving to an exclusive basis from September 2022 will also support improved recurring revenues going forward, and Esken Renewables continues to seek further supply agreements and strategic partnerships.

Nick Dilworth
Chief Operating Officer
20 June 2023

Key points

- The overall increase in volume supplied resulted in revenue increasing 17.7% to £93.7m (FY22: £79.7m).
- EBITDA reduced by 9.5% from £20.3m to £18.4m.
- Margins are expected to improve as biomass plant customers continue to better understand their infrastructure and optimise performance.

Operational review continued

London Southend Airport

The Aviation Division saw a return of passenger flights in summer 2022 and this momentum has continued into the 2023 season.

In the prior year, the Division reported a loss of £0.8m having benefitted from £3.5m of one-off receipts associated with Connect Airways and the conclusion of the partnership with Teesside International Airport. The adjusted EBITDA loss of £3.8m included positive contributions from the airport hotel, London Southend Jet Centre, and Star Handling.

The aftereffects of the pandemic continued to impact the aviation sector during the year. Whilst LSA continued to maintain adequate staffing levels, several aviation businesses saw their staffing numbers reduce during the last two years and the industry experienced challenges in recruiting people back into aviation. During the summer months, many airline staff also went on strike, causing airlines to both continue to retrench to traditional hub bases and remove flights if there weren't staff available to operate them. The challenges elsewhere in turn led to the removal of planned flights at LSA at various points over the summer, reducing passenger numbers by 5.3% from 94k to 89k.

LSA has continued to position itself for recovery despite the legacy challenges that followed the pandemic. This recovery will be built on having in place a strong management team that is taking a proactive approach to airline engagement while continuing to develop the airport proposition.

John Upton joined the airport team as CEO in September 2022 and has sought to engender an entrepreneurial spirit in the business. John leads a new management team with the Finance Director and Business Development Director appointed toward the beginning of the year under review. They are joined by a recently promoted operations and commercial directors in a newly formed operational Board.

That team are regularly engaging with airlines on both based and non-based flying, using the data from 40 previously proven routes to indicate the profit opportunities arising from operating at LSA.

Key points

- Passenger numbers during the year reduced by 5.3% from 94k in FY22 to 89k in FY23.
- The Aviation division delivered an adjusted EBITDA loss of £3.8m in FY23 compared to a loss of £0.8m in the prior year when it benefitted from £3.5m of one-off receipts relating to Connect Airways and Teesside International Airport.

London Southend Airport is making the case for profitable and sustainable growth capacity now.

Those airlines are increasingly aware that London's traditional airport hubs are now very close to pre-pandemic operating levels and that peak slot capacity is reaching a cliff edge. LSA is therefore making the case for profitable and sustainable growth capacity now, serving the fast-growing east London and east of England catchment area. Direct rail access to London Liverpool Street and Stratford, the UK's busiest train station, with further connections to the Elizabeth Line 30 minutes away in Shenfield also add to the attractiveness of the airport's location.

The airport's affluent and growing catchment area, direct, quick rail access to London and modern airport infrastructure were important factors that led to LSA signing a multi-year partnership with easyJet in January 2023. easyJet started operating a new route to Amsterdam at the end of May 2023 with Paris staring October 2023. These two new routes will operate year round. The addition of these routes takes the number of destinations easyJet serves from the airport to five including Malaga, Palma and Faro. The airline has also announced an increase in the weekly frequency of flights to Faro.

LSA will also aim to build on its positive engagement last Summer with airlines following a small number of flights that were added by Blue Air to Bucharest, Sky Express to Athens and Wideroe to Bergen in late July. The airport team will also continue to explore further logistics opportunities following a successful operation supporting a new logistics partner on a temporary basis from January through to March 2023.

The Board of Esken believe LSA has the potential to grow well beyond the 2.1m passengers that it welcomed in FY20. The Board concluded that the best way to help the airport achieve this potential, and deliver value for Esken shareholders, is through a managed disposal process. A key objective will be to find the right buyer with the capital to support the growth prospects of the airport over the long term and benefit airline partners, customers and local stakeholders.

Lewis Girdwood
Chief Financial Officer
20 June 2023

Sustainability report
Nick Dilworth

Against a backdrop of challenging headwinds we have continued to build on the last two years of our ESG journey and have developed policies and programmes to enhance the positive impact made in our local communities, produced further plans to reduce Esken's carbon footprint and developed plans towards Net Zero.

Nick Dilworth
Chief Operating Officer

Esken has a robust governance structure to drive continuity, accountability and transparency. This governance structure is set out in detail in this report. As an evolution of the approach to embedding a positive culture towards ESG, for FY24 we have ensured that each of the operating divisions has the governance structure, strategy and delivery plans in place, along with measurable KPIs to maintain progress. A newly established Working Group structure and Steering Group for each operating divisions will help further develop their individual policies and programmes. This also helps address the outcomes from the strategic review.

Our ESG governance structure aims to bring a cultural change throughout the business. The ESG Board Sub-Committee ensure the PLC Board have full oversight of ESG delivery and progress, while the accountable body is the Steering Group who manage the risks and opportunities of ESG. Colleagues who support the implementation of ESG through the Working Groups are delivering against the agreed five-pillar framework and delivery plan.

This year across the five-pillar framework the Steering Group developed reportable KPIs, which have been set out in this report. These KPIs have been monitored throughout the year and have been linked to the Executive Directors' remuneration. This is the first year of this new approach to monitoring and reporting progress and aligns the sponsorship of ESG across the business.

Esken has further embedded ESG risk across the business into each of the operating companies and the core corporate functions, and this is reported in the taking climate action section of this report, as part of the Climate-Related Financial Disclosures (TCFD) statement.

Esken has for the second year reported against the TCFD guidelines and disclosures. Each of the TCFD recommended disclosures and the related recommendations covering Governance, Strategy, Risk Management and Metrics & Targets are on pages 57 to 61. Mitigating the environmental impact of the operating divisions remains a focus. Colleagues have been continuing to work on data collection and reporting, and this has informed Esken's first Roadmap to Net Zero. The Roadmap has been developed for each operating division and reduction plans have been set out in this report.

The social impact programmes have developed further to bring about more positive impact in the local communities of the operating companies. Colleagues have continued to build relationships and fundraise for the charitable partnerships. A partnership has been developed with the Co-op Levy Share to contribute a percentage of Esken's apprenticeship levy to community partners to take on apprentices. An employee volunteering programme was launched during Volunteers' Week and our colleagues contributed over 500 hours of volunteering in the local community. Not only did this benefit the chosen cause, but also provided invaluable team building opportunities.

The overall ESG strategy has been enhanced throughout the year. Esken, as members of Business in the Community, participated in the Responsible Business Tracker. This helped inform Esken's ESG strategy and further supported the individual operating divisions' delivery plans.

Nick Dilworth
Chief Operating Officer
20 June 2023

Sustainability report continued

Governance

The ESG five-pillar framework and strategy has been developed on the materiality assessment and materiality matrix. The overall strategy has enhanced following the participation of the Business in the Community Responsible Business Tracker. We also continue to work to align our priorities to the UN Sustainability Goals.

The governance structure supports the development of ESG metrics to measure and monitor progress. Each pillar has established KPIs and these are linked to Executive remuneration and ESG performance. Individual colleagues also have ESG embedded into their appraisals.

The business continues to develop its risk register to embed ESG across all business divisions and core group functions. We have maintained our investment in public policy to keep abreast of new legislation and regulations emerging and to meet all future compliance needs including the TCFD.

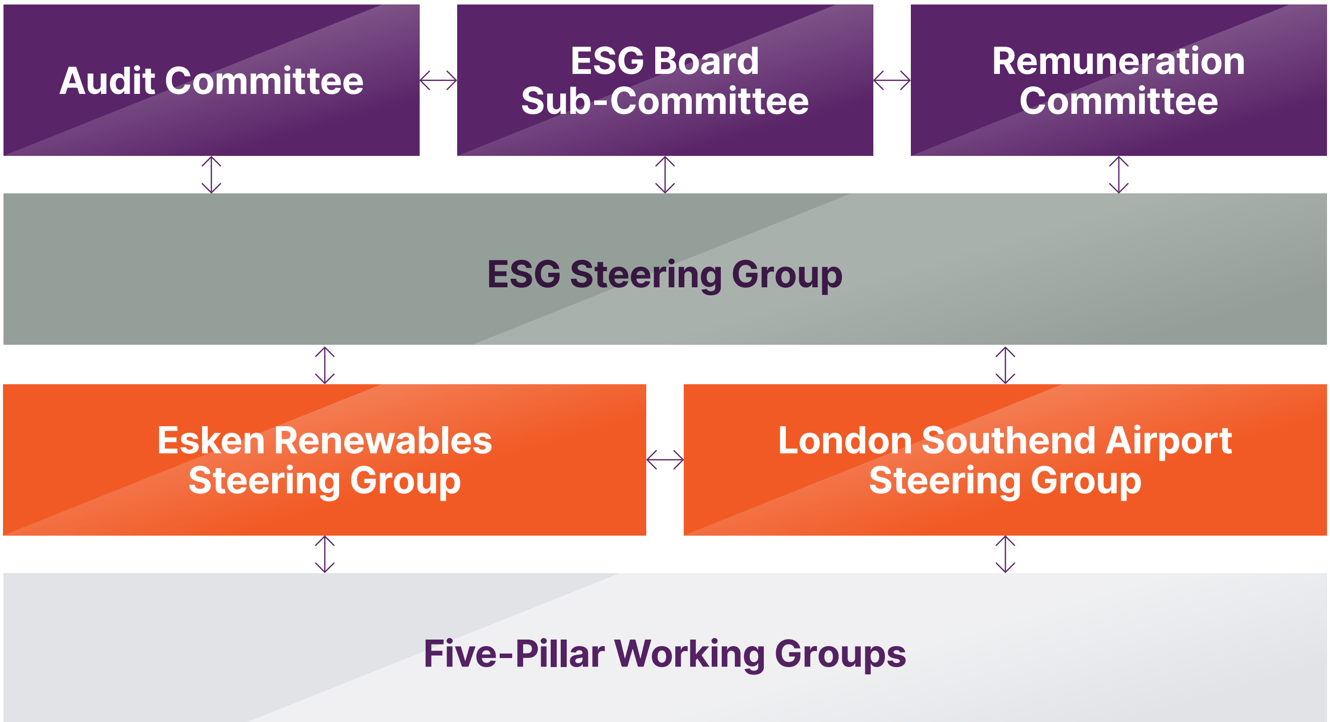
The structure we have established at Esken ensures each one of these areas is addressed through the process. There are three main layers of the governance structure, being Working Groups, Steering Group and ESG Board Sub-Committee. As part of the evolution to embed an ESG culture across the business, the governance structure will be enhanced across the business divisions to continue to deliver the ESG programme. Furthermore, this approach will afford flexibility to cater for the conclusion of the strategic review by Esken.

From the bottom up we have established Working Groups that meet monthly to monitor the progress of each of the implementation plan deliverables under each of the five pillars. These Working Groups consist of representatives of each of our divisions. As part of the transition process each Working Group will increase representation from across the divisions. This increase will support further engagement, drive continued cultural change across the businesses and improve continuity for the transition period.

The accountable body for ESG delivery is the Steering Group. The updates from the Working Groups are reviewed by the Steering Group to keep the delivery plans on track and for all approvals. To bring more accountability at divisional level we are introducing an additional Steering Group within the divisions that will be accountable for reviewing each divisional Working Group and their individual implementation plans. The Group wide Steering Group will still meet to ensure delivery against the overall implementation plan and that all regulatory and legal compliance is in place.

> A strong governance programme drives accountability, continuity and transparency and is responsible for setting strategy, identifying risks and opportunities and ensuring we are legally compliant.

The ESG Board Sub-Committee will continue to meet monthly where all the updates from Working Groups and the Steering Group are discussed and reviewed.



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.

Sustainability report continued

ESG KPIs

Esken established reportable KPIs to measure progress against the strategy. These reportable KPIs have been linked to Executive Directors' remuneration.

Building sustainable communities

To be a good neighbour by having a positive social impact in the communities in which we operate.

p42

KPIs to achieve this are:

Objective	Achievement against target
Each division will have a charity partnership and match fundraising activity up to £5k for each partnership	100% achieved. Each of the charity partnerships received funding from the business in addition to the fundraising by colleagues.
Deliver an employee volunteering programme and commit to 500 hours of volunteering across the Group	100% achieved. 502 hours of volunteering given back to the local community.
Steering Group members to join BITC's mentoring programme	0% achieved. In light of the strategic review the timeline has been delayed.

Developing our people

Becoming an Employer of Choice.

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

p46

KPIs to achieve this are:

Objective	Achievement against target
Managers to complete the appropriate level of management development as detailed in the Esken Ascend Management and Leadership Programme Through the ASPIRE programme we have three development programmes for junior, middle and senior leaders. All line managers participating in one of the three programmes, some colleagues have completed or are in progress with more than one of them: 1. **Management Essentials** – a suite of e-learning modules for all managers below Executive level. 2. **Apprenticeship programmes** to gain formal qualifications, CMI accredited at Levels 3, 5 and 7. 3. **Leadership Framework** for review against the Esken Leadership Competence Framework.	100% achieved. Currently 100% of line managers are enrolled in one of the three programmes we have available, and we also support a range of future managers on the Level 3 programme as well as a shorter Management Essentials programme, enabling our top talent to gain valuable and relevant training and development.
Improve engagement levels with our people as measured by our staff surveys	0% achieved. Employee Engagement has reduced by 3% overall since the last survey.
Complete Gender Pay Gap report (FY22)	100% achieved. Reported and submitted on 3 April 2023.
Complete Ethnicity Pay Gap reports (FY21 & FY22)	100% achieved. Reported and submitted on 3 April 2023.
Equal Pay audit (FY22)	0% achieved. In light of the strategic review the timeline has been delayed.

Sustainability report continued

ESG KPIs continued

Excelling in health, wellbeing, safety and security

To embed visible, felt leadership within the senior management team.

p50

KPIs to achieve this are:

Objective	Achievement against target
All senior managers to attend a cultural safety workshop	100% achieved. An external Cultural Safety Leadership event was held in December with colleagues attending either in person or, due to adverse weather, virtually via Teams.
All senior managers to complete a predetermined number of safety leadership tours	100% achieved. Target was exceeded with 271 tours completed against a target of 252, giving a final result of 108%.
All Esken Group welfare facilities to be assessed for regulatory compliance and where necessary brought up to minimum standard	100% achieved. All 28 facilities were inspected this year.
Managers to perform a formal wellbeing check-in with their teams	76% achieved. Of the 367 employees who participated in the appraisal and my check in process, 76% had a formal wellbeing discussion. Next year all employees will participate in the appraisal process or my check in process.

Taking climate action

To create a Roadmap to Net Zero to help the UK deliver on its Net Zero carbon emissions target.

p56

KPIs to achieve this are:

Objective	Achievement against target
To submit data to measure and report GHG emissions	100% achieved. The data gathered has been used to calculate Esken's overall carbon footprint.
To voluntarily report Scope 3 GHG emissions	100% achieved. The data collected has been reported in the taking climate action section.
To achieve external verification on baseline data and Roadmap to Net Zero with Science Based Approach	50% achieved. The Roadmap is complete and reduction targets set against the plan. However time constraints did not allow for external verification.

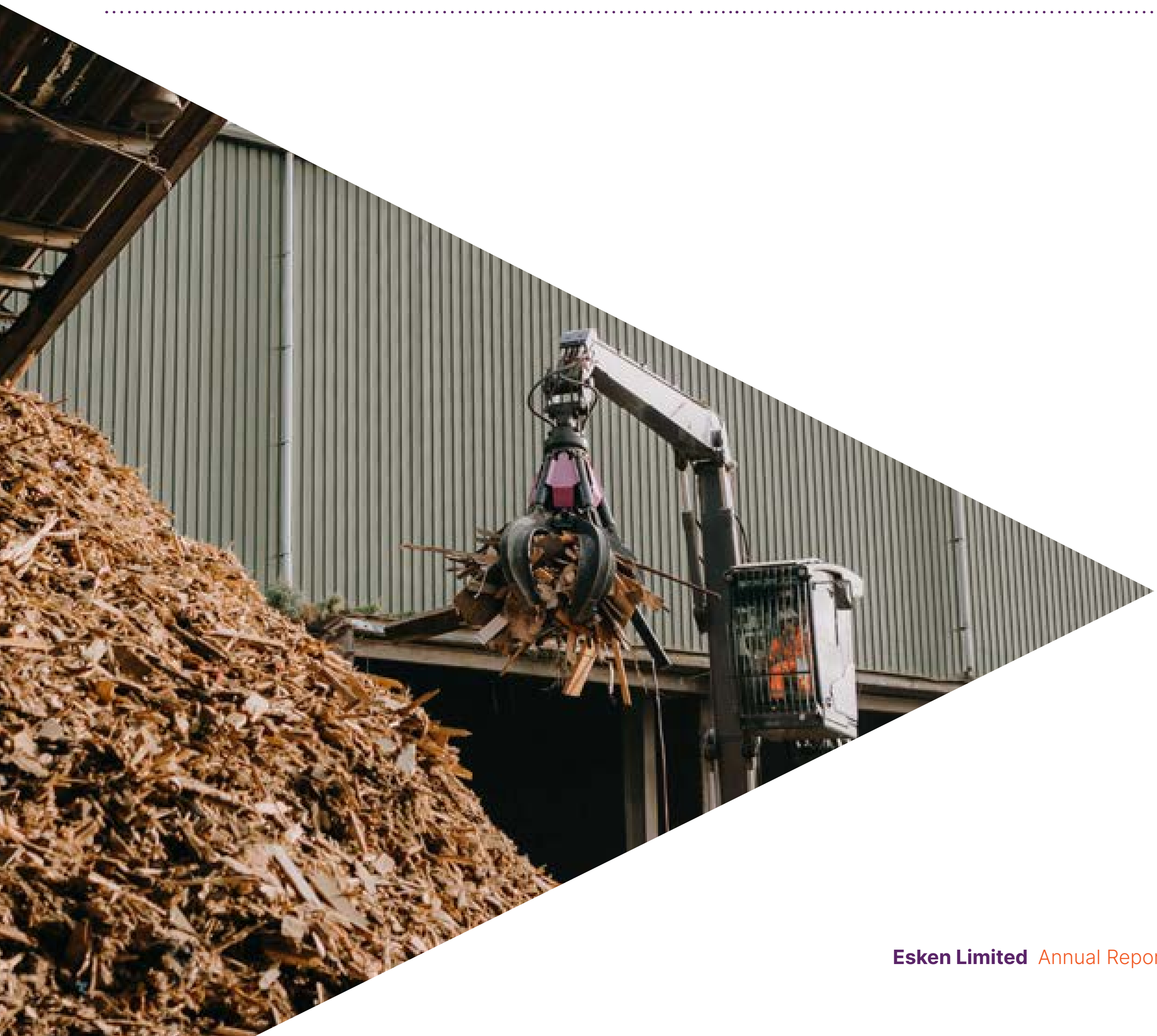
Minimising our environmental footprint

To minimise our impact on the environment by responsible management.

p62

KPIs to achieve this are:

Objective	Achievement against target
Increase the number of EV charging points across the Group	100% achieved. London Southend Airport has installed EV charging at the airport.
A third of purchased energy to come from renewable sources	0% achieved. This will be further considered with the renewal of the energy contract.
A reduction in overall waste generated across the Group	0% achieved. The business has been very focused on waste reduction; however, this year there was a marginal increase.



Sustainability report continued

Building sustainable communities

Overview

Esken is committed to delivering a social impact programme to have a positive impact in the communities in which it operates. The Building Sustainable Communities pillar is focused on charitable giving, colleague volunteering and education, employment and skills; using local demographics to inform programmes. The internal governance Working Group informs the priorities, projects and monitors progress through KPIs.

		2020	2021	2022	2023
Building Sustainable Communities	**Fundraising for Charity Partners**	N/A	N/A	£27,408	**£21,830**
	Number of Volunteering Hours	N/A	N/A	75	**502**

Charitable giving

Charitable giving is a positive way to support our colleagues to engage with positive social impact programmes. Each of our operational divisions have continued to support their charity partners this financial year. The charity partnerships include FareShare, Help for Heroes, and South East and Central Essex Mind (SECE Mind). Our colleagues have participated in fundraising activities for each partnership and Esken committed to matching up to £5,000 of fundraising for each partnership.

London Southend Airport and SECE Mind

London Southend Airport hosted the Mental Elf run, an annual fundraising activity which sees colleagues and people from the local community run, walk or jog as many laps of the runway in two hours, this year saw 100 runners complete 197 laps. Fundraising included tickets sales, JustGiving donations and donations on the day. The money raised will support the Somewhere To Turn mental health support phone line.

The team also supported SECE Mind and their Nelson's Gate residential facility. The volunteers cleared rubbish, painted, weeded, built garden furniture and planted herbs. The new wellbeing garden will be used by residents for growing their own vegetables for cooking, 1:1 mentoring sessions, art and yoga sessions.

Colleague volunteering

Following last year's pilot volunteering day, Esken launched a colleague volunteering programme during Volunteers' Week on 1 to 7 June 2022. Esken partnered with Neighbourly to provide volunteering opportunities. Neighbourly has a network of around 20,000 good causes, including small charities and community groups that business can support the community in many different ways.

Esken recognises that volunteering benefits our people, our local communities and our business. This provided colleagues with an opportunity to volunteer their time and skills for up to one day a year. Esken's volunteering framework aims to provide colleagues with opportunities to volunteer individually or as a team, in person or remotely to support one of our charitable partnerships, tackling our environmental impact and supporting education, employment and skills programmes and initiatives. This year 84 volunteers contributed 502 hours and supported 12 good causes.

Esken Renewables & FareShare

Esken Renewables People Forum voted for the fundraising activity and chose to sign the team up for a bikeathon. The Charity Committee sourced the equipment through PureGym who provided the bikes for the event at no cost. During the course of the two days in October, over 50 colleagues participated, cycling 900 miles. The money raised for the bikeathon will be donated to FareShare, the UK's largest charity fighting hunger and food waste.

FareShare
fighting hunger,
tackling food waste

Sustainability report continued

Building sustainable communities continued

Volunteering

To kick-start the volunteering programme Neighbourly arranged for colleagues across the business to volunteer at a local charity, Sam's Diamonds Cancer Support in Widnes.

Sam's Diamonds Cancer Support provides a positive environment with workshops, social meet ups and health & wellbeing activities, and they signpost people to local services that they may need. They offer friendship between survivors and work as a team to get through a cancer diagnosis. The Garden of Hope is a new community space used to host our Diamond meet ups, workshops and is safe space for hobbyists to come and go, and help make the space something special.

On 25 July 2022 Esken's volunteers began working on the Garden of Hope by building structures, painting, grass cutting and much more. The volunteers had a great experience and invited Sam to meet the team on 30 October 2022 to coincide with Breast Cancer Awareness and Movember. She spoke about recognising cancer, learning how to spot and feel signs (Men and Women), male breast cancer and her own story.

Education, employment and skills

Esken works with partners to invest in local education programmes, employment initiatives, and provide skills development in the local community. We continue to better understand our internal skills and recruitment requirements alongside understanding the skills development needs in our local communities to inform and develop our social impact programmes.

As member of Business in the Community (BITC) the Steering Group had committed to supporting the BITC mentoring programme. This year, in light of the strategic review, the timeline to engage with the programme was reconsidered.

Esken Renewables in partnership with InStep developed an LGV driver apprenticeship programme. This was to upskill and develop colleagues to support and increase capacity. Long term, the objective was to create a new pipeline and alleviate the driver shortage issues seen across the industry. This programme has supported 12 people through the programme to become drivers. This has significantly reduced agency drivers and made significant cost savings.

London Southend Airport has continued to work with local partners to enhance the educational experience and skills development of local young people. The team have committed to a 60-minute mentor programme with Chase High School – an initiative aimed at helping Year 8 students who may be disengaged about their future GCSE options, potential careers, or other related issues that are on their mind.

Colleagues have hosted a number of student visits to offer real life experience of working at the airport. These have included students completing both Level 2 and 3 of their Travel and Tourism course. Students from Sutton House Academy came for a tour to speak to the teams about future careers. South Essex College students met to develop a 'Supported Internship' programme, a type of study programme specifically aimed at young people aged 16 to 24, who want to move into employment, and who have additional learning needs and an Education Health and Care Plan (EHCP).

Responsible procurement

At Esken we understand the importance of working with our supply chain to positively contribute to our positive social impact and mitigating our environmental impact. The focus this year has been to better understand the supply chain by size and location to better inform the responsible procurement programme.

Supplier Code of Conduct

Esken has a Supplier Code of Conduct which 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

This year on Anti-Modern Slavery Day we wrote to our colleagues to raise awareness of the issue of modern slavery and how to spot someone who is being forced to work and have the confidence to report their concerns. We have also reviewed our policy and we have established compulsory training for all our colleagues.

Esken's Modern Slavery Statement and Modern Slavery and Human Trafficking Policy is available to download on our corporate website (www.esken.com).

Apprenticeship Levy and Co-op

Apprenticeships continue to be a popular choice for professional development and are supported throughout the business. This year we have also begun to utilise unspent apprenticeship levy funds through the Co-op Levy Share site, matching community and voluntary organisations in need of levy funding with businesses who have levy available to transfer.

Through the apprenticeship levy transfer process, we have taken the opportunity to partner with Balance Care, part of the Kibo Hospital Services Ltd, to support their care home staff who provide services in Mental Health, Learning Disability and Complex Care Supported Living. We are supporting two employees to gain their Level 2 Adult Care Worker qualification.

BalanceCare

Armed Forces Covenant

Across all our operational divisions we are proud signatories of the Armed Forces Covenant. With 6% of our colleagues declaring their ex-service status, we recognise the benefits from the transferable skills of armed forces professionals. We continue to proactively encourage ex-service personnel to join the business working with the Career Transition Partnership, developing relationships with local Reservist Units and work with recruitment agencies who share our ethos and are also Armed Forces Covenant accredited.

Internally, there is pride amongst our ex-service colleagues for the support and recognition given to key commemorative days, such as Armistice Day and for reservice duty and training. Working with People Champions they ensure the best support for our colleagues, including an internal communications network with an Ex-Forces Yammer Group. The business continues to develop policies and processes to support our armed forces veterans, volunteers, reservists and partners.

The Ministry of Defence Employer Recognition Scheme recognises companies for their support to the Armed Forces community including reservists, veterans, spouses, Cadet Forces Adult Volunteers and cadets. This year Esken Renewables were awarded the Gold Award with Star Handling, and London Southend Airport received the Silver Award. The covenant itself is a promise that those who have served, or do serve, in the armed forces and their families are treated fairly.

Sustainability report continued

Developing our people

Overview

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 preparing people for current and future opportunities within Esken.

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

2020	2021	2022	2023
339	201	138	**117**

Colleagues with more than five years' service

2020	2021	2022	2023
23%	22%	18%	**15%**

% colleagues with more than five years' service

2020	2021	2022	2023
233	52	71	**98**

Attrition: Leavers within six months of start date

2020	2021	2022	2023
377	157	95	**142**

Attrition: Leavers within twelve months of start date

2020	2021	2022	2023
22%	55%	43%	**45%**

Attrition rate %

2020	2021	2022	2023
1,482	912	778	**753**

Total Number of colleagues

2020	2021	2022	2023
81%	84%	87%	**90%**

Full-time %

2020	2021	2022	2023
19%	15%	13%	**10%**

Part-time %

2020	2021	2022	2023
55	31	65	**45**

Average hours training per year per colleague

2020	2021	2022	2023
6	2	36	**38**

Number of Apprenticeships

Sustainability report continued

Developing our people continued

Talent and performance

Compliance training and Learning Hub

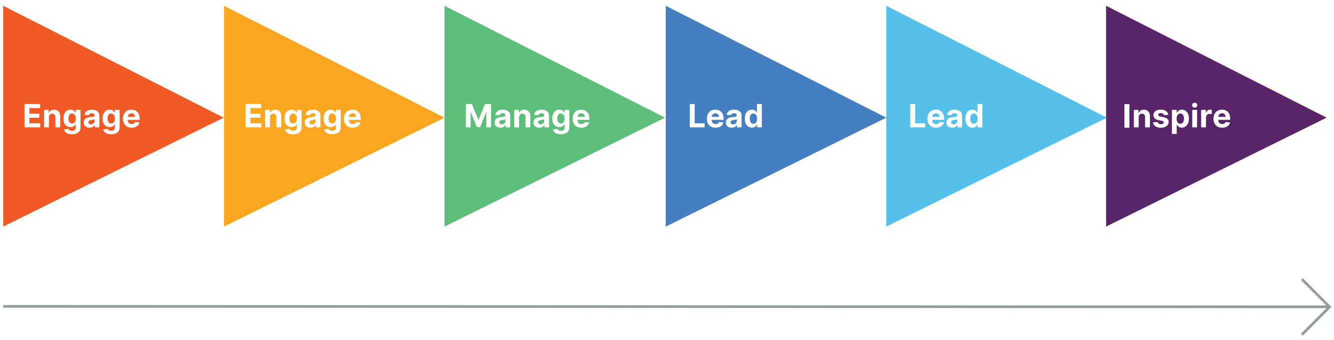
This year the focus has been on compliance training across the business to ensure all colleagues undertake a basic level of training in the key areas of Safety, Health & Wellbeing, Diversity & Inclusion, IT, and Legal. There has been a focus on compliance with all new employees being asked to complete the programme within 28 days. This has been delivered through e-learning via the Learning Hub. The business continues to seek new ways to deliver training and development interventions with a minimal impact to operations and proportionate cost to the business. The monitoring of completions and refresher training has largely been automated through the Learning Hub. This year the training records for the operational divisions have been transferred to the Learning Hub, enabling managers and senior leadership teams to view their dashboards; this provides timely reminders and immediate management information for training completions.

ATC project

A significant level of resource has been spent on digitising the training programme for Air Traffic Control (ATC) to the Learning Hub. The project will enable trainers and instructors to monitor the standard and completion of training criteria, with an improved level of rigour in training documentation and reporting. The ATC department have been equipped with tablets to enable them to record training and professional development in real time, with reminders when training is due and alerted when documentation is not complete.

Leadership Framework

Esken's Ascend Management & Leadership Programme has development opportunities at team leader and supervisory level. This enables experienced managers to consolidate and hone their management skills through a Level 5 apprenticeship, both validated by CMI. This year the focus has been on leadership, specifically the senior leadership in the business by offering a Level 7 strategic leadership apprenticeship, in partnership with Imperial College.



CMI Level 3 (Certificate)	**Management essentials**	**CMI Level 5 (Diploma)**	**CMI Level 6 Chartered (Degree level)**	**CMI Level 7 (Masters level)**	**Executive coaching**
Team leader/ supervisor or first line managers	New or refresher training for all levels	Mid-level managers	Senior managers	Senior leaders	Senior leadership talent

The new Esken Leadership Framework identifies competences and behaviours and is designed so leaders can score themselves on a Likert scale of developing to mature leader. Each of the competences are interdependent with the Esken Values, embedding these deeper into the performance management process. This new process has been piloted within a new Leadership Appraisal process with the Executive teams. This focuses on leadership reflection and self-awareness and incorporated 360 degree feedback reviews for the first time to provide a rich source of data upon which to reflect.

Progress has been made to further transform HR processes through automation and self-service. Providing this level of automation to reduce the transactional burden on the People Teams so they can provide greater value to managers and a higher level of assurance around the compliance to key processes as digital records are more easily audited. Work has been completed in the following processes: Absence, Probation, Legal Obligations such as Declaration of Interest, Hospitality, Entertainment and Gifts reporting, Contract End Alerts, Leavers, Return to Work, Onboarding.

Recruitment

The Applicant Tracking System (ATS) has become an integral part of the business, used by all recruiting managers with support from the People Teams. Further training has been provided for hiring managers on functionality of the system to reduce the administration of hiring and to provide applicants with a positive experience. Feedback from applicants has been gathered at the end of the process through an NPS email. This can then be tracked back to the job, department or recruiting manager for feedback and further development if required.

Colleague engagement

Across all our operational divisions we conducted an Colleague Survey in January 2023. The purpose of the survey was to measure progress against the three key areas of improvement from our December 2021 survey. These priority areas were culture and ways of working, senior leadership communications, and line manager support and guidance.

The response rate was 68%, which was 3% lower than the survey conducted in 2021. The overall engagement score was 73% – two percentage points lower than 2021.

New questions for this survey were included to better understand colleague engagement achieving a scoring of 80%.

Theme scores show that there are strong relationships between line managers and their teams demonstrating that engagement is high.

Diversity, inclusion and belonging

We recognise that inclusion and belonging is much more than statutory protected characteristics. Using the Business in the Community (BITC) model, we've developed our strategy to ensure all characteristics of inclusion and belonging are integrated.

Ethnicity Pay Gap reporting

This year we have voluntarily completed Gender Pay Gap Reports for FY21 (reportable April 2022), and FY22 (reportable April 2023).

Esken are committed to a fair and equitable pay reward system for all. Voluntarily reporting the ethnicity pay gap has identified the gaps in our data gathering, which has impacted the overall information garnered from the reports. The total ethnicity declaration across the business is 61%. Improving the data collection will be a focus for the business to improve the pay gap reporting.

With the limited data available, we were unable to identify the gaps in the Ethnicity Pay Gap report for 2021. With similar limited data declaration in the Ethnicity Pay Gap report for 2022, it was not possible to identify any true pay gaps.

Policies

In line with proposed upcoming legislation, we have refreshed and rewritten our Carers Leave Policy and introduced new Domestic Violence and Fertility Leave Policies as part of our Family Friendly commitment.

Esken Renewables Engagement

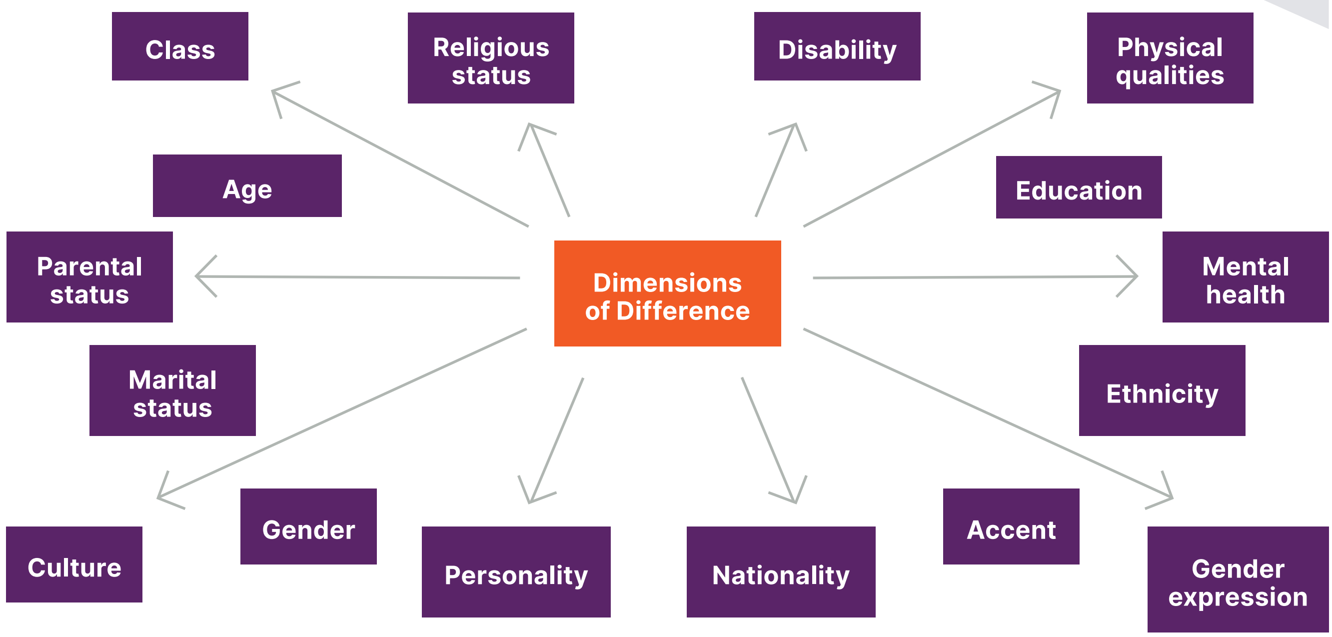
Esken Renewables has developed a number of ways to engage colleagues from across the business who are spread across multiple sites and working in operational roles.

The People Forum; meets bimonthly and comprised of People Champions from all departments and geographical locations. The aim of the People Forum is to contribute to improving communications, colleague engagement and Company culture. This forum helps drive change to improve the levels of colleague engagement.

A National Driver Representative Forum meets quarterly, with additional six-weekly meetings locally with driver representatives and the respective operations managers. The Forum ensures the driver population can contribute ideas and feedback on how we can work together to make our business even better for our colleagues, teams and customers.

On a quarterly basis Richard Jenkins, CEO of Renewables division, and the Board hold a Live Event. These events provide a wider business update discussing performance, health and safety, continuous improvement, ESG and the people agenda. These events are recorded and made available for all colleagues. The Live Events coincide with the publication of our quarterly newsletter, Fuel For Thought, featuring articles and stories from across the business.

Diversity, inclusion and belonging



Sustainability report continued

Overview

Esken's health and safety provides strategic leadership to its operational divisions and has developed a strategy to provide a roadmap to excellence. This is underpinned by safety performance KPIs, a set of safety performance metrics, individually tailored to the specific requirements of each operational division. The Board approved the Target Operating Model and the accompanying KPIs, which provide the framework for the risk and safety management process.

3 GOOD HEALTH AND WELL-BEING

Excelling in health & wellbeing, safety and security

2020	2021	2022	2023
18	8	8	**7**

Number of RIDDOR Accidents

2020	2021	2022	2023
0.59	0.43	0.50	**0.40**

Accident Frequency Rate for RIDDOR Accidents

2020	2021	2022	2023
39	13	17	**18**

Number of Lost Time Accidents including RIDDOR

2020	2021	2022	2023
1.27	0.70	1.07	**1.03**

Accident Frequency Rate Lost Time Accidents including RIDDOR

2020	2021	2022	2023
274	230	366	**404**

Number of Incidents

2020	2021	2022	2023
8.82	12.32	22.99	**23.17**

Incident Frequency Rate

Strategy

The health and safety strategy provides a framework for safety excellence, underpinned by a mission to move the risk and safety culture forward from compliance towards an embedded safety culture.

Esken has four key themes of the health and safety strategy which are culture, leadership, risk process, and compliance, each underpinned with their KPIs. These KPIs measure the positive actions the business is taking to build a robust risk and safety management culture.

In the first year, the focus has been on gap analysis. This has provided benchmark compliance data, an understanding of risk at a front line and established leadership behaviours.

The culture theme aims to drive positive behavioural change across the business. The steps taken have improved incident reporting, investigation, and feedback. The team have also benchmarked welfare facilities across all sites to bring colleagues' working environments up to standard.

The leadership theme ensures the senior leadership team are accountable and leading the safety agenda. Senior Leadership Safety Tours demonstrates leadership across all operational sites. The senior leadership team monitor safety training completion rates, introduced performance psychology training, and targeted toolbox talks to operational colleagues.

The risk processes theme has focused on producing comprehensive operational risk profiling. This requires all operational tasks be risk assessed, understood and has robust incident and crisis management plans in place to deal with identified risks.

The safety and compliance function continue to audit and support our operational divisions to ensure regulatory compliance with positive moves towards more aspirational external standards.

Sustainability report continued

Excelling in health and wellbeing, safety and security continued

Governance
Esken has enhanced its health, safety and welfare governance across the business. The business has established colleague safety committees and management safety review boards. These are monitored and reported to divisional, Group, and PLC Board meetings, where risk and safety is always the first agenda item.

The Group Head of Risk and Safety submits a formal monthly report to the Group and PLC Boards and provides a consistent overview of operational risk issues. There are monthly meetings of the Group's risk and safety professionals and a formal ESG monthly update.

Esken leads the strategy for health and safety across all the business. This is supported by the individual operational division health and safety function, who implement policy and process. The operational divisions carry out operational audits with Esken providing secondary audits of operational systems and processes. Further assurance is provided by internal audit, who this year also audited Esken's Risk and Safety team.

This year the internal audit have commenced a three-year programme to audit all operational divisions against all clauses of the ISO45001 International health and safety management standard. To deliver this, the internal audit team have attained an external ISO45001 Lead Auditor qualification.

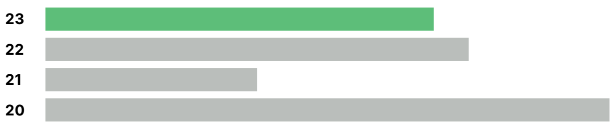
Esken Renewables

2020	2021	2022	2023
7	4	6	**3**

Number of RIDDOR Accidents

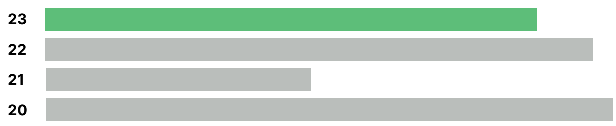
2020	2021	2022	2023
0.76	0.54	0.84	**0.41**

Accident Frequency Rate for RIDDOR Accidents



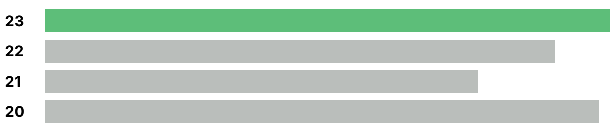
2020	2021	2022	2023
16	6	12	**11**

Number of Lost Time Accidents including RIDDOR



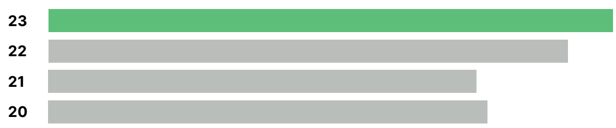
2020	2021	2022	2023
1.73	0.81	1.67	**1.50**

Accident Frequency Rate Lost Time Accidents including RIDDOR



2020	2021	2022	2023
151	118	139	**154**

Number of Incidents



2020	2021	2022	2023
16.36	15.95	19.35	**21.03**

Incident Frequency Rate

Performance in the year

The safety performance throughout the operational divisions has again led to an overall decrease in RIDDOR reportable colleague accidents year-on-year of 12.5% across all divisions for the year ended 28 February 2023, compared with the year ended 28 February 2022.

This gives an Accident Frequency Rate of 0.34, which when converted to the HSE metric of Accidents per 100,000 workers gives a figure of 784, which compares favourably to the average for all industries of 1,650 determined by the latest HSE Labour Force Survey of 2019/2020 to 2021/2022.

HSE Stress Management Standards

To understand the work-related stress the business might place on our colleagues, it is necessary to risk assess our performance using the HSE Stress Management Standards as a performance benchmark to provide a gap analysis and action plan. A gap analysis has been carried out by occupational psychologists, Park Health. The executive summary from Park Health notes that there is an opportunity to adopt an organisational vision for stress and mental health across all business focusing on positive mental health and proactive prevention of ill health.

London Southend Airport

2020	2021	2022	2023
1	0	1	**0**

Number of RIDDOR Accidents

2020	2021	2022	2023
0.19	0.00	0.30	**0.00**

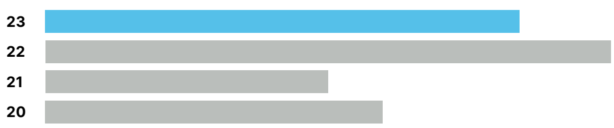
Accident Frequency Rate for RIDDOR Accidents

2020	2021	2022	2023
3	1	2	**0**

Number of Lost Time Accidents including RIDDOR

2020	2021	2022	2023
0.68	0.40	0.71	**0.00**

Accident Frequency Rate Lost Time Accidents including RIDDOR



2020	2021	2022	2023
37	31	62	**52**

Number of Incidents

2020	2021	2022	2023
7.71	10.70	21.29	**16.46**

Incident Frequency Rate

Sustainability report continued

Excelling in health and wellbeing, safety and security continued

Esken Renewables compliance

This year focus has been on the standard of Respiratory Protective Equipment on the operating sites within Esken Renewables to improve the level of protection for colleagues to reduce skin and eye contact with dust, as well as improving the protection of lungs. A series of site tours demonstrated to operational colleagues the need for the change in RPE and to engage them in the selection process. A number of options has been explored for full face covered RPE and a supplier was selected that provided longevity battery life for the powered unit, along with identical replacement parts for the Powered and Non-Powered options. The units were distributed across six locations in the business and the supplier provided for face fit testing and training in the correct use and maintenance of the equipment.

Wellbeing

Esken understands the importance of the wellbeing of our colleagues and has created a programme of support in line with the four pillars of wellbeing: physical, emotional, mental and social.

The business has mandatory induction training for all new starters, with a focus on health and wellbeing. The mandatory manager training, Management Essentials, delivered through the Learning Management System, which requires all managers to undertake additional training in many aspects of colleague wellbeing support and personal development.

Line managers play a significant part in the success of the wellbeing of their colleagues. Their role to support colleagues and signpost benefits, makes a substantial difference to the success of our wellbeing strategy across the organisation. We recognise it's not just the initiatives in place but ensuring colleagues are aware of them. The business has invested in wellbeing support and we want to ensure it reaches the people who really need it.

Inclusive wellbeing is an important part of us being able to create an inclusive workplace culture. The inclusive access to wellbeing benefits spans gender, age, pay grades, job role, and location. The result is that every single colleague, regardless of location or position, is able to access both telephone and digitally-led quality wellbeing material and support 24/7.

Wellbeing data is gathered and used to identify links between wellbeing, current working practices, and inform future wellbeing priorities. We are proud that a culture has been developed where colleagues feel able to speak up more freely about their mental wellness. Over the past 12 months 15% of the workforce have utilised our Colleague Assistance Programme, up by 31% from the previous year, who otherwise would have needed to source their own support, or indeed receive no support at all.

As we emerged from the pandemic and started to operate within the new norm, financial wellbeing became our priority. Many colleagues have had to take pay cuts or been on furlough pay for a long period and with the cost of living crisis the strategy was split into Savings for Today – Savings for Tomorrow. This supports colleagues to make immediate savings as well as helping them save for the future.

A salary sacrifice scheme for pension contributions has been piloted which allows participating colleagues to benefit from savings to their net pay; as the pilot evolves, more colleagues will be able to access the programme. The new pension scheme via Cushon will also provide an array of financial benefits to pension members such as Corporate ISAs, LISAs and access to GIAs, further supporting the Benefits for Today – Benefits for Tomorrow financial wellbeing strategy.

London Southend Airport risk process

Building on existing corporate risk London Southend Airport (LSA) has focused attention on embedding Operational Risk, Incident, and Crisis Management frameworks across all levels of the business. This identified the corporate risk level, risk ownership, and risk approach with operational managers. Each of the top risks now require a first response incident management plan to be in place. This provides assurance that top operational risks are being mitigated. Consequently, this transitioned LSA's emergency response process from being primarily blue light incident-led to the widely recognised Bronze, Silver, or Gold tiered response, triggered by business disruption thresholds.

This was achieved by working with the senior leadership team, managers, and colleagues from across the operation. A series of workshops with facilitated exercises have supported colleagues to identify and own their specific risks and mitigation.

For the second year running during Know Your Numbers Week colleagues were able to access free personal medical assessments across multiple business locations. Early diagnosis of key health conditions means colleagues are able to get treatment early and remain in the business rather than potentially having to take sick leave further down the line. For a very reasonable cost per head, those who wanted a personal medical assessment were able to be assessed irrespective of pay grade or job role.

Our physical health campaigns have been developed to be relevant and inclusive to all parts of the business. For example, Back Care Awareness Week targeted HGV drivers, baggage handlers and hybrid workers predominantly based at home.

Backcare AWARENESS WEEK

Sustainability report continued

Taking climate action

Overview

Esken is committed to decarbonisation across all its operating divisions in line with the UK Government's Net Zero 2050 target. The focus for the business is to develop a carbon reduction plan for each of the operating divisions with the overall aim to establish a Roadmap to Net Zero.

13 CLIMATE ACTION

% electricity from renewable sources

2023

28%

(2022: 25%)
(2021: 22%)
(2020: 19%)

Tonnes CO_2e per £m of revenue

2023

196

(2022: 191)
(2021: 198)
(2020: 147)

TCFD Statement

Esken has made climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures in this TCFD summary against: Governance (all recommended disclosures), Strategy (disclosures (a) and (b)), Risk Management (all recommended disclosures) and Metrics & Targets (disclosure (a) and (b).

Esken has not included climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures in relation to strategy (disclosure (c) – scenario analysis) and metrics and targets (disclosure (c) metrics used by the business. For strategy disclosures further work will be undertaken however in light of the strategic review of the overall business it is unlikely this will be achieved in the coming financial year. Metrics and targets are in place to achieve net zero but in light of the business undertaking a strategic review, COVID-19 recovery and a new management team, the targets and metrics are long term. However the business will bring forward these deliverables when the future of the business has emerged from the strategic review and COVID-19 to meet the required disclosures.

Governance

Esken has established a governance structure that has oversight for all environmental risks and opportunities. At the top level of management of the business Esken has an Environmental, Social, Governance (ESG) Board Sub-Committee. Ginny Pulbrook, ESG Board sponsor holds monthly meetings to be appraised of the month's progress against the ESG strategy. Ahead of all meetings, minutes and actions are shared, this provides the Board with full visibility of risks and opportunities. Further updates are given to the Audit Committee, Remuneration Committee and full Board, which provides progress against the strategy, risk register and KPIs.

The accountable body for ESG at Esken is the Steering Group. Membership is comprised of representatives across the operating divisions and core functions. Chaired by Nick Dilworth, Chief Operating Officer as Executive ESG Sponsor, the Steering Group has oversight of all ESG activity, reviews the strategy and the data that informs programmes, monitors progress against KPIs, and assesses risks to the business. The Steering Group are responsible for aligning the strategy to changes in government policy, legislation and regulation to ensure the business is compliant across the environmental and social agenda.

Working Groups comprised of representatives from each business division meet monthly to deliver progress against the ESG strategy as set out against the five-pillar framework. The focus of the taking climate action Working Group has been on data collection, development of the Roadmap to Net Zero and overall environmental strategy.

Strategy

Esken's Environmental, Social, and Governance strategy has been developed through a materiality assessment and materiality matrix. Through this process the ESG five-pillar framework has been developed and each pillar has reported its priorities and progress in this report. The 'taking climate action' pillar sets out the measures that are being taken to mitigate climate impacts on the business, manage climate-related risks and provide information on climate and energy performance.

Sustainability report continued

Taking climate action continued

The climate-related strategy has a governance structure that drives transparency, continuity, and accountability for delivery against the strategy. It has established a risk management process, where climate-related risk is embedded into each operational division risk register and each core function, furthermore climate-related risk is part of the budgeting and capex process. The strategy has been developed on data, to inform the required intervention and metrics to measure and report progress.

As members of Business in the Community Esken participated in the Responsible Business Tracker, a peer benchmark of businesses' ESG programme. The output of the Responsible Business Tracker feedback has further informed the ESG strategy and overall carbon reduction plan.

As the strategy developed, consideration has been given to the financial impact on the specific business sectors, the products and services, and the impact of changes to legislation and regulation to the business assets and infrastructure. Further attention has been given to the access of capital, operating costs and revenue, acquisitions and divestments, capital and expenditure, and capital allocation. It will also help identify the interdependencies which will affect the spend, to positively impact the elimination of carbon from our operations.

Climate-related scenario analysis will help us to understand and quantify how climate-related events and their associated risks and opportunities may impact the Group's business, strategy and performance.

During the last year we have enhanced our understanding of climate risk, and started to develop and consider potential strategies for the business to both mitigate the impact of climate change and also to reduce the Group's impact on the climate. Developing our Roadmap to Net Zero reduction will be a key step for the business in determining the way forward, and our intention is that our plans will be considered against a range of different scenarios.

However, we have not yet implemented detailed scenario analysis, as we do not consider that we have sufficiently progressed in our journey to fully understand the potential risks, opportunities or solutions. This is particularly challenging as our core businesses (Esken Renewables and Aviation) are distinct and very different. We are also aware that changing technology will be key to the delivery of our ambitions, and we are reliant on significant changes and advances in such areas as aircraft fuels; and alternatives to diesel power for HGVs and our operating plant in Renewables.

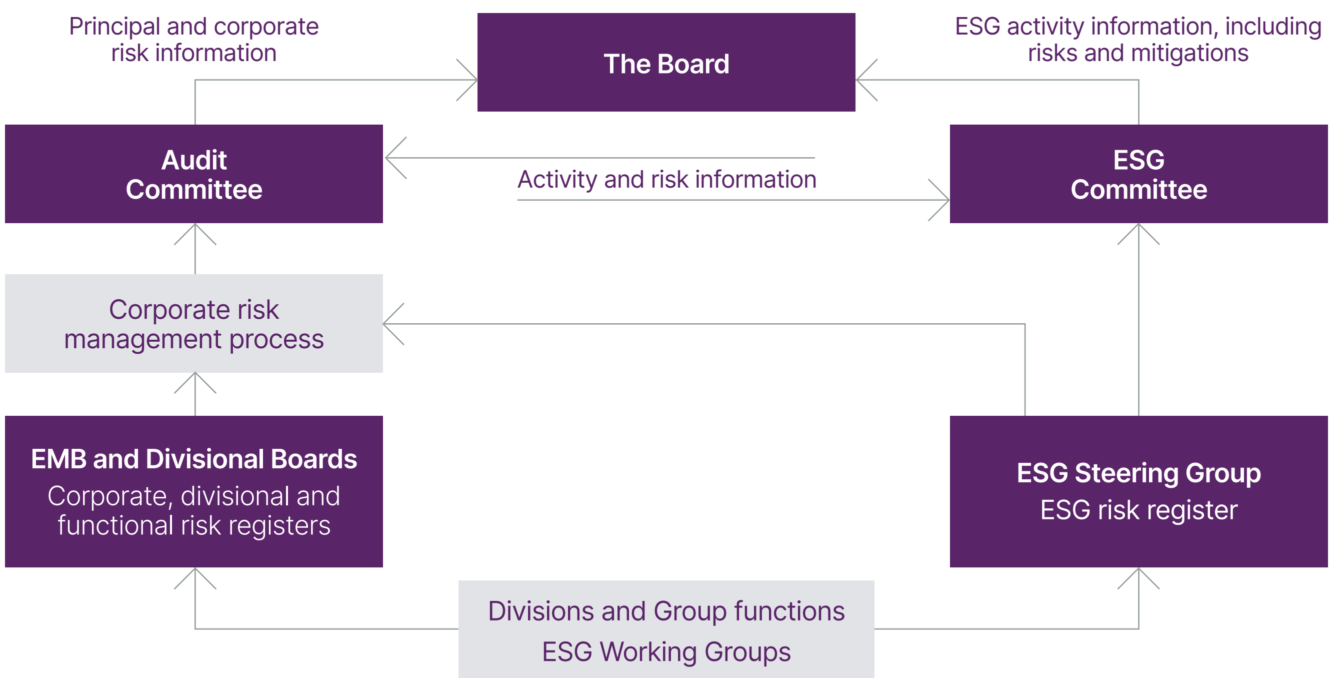
Our intention is to develop scenario analysis exercises and complete both quantitative and qualitative assessments of climate risks particularly relevant to our activities, which will be scored across different time horizons and climate scenarios.

Risk management

The successful management of risk is a fundamental part of Esken's activities and is critical to the delivery of our business plan. This includes the understanding, management, monitoring and reporting of climate-related risk factors where the challenges we face, both physical and transitional, continue to increase.

Esken's formal approach to risk management is delivered through the application of our risk management framework, which articulates the risk appetite, and sets out our approach to and responsibilities for the identification, evaluation and management of risk. Climate-related risk has been increasingly embedded within the Esken's risk management process, and during the year the Board, through the Audit Committee, reviewed the risk framework to increase the emphasis on climate-related risk. Our risk appetite states:

"Appetite for climate-related risk is low, and Esken is implementing arrangements to assess and address physical and transitional risks for its activities."



Our approach to risk management includes a corporate risk register, covering Esken's most significant risks, and underlying risk registers for each of the operating divisions and key corporate functions and activities. Each register is reviewed formally at least quarterly and significant risks are escalated from the underlying registers to the corporate register, to ensure there is appropriate consideration at the most senior levels. We have a specific ESG risk register, which is reviewed by Esken's Head of ESG and the ESG Sub-Committee, and the corporate risk register and operating divisions' registers include climate-related risks.

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

Identifying climate change risk

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.

The Corporate, Aviation and Renewables risk registers are updated each month and reported to the Esken Management Board (EMB) / Divisional Operating Board (as appropriate). The Group function risk registers, which include a specific ESG risk register, are updated at least quarterly, and any high risks in those are regularly reviewed by the EMB to assess whether they should be escalated to the corporate risk register. During the year we have also undertaken an exercise with the divisions and for key Group functional areas such as People, to identify any specific ESG-related risks that should be added to those registers for ongoing monitoring.

The Audit Committee receives and reviews the Corporate risk register at each meeting, and we have a full Board review of Group risks annually, which includes consideration of ESG risks.

This integrated approach (documented in our Group risk management framework) provides clear visibility of ESG-related risk through the ESG governance framework, within the divisions, with senior Group executive leadership, and at Board level.

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.

We evaluate risks using a scale which takes into account different potential impacts, and we consider the timescale over which impacts may arise and change. When considering climate-related risk we have based our assessments over the following time scales:

- short term – within 5 years
- medium term – 5 to 10 years
- long term – over 10 years

Our assessment of exposure to key climate-related risks over time includes:

Risk	Status	Timescale
Loss of asset, inability to access or use assets through extreme weather events	Currently low risk, but this is likely to increase if the trend of increasingly severe weather events continues.	Medium to long term
Asset values deteriorate (e.g. not meeting increasing energy or efficiency standards)	Low to medium risk, and in the medium term this is likely to increase as we seek to, for example, replace our HGV fleet and Renewables plant with greener alternatives.	Medium to long term
Potentially significant cost of compliance	We consider this to be a medium risk – there are costs across our business, from asset management, the implementation of more energy efficient/low emissions solutions, the need to reduce waste and water usage, and for the collection and reporting of increasing amounts of data. The costs of delivery on our decarbonisation pathway may also be significant.	Short to medium term
Loss of investor interest	If we do not deliver effective climate risk reduction solutions, it is possible that investors' confidence may be reduced.	Short to medium term
Inability to access green funding options	Access to cheaper financing through green funding options will not be available to the Group if it does not fulfil the requirements.	Short to medium term

Sustainability report continued

Taking climate action continued

Metrics and targets

Esken's baseline Scope 1 and 2 data is FY18/19, the year-on-year comparisons are set out in the tables below. The baseline data has been used to inform the Roadmap to Net Zero. The reduction targets have been developed into KPIs and aligned to Executive Director remuneration.

Both Esken Renewables and London Southend Airport have developed Roadmaps to Net Zero by 2040 and have identified short, medium, long-term reduction targets for both Scope 1 and 2 carbon emissions.

Roadmap to Net Zero

Esken is committed to reducing its operational impact on the climate and in line with government policy has developed a Roadmap to Net Zero for each of its operating divisions.

The business has established robust data collection which has underpinned the reduction targets for decarbonisation for both Esken Renewables and London Southend Airport. The focus has been Esken's direct emissions and developing a reduction plan for Scope 1 and 2 emissions while continuing to develop Scope 3 emissions' data collection, reporting and reduction plans. The Roadmap to Net Zero and target reduction emissions includes:

Scope 1

- Esken Renewables Scope 1 emissions are 94% of their overall carbon footprint. Diesel makes up 97% of their Scope 1 emissions. Diesel removal along with gas oil will reduce Esken Renewables Scope 1 emissions to 0%. In the short-term an 8% reduction, aggregated over the next three to five years, would be achieved with the new fleet replacement. Esken Renewables will also replace small vehicles and trial biofuels on sites.
- London Southend Airport Scope 1 emissions are 13% and they have established a long-term reduction plan which will replace airside fleet, remove diesel and petrol from airside vehicles and source zero emission alternatives to oil-fired heating, which will achieve London Southend Airport's Scope 1 emissions by 2040.

Scope 2

- Esken Renewables Scope 2 emissions are 8%. London Southend Airports Scope 2 emissions are 87%. Both Esken Renewables and London Southend Airport have established a medium-term reduction plan to move to a renewable energy contract by 2030 reducing Scope 2 emissions by 100%.

Esken's carbon footprint calculations

Carbon data reporting methodology

In the FY22/23 Esken had emissions of 23,633 tonnes of carbon dioxide equivalent (tCO_2e) which is a decrease of 2,827 tCO_2e against the baseline year of FY18/19. The intensity ratio that has been reported is tCO_2e emissions per £m revenue (tCO_2e/£m) and this ratio saw a 9% increase compared to the baseline year.

Esken continues to illustrate the year-on-year comparison beginning with the benchmark year of FY18/19 total gross emissions data, to include all Scope 1 and Scope 2 emissions. Scope 3 emissions have been reported separately.

Energy consumption by source

Over the last two financial years we have been able to establish the energy consumption for Esken Group across all business divisions. The methodology used is the operational control approach for calculating carbon emissions. All emission sources estimated to be greater than 1% have been included in the statement of energy consumption.

The results for financial year FY22/23 state that the total energy consumption was 12.8 million kWh with an intensity ratio of 0.11 million kWh/£m (energy consumption per million pound revenue).

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 2022).
- For Esken's carbon footprint the intensity metric used for total Greenhouse Gas (GHG) emissions per £m revenue (tCO_2e/£m) for normalising emissions.
- For Esken Renewables' carbon footprint the intensity metric used for total Greenhouse Gas (GHG) emissions per tonnage of wood supplied (tCO_2e/tonnes).
- For London Southend Airport's carbon footprint the intensity metric used for total Greenhouse Gas (GHG) emissions per passenger (tCO_2e/passenger).
- All Scope 1 to 3 emission sources estimated to be greater than 1% have been deemed material and are included.
- Scope 1 to 3 data has all been collected from within the UK.
- Includes emissions that Esken is responsible for based on an operational control approach.
- The baseline year is FY18/19 and compared to the current reporting year of FY22/23.

Operational control

The operational control approach accounts for Esken's Scope 1 to 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 the operational control where Esken is deemed to have operational control. If the Group or one of its subsidiaries has the full authority to introduce and implement its operating policies at each individual site. The following operational divisions were captured within the FY22/23 reporting year:

Company divisions

Division	Under Company operational control
Aviation	London Southend Airport
	London Southend Jet Centre
	Solar Farm
	Holiday Inn Southend
	Star Handling
Energy	Esken Renewables

Esken's carbon footprint

Greenhouse Gas (GHG) Emission Source	FY18/19 tCO_2e	FY19/20 tCO_2e	FY20/21 tCO_2e	FY21/22 tCO_2e	**FY22/23 tCO_2e**	Total change baseline FY18/19 tCO_2e
Scope 1 (fuels, business travel, refrigerant)	23,523	23,987	19,623	17,234	**19,579**	3,949
Scope 2 (Electricity)	2,968	2,420	3,353	2,765	**4,089**	1,121

Scope 3 emissions

Esken has improved its data collection and carbon reporting to begin to report Scope 3 emissions. These are indirect emissions are from outside of Esken's operation and include supply chain, transport and distribution, leased assets, business travel, waste and business travel and commuting. Esken will continue to work with the supply chain, customers, airlines and passengers to enhance data collection and reporting.

Esken Scope 3 emissions

	FY18/19 tCO_2e	FY19/20 tCO_2e	FY20/21 tCO_2e	FY21/22 tCO_2e	**FY22/23 tCO_2e**	Total change baseline FY18/19 tCO_2e
Scope 3 (water, aviation fuel, business travel, fuel, materials used, waste)	N/A	N/A	N/A	119,447	**114,537**	(4,911)

Minimising our environmental footprint

Overview

Esken is committed to reducing the environmental impact of its operational divisions. In addition to reducing carbon through the Roadmap to Net Zero the business is focused on the areas of energy, air quality, noise, waste, and water. Through the governance structure the Working Group monitor, report, and create interventions in all of the focus areas. We continue to work towards external verification to drive forward a positive environmental programme.

	2020	2021	2022	2023
Reportable environmental incidents	0	1	1	**4**
Volume and % of recovered waste used for energy feedstock by Esken Renewables	83	71	78	**69**
Waste diverted from landfill to turn into fuel	1.2	1.0	1.2	**1.1**
Total waste	1.4	1.4	1.5	**1.6**
Group waste recycled or converted into energy	99.5	99.5	99.5	**99.5**

Energy efficiencies

As the business develops its Roadmap to Net Zero, there has been focused attention on Scope 2 emissions. As the business prepares for the Energy Saving Opportunity Scheme (ESOS) assessment, a review of recommendations from the previous audit has been undertaken and built into Scope 2 reduction plan, as the business continues to drive energy efficiencies. The overall objective for the Roadmap to Net Zero is to move to a 100% renewable energy tariff within the next 10 years.

The solar farm at London Southend Airport has estimated the positive impact that the renewable energy generation has in terms of carbon emissions. In the last year the solar PV plant achieved a total energy output of 1,992,145 kWh. There have been 172 hours of zero import, this is the estimated number of hours that 100% of the site's electrical load was from the solar panels. This equates to 514 of total number of average UK households that this system could have provided yearly electricity for. The total mass of carbon emissions that the solar panels have enabled the airport to save is 984 tonnes of CO_2. This is the equivalent of 5,708,107 trees planted, as the electricity generated has offset the same amount of CO_2 as planting this many trees.

Esken Renewables plays a vital role in delivering the UK's renewable energy targets with biomass power plants throughout the UK. Through the supply of biomass products to biomass partners and customers, Esken Renewables enables the production of low carbon energy for use by homes and businesses. This year Esken Renewables' customers used the total of 1,616,000 tonnes of biomass, generating an estimated 2,060,000 MWh of electricity, which is sufficient to power around 710,000 homes.

Additionally Esken Renewables uses some waste heat from the site at Widnes, saving up to 9,867 tonnes of CO_2 per year.

Managing noise

Across all Esken's operating divisions, noise is managed responsibly to minimise the impact on the communities living close to all our operational sites.

Esken Renewables complies with all Local Planning Authority standards by undertaking independent noise assessments at processing plants. To further minimise noise impacts from the operation Esken Renewables continues to invest in the latest models of processing equipment and vehicles.

London Southend Airport offers a number of initiatives to monitor noise, resident engagement and works collaboratively with airlines, ground handlers, and regulators to reduce noise. An example would be noise surcharges of higher fees relating to night-time operations, to further encourage the use of quieter planes and operations.

Community and resident engagement supports the careful management of noise complaints, monitoring and a management system to improve policies, procedures and performance. The online self-service system WebTrak provides an easy, quick and efficient way to register a noise complaint whilst allowing users to view all aircraft movements around the airport.

The Community Noise forum is continually reviewed to ensure the terms of reference, membership and communications can be improved. The quarterly 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. Membership is being reviewed to include more community groups and Parish Councils. Through the Community Noise Forum discussions, London Southend Airport acquired electric ground power units specifically to reduce noise from the night-time cargo loading/unloading operations.

Promoting a circular economy

Esken Renewables, by the very nature of the business, enables the circular economy by producing biomass fuel products previously destined for landfill delivery to energy from waster plants. A full waste management solution plays a vital part of the circular economy within the waste wood sector, striving to improve the social and environmental credentials of the products and services sourced.

Sustainable forest management

Esken Renewables has a Forestry Certification Scheme, where custom driven requirements for virgin material is done so under the FSC Chain of Custody Standard, allowing transfer claims for various types of FSC material from source to customer. All forest biomass is sourced from sustainably managed UK forests that are certified against sustainable forest management standards.

Protecting air quality

Esken has air quality monitoring in place to remain under government guidelines. This monitoring also informs mitigation programmes to ensure colleagues and communities have clean and healthy air. London Southend Airport works with airlines to bring cleaner aircraft to the airport. Esken Renewables continues to review dust suppression equipment with the aim of reducing the potential for off-site impacts.

Protecting biodiversity

As part of a thorough planning process, all operating divisions protect biodiversity by undertaking impact assessments. Throughout the operational management important biodiversity impacts are identified and mitigated against through established management plans.

Esken Renewables, when developing new sites, will consider biodiversity issues as part of the formal planning, permitting, and licensing to minimise any potential adverse impacts on the local ecosystem.

Sustainability report continued

Minimising our environmental footprint continued

Carbon emission

Diesel makes up 93% of Esken Renewables' carbon footprint. As the business develops a Roadmap to Net Zero, the key objective is to minimise diesel usage by sourcing alternative fuels and reducing the carbon footprint.

Esken Renewables have worked with suppliers and piloted schemes to explore the interventions to reduce diesel usage in the business. A full HGV, van, and car fleet audit has been carried out to ensure the correct day-to-day operational levels. The pilot schemes have helped address issues of fuel efficiency, which also impact the bottom line with the current cost of diesel. It has reduced the requirement to repair the HGV, van, and small vehicle fleet and reduced maintenance spend. Through market research, the business engaged new suppliers to better understand new fuel types and introduce new technology that have the capability of user requirements. This stakeholder engagement has been key as there are impacts to supply and service levels, commercial needs and timeframe required.

The HGV fleet replacement programme will bring about efficiencies and reduce the carbon footprint by 8%. The small vehicle pilot would reduce carbon by 0.5%.

The changes introduced required new ways of working, fuel sources and technology and the business recognised the importance of engaging colleagues from the outset of all pilot schemes. The aim is to improve the brand reputation, become an employer of choice, increase driver recruitment, and improve our driver colleague morale and retention.

Conserving water

As part of the overall Roadmap to Net Zero, Esken aims to reduce waste consumption across all its operational divisions, the priorities are to drive efficient water usage, prevent pollution and limit discharge. This year London Southend Airport rolled out a waterpipe repair programme and achieved a 24.9% reduction on forecasted water usage.

Managing waste

Across all Esken's operating divisions the aim is to minimise waste, manage waste generated, and zero waste to landfill. Esken Renewables ensure all office-based waste and residual waste streams arising from biomass fuel are sent for further treatment and recycling. London Southend Airport works with a local business to deliver zero waste to landfill with all remaining non-recycling waster used to generate energy. Across all sites colleagues have made a concerted effort to reduce postage by moving to online billing and subscriptions further reducing waste created.

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	• Environmental, Social & Governance (ESG) Policy General Statement • ESG framework • Group Environmental Policy • Sustainable Procurement Policy	• Our story page 2 • Sustainability report pages 34 to 65 • Stakeholder engagement and s172 pages 66 to 72 • Key performance indicators pages 24 to 25 • Principal risks and mitigations pages 80 to 84
2. Colleagues	• Recruitment Policy • Group Health & Safety Policy • Equality, Diversity & Inclusion Policy	• Our story page 2 • Developing our people pages 46 to 49 • Stakeholder engagement and s172 pages 66 to 72 • Excelling in health & wellbeing, safety and security pages 50 to 55
3. Human rights	• Modern Slavery Statement • Modern Slavery & Human Trafficking Policy • Dignity at Work Policy • Data Protection Policy • Safeguarding Policy	• Building sustainable communities pages 42 to 45 • Stakeholder engagement and s172 pages 66 to 72
4. Social matters		• Sustainability report pages 34 to 65 • Principal risks and mitigations pages 80 to 84 • Stakeholder engagement and s172 pages 66 to 72
5. Anti-corruption & anti-bribery	• Anti-Bribery & Corruption Policy • Whistleblowing Policy • Ethics & Business Integrity Policy	• Stakeholder engagement and s172 pages 66 to 72 • Principal risks and mitigations pages 80 to 84
6. Business model		• Business model, pages 12 to 13
7. Principal risks	• Cyber Risk Policy	• Risk management and our principal risks, pages 76 to 79
8. Non-financial KPIs		• Key performance indicators, pages 24 to 25

Stakeholder engagement

Section 172(1) statement

In their discussions and decisions during the year ended 28 February 2023, 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 sub-sections 172(1)(a)-(f) of the Companies Act 2006 (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.

Esken's strategy is to drive sustainable shareholder value over the medium-term through growth in our aviation and renewables business, which this year we are doing in the context of the outcome of the strategic review referred to on page 22.

We believe that its key stakeholders are:

1. Our employees – they are the foundation on which all of our achievements are built. They need to be engaged with our customers and suppliers to drive the growth we seek. Their knowledge and expertise are valuable assets we seek to nurture.
2. Our customers – our customers are the foundations of our business success. They must be engaged as partners as we seek to build sustainable relationships to support the building of value in the medium term.
3. Our suppliers – our suppliers provide us with our waste wood supplies which are so essential to our market-leading position in the biomass sector and our airline partners in Southend are essential to driving passenger footfall through our airport.

4. The communities in which we operate – as a key supplier or owner of significant infrastructure assets in the communities in which we operate, we must be mindful of the impact of our operations on those communities and also seek to harness the benefits which they can bring. Within our 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.
5. Regulators and government bodies – regulators have a key part to play in guiding and shaping the Group's core operations (from the Environment Agency providing the regulatory framework within which our biomass processing and storage facilities operate, to the Civil Aviation Authority, which has a critical part to play in shaping the running of our airports, and the various financial regulators which govern the way we operate as a public company).
6. Shareholders and financiers – we rely on all of the stakeholders who finance our operations in both the short and long term (from our shareholders who have provided our long-term financing for the future, to our key banking partners who provide key help with our immediate financing requirements for our ongoing operations and the legacy liabilities which the Group is subject to, to the asset finance providers who assist us with the financing of opex and capex on which the businesses depend).

Within our 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 in our Sustainability Report starting on page 34. 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 where timely and appropriate.
- 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.

Stakeholder engagement continued

Employees

In common with many businesses, we find many employees wanting to work more flexibly than before, and demanding that employers put their health and wellbeing front and centre of the people agenda. Creating a great employee experience and attractive place to work has never been more important.

What have we done:
Across all our operational divisions we conducted a Colleague Survey in January 2023. The purpose of the survey was to measure progress against the three key areas of improvement from our December 2021 survey. These priority areas were set out in our 2022 Annual Report:

- Culture and ways of working.
- Senior leadership communications.
- Line manager support and guidance.

Our survey response rate was 68%, which was 3% lower than the survey conducted in 2021. The overall engagement score was 73% – two percentage points lower than 2021.

New questions for this survey included the following scoring 80%, 33%, and 55% respectively:

- I enjoy my job.
- The reward and benefits I receive are fair for the work I do.
- I understand what benefits are available to me.

These scores show that there are strong relationships between line managers and their teams and that engagement is high.

Highest scoring individual questions are in our line management and engagement categories; 89% believe their line manager treats them with respect. This is the highest scoring question, the biggest improvement and the most above external benchmark.

Perceptions of line management support are strong and have improved significantly since the last survey. Perceptions of line management support are strong across all divisions. Eight of the 33 managers with enough responses achieved an overall line management support score of over 90%.

Senior leadership communication is key to levels of engagement and so it is important to maintain focus here and scores have improved since 2021, and there have also been good improvements in approaches to heath, safety and wellbeing.

- Engagement can be difficult to influence directly, so analysis has been undertaken to identify which questions from the survey align most closely to the engagement questions. Focus here will help us to maintain and improve levels of employee engagement. These are known as the 'drivers of engagement' and each team/division will have its own set of questions that drive engagement the most in that area.

Themes	Response favourability			Comparison
Line Manager Support	79%	14%	7%	+25
Senior Leadership Communication	52%	23%	25%	+7
Ways of Working	54%	21%	25%	+6
Environmental, Social & Governance	49%	35%	15%	0
Engagement	73%	20%	7%	-2

Esken celebrates inclusion and belonging so it's imperative for every single employee to have a voice. We want to listen and take on board our employees' views.

The Employee Survey is an opportunity for employees to be completely honest, and tell us what they think is working well and what isn't. Clear and honest feedback from our workforce is vital and I'd like to thank our employees for once again playing their part.

- Our highest scoring questions as an organisation overall are in our Line Management and Engagement categories. 89% believe their line manager treats them with respect. This is the highest scoring question, the biggest improvement and the most above external benchmark.

Question	Response breakdown: favourable	Response breakdown: neutral	Response breakdown: unfavourable	Vs External Benchmark	Vs 2019	Vs 2021
I understand how the work I do contributes to the success of my division	83%	12%	5%	-4	+2	n/a
My division is committed to making a positive difference to our people, community and environment	49%	35%	15%	-15	n/a	0
At work, my opinions count	57%	21%	22%	-7	+4	+12
The reasons for change are clearly communicated to me	51%	23%	27%	-4	+14	+6
My divisional leadership team provide a clear vision for the overall direction of my division	48%	26%	26%	-15	+6	+3

= Engagement

favourable neutral unfavourable

Stakeholder engagement continued

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 operating assets.

Regular communication with our customers enables us to better understand their needs, expectations and priorities. Our procurement function helps 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 with them?

- Suppliers are currently engaged on an individual basis via our procurement functions within the divisions.
- We hold quarterly reviews with our strategic partners and framework suppliers.
- We attend supplier forums and networking events.
- We implement supplier onboarding processes where appropriate.
- We have a Supplier Code of Conduct.

What did we talk about and how did we respond?

Key examples of how we engaged with our suppliers and how we responded to those issues during the year are as follows:

Business	What did we talk about?	How did we respond?
Esken Renewables	Esken Renewables engaged with Cramlington biomass plant regarding its existing fuel supply arrangements following a change in ownership of the facility.	Through renegotiating its fuel supply agreement, Esken Renewables secured exclusivity of supply to the biomass plant supplying a range of biomass fuels whilst also extending the contract by six years.
London Southend Airport	We talked to easyJet about their reintroduction at the airport during the year. This included service levels, costs and routes.	In support of our re-start-up activity for London Southend Airport, and following productive commercial negotiations, we signed a multi-year partnership with easyJet. This now encompasses an enhanced route offering for the term of the partnership.
Star Handling	We communicated with customers about our staffing levels and readiness for Summer operations.	We adapted our staffing levels accordingly and ensured that we were appropriately staffed and ready to execute handling plans for each customer.

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 with them?

- Social media channels and via our website.
- Airport Consultative Committee meetings.
- Independent focus group forums on noise and accessibility.
- Directly through Community Newsletter launched in 2022.
- Independent focus group forums on noise and accessibility.
- Work with local schools and colleges.
- Community fundraising events and volunteering events.

What did we talk about and how did we respond?

Key examples of how we engaged with our communities and how we responded to those issues during the year are as follows:

Business	What did we talk about?	How did we respond?
Esken Renewables	Esken Renewables engaged with a number of charities close to our Head Office in the Merseyside and Halton area as to how our colleagues could help through volunteering.	We engaged on a number of volunteering events with local charities which included tidying up a relaxation garden for people, giving access support at Sam's Diamonds Cancer Support (Widnes, Merseyside), Christmas hamper packing for Crisis (Bootle, Merseyside) and spending a day at Incredible Edibles (Knowsley, Merseyside), prepping beds for planting and revamping and recultivating a picnic area for visitors to the site.

Stakeholder engagement continued

The communities in which we operate continued

London Southend Airport	• Kept the community updated on airport developments, new routes and services. • Local employment and procurement opportunities. • The targets and initiatives aimed at reducing the impact of our operations on the local environment. • Issues such as noise, employability and social support.	• We have attended events at local schools and colleges, supporting the introduction of young people to the world of work. • We continued our two-year 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. • Developed a brand new website to give passengers a far simpler, seamless digital experience. • Head of People, Michelle Ball has recently been appointed a Governor of USP College and will utilise this collaboration to encourage future talent for the airport, and the provision of technical skills development for our developing colleagues. • Michelle is also proud to be one of the Board Members of SEATS (South East Essex Technical Skills Limited) a work-based technical university that will be delivering degree-based learning through work placement. • The airport continues to work with a number of local authority organisations, charities and third parties to give students, young adults, cadets and interns experience as to what it is like to work at an airport. • We were awarded the Armed Forces Covenant Silver Award.
Star Handling	• Star Handling engaged with a number of charities relevant to our business as to how our colleagues could help through volunteering. • We also considered how we might engage with our community to better inform them about our business.	• We engaged on a number of volunteering events with local charities which included a Volunteer Day at the Southend Community Apple Orchard, a Help for Heroes charity collection and we took part in a charity football match day in Liverpool where we were the only representative to field a female player. Star Handling was awarded the Armed Forces Covenant Silver Award. • We attended a recruitment fair in Manchester city centre educating the local community about our industry and to try to fill jobs locally.

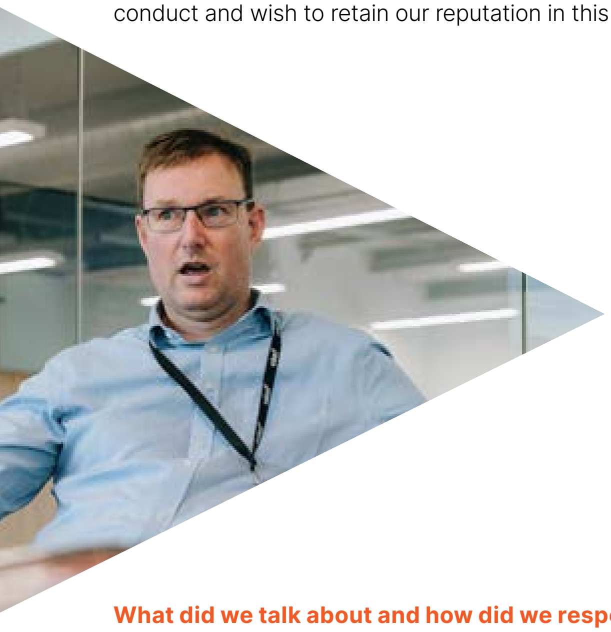
Regulators, government bodies and unions

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 with 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 and how did we respond?
Key examples of how we engaged with our regulators and other relevant bodies and how we responded to those issues during the year are as follows:

Business	What did we talk about?	How did we respond?
Esken Renewables	We discussed our operations at our Port Clarence site, particularly with regard to dust emanating from the site.	We have closed down our operations at Port Clarence and moved to a different mode of operating.
London Southend Airport	The CAA continued its series of regular audits of our operations.	We successfully passed our CAA aerodrome audit in late 2022. The CAA made only minor recommendations for improvement.
Star Handling	We discussed pay and conditions with unions representing our workforce.	We reached an agreed settlement for wage increases for the year ahead.

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 a year which required us to refresh our key banking relationship for the Group. Our open and transparent approach to engagement helped us secure the support we needed 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 business. This engagement ultimately helped shareholders and banking partners understand our position as we sought to replace our main banking relationship and secure ongoing funding for our key legacy obligations.

We also sought to update our shareholders on material events and activities such as the news that our logistics partner was closing its base at LSA and our decision to implement the strategic review of our operating businesses. We also consulted with shareholders over the decision to undertake a limited update to our remuneration policy pending the outcome of the strategic review.

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.

What did we talk about?

- The financial and operational performance of the business;
- The future of the Group and the need for the strategic review;
- Our financing and general banking requirements; and
- Our remuneration policy.

How did we respond?

- We have sought feedback from our shareholders following the major announcements we have made;
- We have worked hard during the recovery from 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 finance partners to complete a new £50m facility for the Group;
- We held our AGM and encouraged shareholders to provide questions in advance for the Board to respond to; and
- We will continue to hold webcasts to engage with retail investors as this method of communication was well received.

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 undertake a limited update to our remuneration policy

Decisions considered by the Board	Stakeholders considered	How did we engage and deliberate?	Effect of engagement
How the business would respond to the need to renew its remuneration policy in light of the ongoing strategic review.	Shareholders and employees.	We wrote to shareholders and communicated to them our proposal to undertake only a limited review of our remuneration policy in 2023 and offered them an opportunity to discuss that approach with them.	A policy was prepared and is to be put to shareholders at the AGM in July 2023.

The decision to reshape Star Handling following the ending of our relationship with a key logistics partner at LSA

Decisions considered by the Board	Stakeholders considered	How did we engage and deliberate?	Effect of engagement
We reduced our staffing levels overall to cope with the downturn in activity at LSA. We split the business into two separate operating companies to ensure that a sale of the business could be achieved without losing the support of the team at LSA for the easyJet operation. We ultimately opted to sell the business for Manchester and Stansted stations to Skytanking UK Ltd.	Our staff. Our customers. Our shareholders and financiers.	We consulted with staff about the necessary redundancies associated with the lost logistics business. We consulted with customers about the continuation of business in the face of the possible sale of the business and its eventual disposal, to ensure that service contracts could be renewed effectively. We made sure our bankers understood the logic for disposing of the business and ensured that they agreed to the sale.	We minimised redundancies and redeployed staff where possible. We renewed several key ground handling relationships and kept our customers informed about our intentions. Our financiers approved the sale of the business.

The decisions taken with regard to remuneration in reaction to the cost of living crisis and external economic factors

Decisions considered by the Board	Stakeholders considered	How did we engage and deliberate?	Effect of engagement
Cost of living awards relating to pay across the Group and other related matters.	The Group's employees.	We took extensive advice from our remuneration advisors with regard to market developments and pay. We listened to what our employees told us in our regular communications channels with them.	We made available to our employees our Employee Assistance Programme and communicated the benefits of this programme to them and encouraged them to take advantage of the advice on offer. We implemented cost-of-living award (COLA) pay increases across the Group on a differential basis, such that those earning the least saw the greatest level of increase in basic pay. Our most senior staff will receive no COLA pay increase in FY24.

Risk management and our principal risks

Our decision-making must be informed by a clear understanding of our business risks and opportunities, and our appetite for those risks.

Responsibilities

The Board has overall responsibility for the management of risk and the identification of principal risks that may affect the Group's objectives. It determines the nature and extent of risk exposure that the business is willing to take in pursuit of its strategy.

Our framework for risk management is approved by the Board. It sets out how we identify, evaluate and report on our current and emerging risks, and incorporates the assessment of the controls and mitigation strategies we have in place for each documented risk. We apply a consistent evaluation framework, providing a robust basis for considering threats and opportunities across our activities. Changes to the risk profile of the business, alongside significant and emerging risks, are escalated to and considered by the Audit Committee.

The Audit Committee, on behalf of the Board, has responsibility for maintaining oversight of the Group's framework for risk management, for monitoring our risk management processes and approving relevant disclosures. It has responsibility for monitoring financial reporting and external audit plans and outputs, as well as providing assurance to the Board in relation to financial, operational and compliance controls, all of which are designed to manage our exposure to risk.

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, employees, suppliers, partners and the environment, and may impact our shareholder returns. Risks can be mitigated or managed, in some cases, and in others we have developed plans to manage the consequences.

Our approach

Risk management is embedded in our business decision-making processes.

The Board has approved the delegated authority matrix and key policies, which ensure that decisions around accepting risk are escalated to the right level within the organisation.

The Audit Committee reviews the risk register at each meeting, with particular focus on the principal risks and any emerging risks, additional or deleted risks, and provides updates to the Board. 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 Audit Committee also receives presentations from senior managers, and external advisors and assurance providers, to ensure that its members have a comprehensive understanding of the risks facing the business, and the mitigation strategies considered and implemented.

The Esken Management Board regularly reviews and updates the corporate risk register, and this is reported to each meeting of the Audit Committee, highlighting any changes in risk, to the key controls or changes to the evaluation of our risk exposure. 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.

Board

Approves the risk framework

Articulates the Group's appetite for risk

Receives risk and assurance information from the Audit Committee and the management team

↓

Audit Committee

Receives and reviews risk information, including a detailed assessment of the corporate risk register each meeting

Receives assurance from a range of sources: management, external audit, independent advisors, internal audit

Considers any significant risk issues arising and agrees the approach to management of the outcome

Assesses the effectiveness of the risk management process

↓

Management

Reviews business activities and operations to identify, document and evaluate current and emerging risks

Determines and develops appropriate mitigation strategies to ensure that risks remain within the Board's agreed risk appetite

Ensures that mitigations and controls are operating effectively

Provides management assurance and information to the Audit Committee and Board

Responsibility for the delivery of risk management activities is delegated to the level that is most appropriately placed to oversee and manage each risk.

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 new 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.

Risk appetite and awareness

Risk awareness exists through our decision-making processes and is embedded in systems, policies, leadership, governance and behaviours.

The level of risk considered appropriate to accept in achieving our business objectives is determined by the Board.

Board risk management objectives

The Group's risk management objectives are to have:

- 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 Group 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 the mitigation.

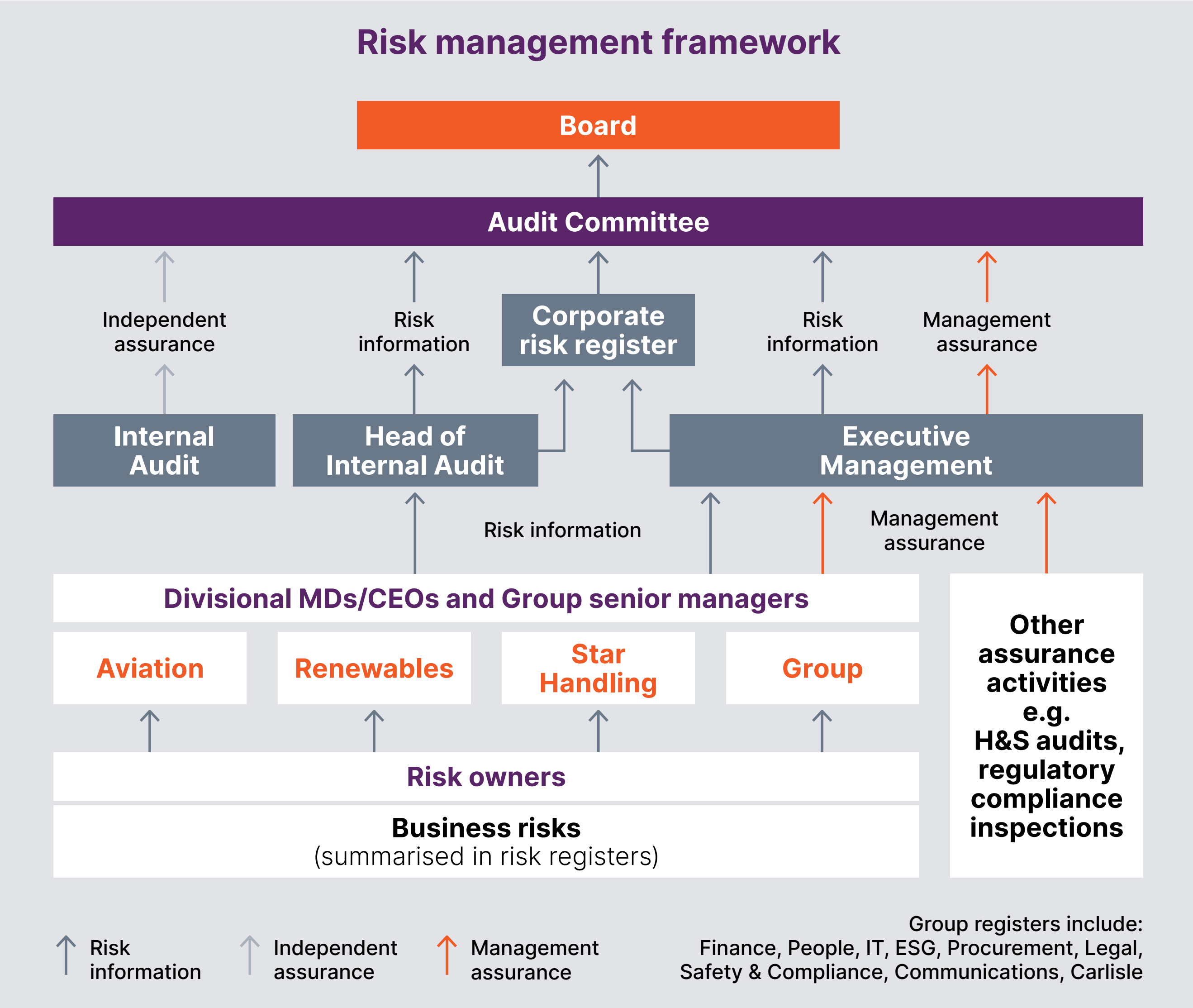
Business risk management process

Within divisions and Group functions, significant business risks are identified and reviewed at Director level at least quarterly, with results reported at divisional Board/performance review meetings. Business managers across the Group own and manage these risks, with regular reports to the relevant senior management team, and through them to the Esken Management Board, the Audit Committee and the Board.

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.

> The Group has no appetite for risk in areas relating to the health, safety and welfare of our staff, customers and the wider community in which we work.
>
> Appetite for climate-related risk is low and the Group is implementing arrangements to assess and address physical and transitional risks for its activities.
>
> We have an increasing appetite for risk in relation to activities which are directed towards creating additional demand for our services to drive revenues and increase financial returns for the Group.

Risk management and our principal risks continued



Environmental, social and governance risk

We have continued to strengthen our approach to the management of environmental, social and governance (ESG) risk during the year, investing in understanding how we can best mitigate climate-related risks. Our risk framework has been updated to reflect this additional emphasis, and reference to climate-related risk has been added to the Group's stated risk appetite.

We have overarching ESG and climate-related risks within the corporate risk register, within key business risk registers, and we have also developed a separate ESG risk register.

Within the overall focus on ESG initiatives, climate-related 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 from climate-related risk include:

- reduction in demand for flights;
- changes in demand or regulation around the sustainable energy market;
- reduction in asset values, for example if they are not efficient in their design or use of energy;
- loss of investors, if we are not taking action in relation to climate-related risk;
- higher costs, for goods and services e.g. utilities, insurances, or where we are required to implement more expensive working methods or sustainable materials/ supplies;
- increasing regulatory burden, as regulation is used to drive change; and
- increasingly severe and/or frequent adverse weather events, causing, for example, flooding, or storms causing disruption to activities or damage to properties.

Emerging risk

Our risk reviews include consideration of emerging risks, both for the corporate risk register and the underlying divisional and business registers. During the year, we have added a number of risks to the corporate risk register and documented and evaluated the controls we have in place for each, to assess the current level of exposure. None of these risks are currently considered to be principal risks and we will continue to monitor the position for each.

Emerging risks identified include:

- **Tax increases** – we consider it likely that there will be personal and corporate tax increases which may have an impact on the business.
- **Compliance with funding conditions** – we have agreed new funding arrangements during the year, and ensuring we continue to comply with the lender's requirements is essential.

We have also continued to monitor those risks flagged as emerging risks in our report last year, and of the four risks reported, two – interest rate rises and cost inflation – are now considered to be principal risks.

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 Audit Committee, which considers:

- any substantial changes to principal risks, control frameworks or the evaluation of exposure 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

There have been a number of changes to our principal risks during the year, with new risks:

- **Cost inflation** – costs are increasing, particularly through energy price increases and wage inflation. We are able to recover some of these through indexation and price increases on our customer contracts in the Renewables division, but we have less opportunity to recover costs within Aviation as the level of activity is low.
- **Interest rate rises** – which are increasing the cost of debt for the Group.
- **Major system or equipment failure** – we rely on systems and equipment in both Aviation and Esken Renewables, and failure of a significant element may have a material impact on the delivery of operations.

The evaluation of exposure to some of our previously reported principal risks has changed during the year and, where relevant, the direction of the change is included in the detailed principal risks section below.

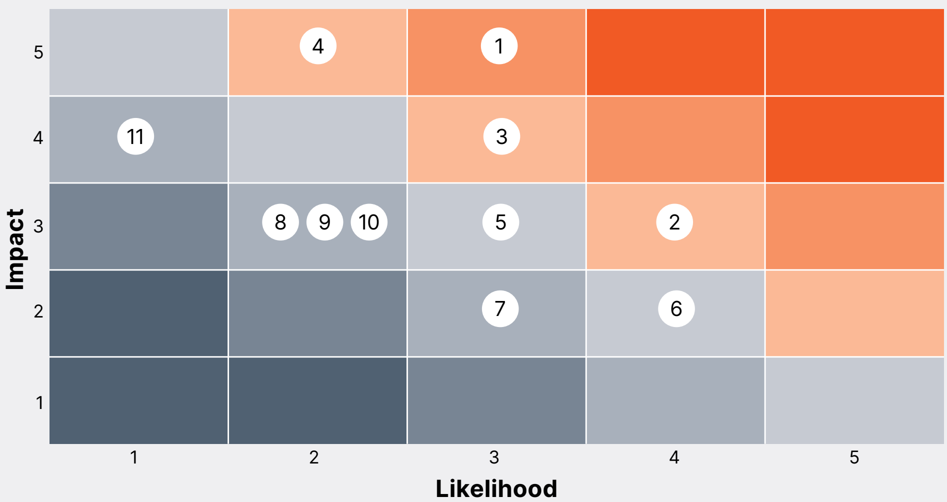
We have removed a number previously reported principal risks, and these include:

- Impact of the COVID-19 pandemic.
- Failure of a significant customer for Esken Renewables, as the majority of these businesses have now been operating for some years and have improved financial stability, we have taken the decision to amalgamate this risk within the more general risk around loss of a key customer.
- Significant breach of key legislation – our management teams are committed and experienced, and we have enhanced our Group governance processes significantly during the last two years. In our view, the likelihood of a significant breach is now sufficiently low to remove this.
- Environmental or other protests (e.g. drone attacks) impacting on our ability to deliver operations. The reduction in activity at London Southend and within Star Handling has reduced the potential impact of this risk, and Esken Renewables has sophisticated route planning and customer prioritisation arrangements, to manage operations effectively, should issues arise.

Principal risk heat map as at 28 February 2023

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.



1 Liquidity shortage, loss of funding support
2 Cost increases, inflation
3 Passenger numbers at LSA fail to increase
4 Impact of parent company guarantees/ other guarantees
5 Cyber crime, significant data loss or breach
6 Interest rate rises
7 Impact of climate change
8 Major system or equipment failure
9 Loss of a significant customer
10 Significant breach of customer-related regulatory or licence conditions
11 Major aircraft incident, at one of our operated or serviced airports

Principal risks and mitigations

Potential impact	Risk mitigation	Direction of risk
Business area – Group wide		

1. Liquidity shortage, loss of funding support

Potential impact	Risk mitigation	Direction of risk
We are reliant on funding support from our partners and on effective cash management measures within the business, particularly as it has taken longer than anticipated to recover operations at London Southend Airport. Cash shortages may impact on our ability to invest and deliver on our strategy and business plans.	We are in regular working contact with our funding partners, to ensure they are fully informed of relevant activities and issues, and we are in compliance with their requirements. The CFO and Treasurer work with divisional Finance Directors to closely monitor and forecast cash requirements. Decisions around significant expenditure commitments are controlled through our delegated authority matrix and also our capex process. Any additional funding sought through, for example, operating leases, is approved by the Group Treasurer. Business performance and projected cash inflows from our trading operations are subject to detailed budgetary review and variance analysis.	↑

Business area – Group wide

2. Cost increases, inflation

Potential impact	Risk mitigation	Direction of risk
During the year we have seen inflation rise to levels above those seen in the UK for a number of years. In addition to general price inflation, there have been significant increases in fuel prices and energy costs. Combined, these resulted in cost of living pressures, which impacted on wage inflation. Whilst we are able to pass on some part of these cost increases through increases in charges and contract rates to Esken Renewables customers, this is not possible for the Aviation division where activity and revenues are low.	We have robust cash management procedures in place, supported by formal delegations of authority and processes for procurement. There is regular variance analysis of financial results and forecasts. We have completed remuneration planning and benchmarking exercises, and scenario analysis during the year to understand the potential impact of wage inflation and increases in other elements of spend. Where possible, we have contracts in place for key goods and services to provide some cost certainty. Where appropriate, for both spot pricing and contracted revenues, we have sought to increase our rates, passing on cost increases to our customers and maintaining margins.	New

Potential impact | **Risk mitigation** | **Direction of risk**

Business area – Aviation

3. Passenger numbers at London Southend do not recover to anticipated levels

Potential impact

Flight operations from Southend were significantly impacted by the COVID-19 pandemic, and activity levels have not yet returned to the level that we had anticipated. The length of the lockdown impacted on our partner airlines, resulting in their restructuring and a contraction in the number of operating bases.

If activities levels remain low 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.

Risk mitigation

We are working closely with our partner airlines to understand their plans and to accurately forecast activity.

Our plans and forecasts have been adjusted over the year to reflect the expected position for FY24.

Business area – Group wide

4. Parent company guarantees and other company guarantees

Potential impact

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 Propius, and we are working through the closure of those.

Other guarantees relate to Renewables contracts; and rent and rates for buildings previously occupied by businesses which are no longer part of the Group.

Risk mitigation

The position in relation to the guarantees is continuously monitored.

Principal risks and mitigations continued

Potential impact	Risk mitigation	Direction of risk

Business area – Group wide

5. Cyber crime attack, data loss or breach

Potential impact	Risk mitigation	Direction of risk
Successful delivery of our business operations relies on technology solutions and therefore we require system resilience and strong information security 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. We are also at risk from cyber attacks on, or system failures in, our key third party system providers, where we rely on their solutions and services. 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 (ICO) or other regulatory body, 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 primarily cloud-based, with providers selected because of their ability to provide secure, robust data storage facilities and tools, and high quality 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. During the year, our GDPR Working Group has overseen activities designed to further strengthen our approach to information security and compliance. The majority of data we process is not sensitive, and we do not hold detailed financial or similar information about our customers or suppliers.	↔

Business area – Group wide

6. Interest rate rises

Potential impact	Risk mitigation	Direction of risk
Interest rates have risen significantly during the year. We have an overarching finance facility, and also leases for equipment and assets used by the business. Rate rises may impact both the Group's ability to utilise funding to deliver operational activities, and to fund growth and investment in the business.	The agreement of finance terms and rates is controlled through our delegated authority matrix, with the CFO and Group Treasurer responsible for evaluation of financing costs and charges. Interest rate rises are primarily externally driven and, as we are therefore not able to fully mitigate the potential for interest rate rises, we are focused on managing and mitigating the consequences.	New

Potential impact	Risk mitigation	Direction of risk

Business area – Group wide

7. Impact of climate-related risks

Potential impact

As described in the ESG risk section above, climate-related risk may have an increasing impact across the business, which could include:

- Adverse weather events impacting on operations.
- Asset maintenance costs increasing, as higher standards are applied.
- Asset values reducing, for example if property assets are not energy efficient or if locations are impacted by flooding or other extreme weather/environmental conditions.
- Increasing regulatory burden.
- Increasing costs, for example if additional taxes are introduced to drive behaviours, or if energy costs are significantly increased.

Risk mitigation

Our divisions consider climate-related risk in investment and activity decisions, with material commitments approved through the Group delegated authority matrix. This includes, for example, the assessment of new technology solutions for equipment and processes.

The mitigation of climate-related risk is also an area of focus within our ESG governance framework, with a Board level Steering Group and Working Groups in place across each area of the business. Their work has included the development of a Roadmap to Net Zero for carbon.

Direction of risk

↔

Business area – Aviation/Esken Renewables

8. Major systems or equipment failure

Potential impact

Delivery of business operations depends on a range of key systems and equipment. Examples include processing equipment at our Esken Renewables sites; fleet assets for the movement of Renewables raw materials and product; and aerodrome systems such as baggage and passenger screening, radar, and air traffic control systems within Aviation.

A significant system or equipment failure could have a material impact on operations, particularly where there is a long lead time for replacement parts or repair, and there could be a significant financial cost involved.

Risk mitigation

We have a range of measures designed to reduce breakdowns, down time and repair costs, including:

- new asset purchases may include warranty and maintenance contracts;
- significant kit will have repair and maintenance programmes, with regular servicing;
- service schedules and guidelines are adhered to; and
- our vendors take on procedures for providers of parts, spares, repairs and servicing include relevant checks such as insurance, certifications and qualifications.

We have competent trained staff in place, or access to external appropriately qualified support for specialist equipment.

We have an ongoing replacement programme for some areas such as vehicle fleet assets and Renewables plant.

Budgeting and spend approval processes incorporate consideration of asset age, usage, and significance to the business.

Direction of risk

New

Principal risks and mitigations continued

Business area – All operating divisions

9. Loss of significant customer

Potential impact	Risk mitigation	Direction of risk
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.	Relationship management of significant customers remains a priority, with both divisional and Group senior management closely involved. Significant contract renewals are monitored and planned for, with input from Group to support divisional teams. Bids and negotiations are governed by the delegated authority matrix, ensuring that commercial decisions are taken at the right level. Within Renewables, as our more significant customers have matured, they have built resilience in their operations and their financial positions.	↔

Business area – All operating divisions

10. Significant breach of customer licence or regulatory conditions

Potential impact	Risk mitigation	Direction of risk
Our businesses operate in complex areas, with a number of regulatory bodies, from the Civil Aviation Authority, to the Environment Agency and Department for Transport, having frameworks that we must adhere to. A significant breach to the conditions of licence, regulatory or operating requirements could lead to the loss of our operating licences or approvals. This could have a significant impact on the Group's revenues and profits, as activities could be curtailed whilst remedial actions were taken. Significant breaches could also impact on the business reputation with the regulators, customers or other stakeholders.	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. Responsibilities are clearly allocated within the Group and divisional structure. There are oversight arrangements, including an operational audit programme, undertaken by a central Group team.	↔

Business area – Aviation and Aviation Services

11. Major aircraft incident at our operated airports

Potential impact	Risk mitigation	Direction of risk
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.	Activities are undertaken in compliance with the requirements of the Civil Aviation Authority and other appropriate regulations, with comprehensive operational arrangements in place to ensure activities are carried out appropriately and to a consistently high standard. We have competent and experienced management and operational teams in place, with compliance monitoring routines checking against our documented, standard, operating procedures. We have regular programmes of internal inspections, and are subject to external reviews by the relevant regulators.	↔

Viability statement

The Directors have assessed the viability of the Group over a 20-month period from the date of signing to February 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 in note 1, is satisfactorily resolved. As discussed further in the Business Review on page 12, Esken undertook a strategic review to consider the best way to tackle high levels of debt incurred as it tackled legacy issues, while also enabling operating businesses to realise their potential. The review concluded it is in the best interests of stakeholders to dispose of these businesses and use the proceeds to repay debt and fund the remaining businesses through to the conclusion of the disposal programme currently estimated to be finalised by February 2025. With the disposal of Renewables heading towards completion and the process to dispose of London Southend Airport (LSA) underway, there is no sensible reason to extend the viability review beyond February 2025.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, including reliance on the disposal proceeds to be generated by the disposal of the Renewables business and disposing of non-core assets, over the going concern period to June 2024, as detailed in the basis of preparation in respect of going concern. This funding will support the Group in clearing the Group's term loan and provide operational cash for LSA. The exchangeable bond will also be settled at the appropriate date, after taking account of the secured exchangeable LDG plc shares. The principal risks facing the business in the severe but plausible scenarios and the effectiveness of any mitigating actions, including a delay in the disposal of the Renewables business by 3 months and a reduction in 2025 Aviation operational and trading performance due to the slower recovery following the COVID-19 pandemic, have also been taken into account. The severe but plausible scenarios only include non-core asset disposal proceeds of £9m, and there is potential to raise a further £35.8m based on year end February 2023 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 February 2025. For further information please refer to the basis of preparation in respect of going concern disclosure in note 1.

Board of Directors

David Shearer
Executive Chairman

Appointment to the Board
1 June 2019

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.

Committee membership
Chairman of the Nomination Committee.

Lewis Girdwood
Chief Financial Officer
Executive Director – Aviation

Appointment to the Board
1 April 2019

Background/experience
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 currently a member of the Audit Committee of charity Tommy's and Audit Committee Chairman and Non-Executive Director of Aurrigo International plc.

Nick Dilworth
Chief Operating Officer
Executive Director – Renewables

Appointment to the Board
1 September 2018

Background/experience
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 AirPortr Ltd.

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

David Blackwood
Deputy Chairman and Senior Independent Director

Appointment to the Board
1 March 2019

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

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

Ginny Pulbrook
Non-Executive Director

Appointment to the Board
1 October 2018

Background/experience
With a background in investment banking and financial public relations, Ginny brings more than 30 years' experience as a Board level advisor 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, Chair of 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.

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

Clive Condie
Non-Executive Director

Appointment to the Board
1 July 2020

Background/experience
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 for some 20 years, Lima in Peru and Curaçao in the Dutch Antilles.

Clive is a fellow of the Royal Aeronautical Society.

Committee membership
Member of the Remuneration, Nomination and Audit Committees and Chairman 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 2023 on behalf of the Board. The past year has been a challenging one across the globe and our business along with its employees have again shown great resilience in the face of ongoing uncertainty. We have ensured that Esken's governance framework has continued to support the business' operation. The Board is committed to delivering high standards of corporate governance – commensurate with size, stage of growth and nature of activities of the Group – to its shareholders and other stakeholders.

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 2023, except as follows:

- I am Executive Chairman and, as such, we do not separate the roles of Chairman and Chief Executive as required by Provision 9 of the Code; having consulted with our shareholders on this matter. In the context of the current position of the business, and particularly the strategic review we have reported on above, we do not see that any change to this position in the near term is sensible or possible.

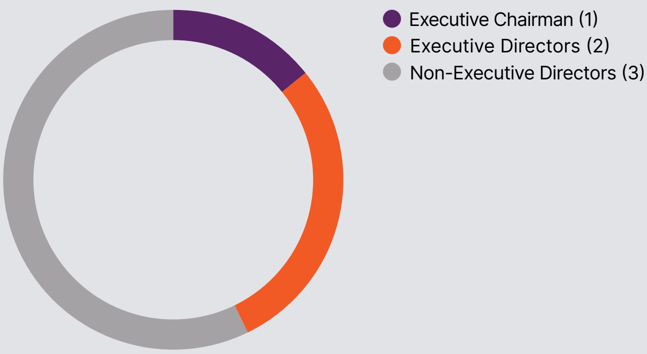
The Code can be downloaded from the website of the Financial Reporting Council (www.frc.org.uk).

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.

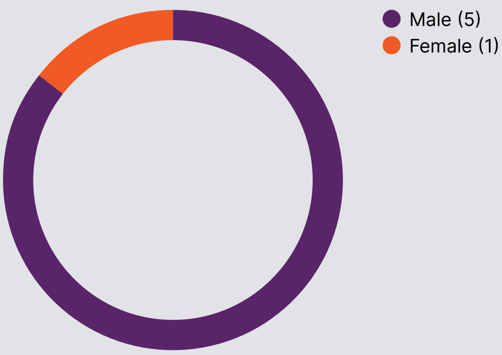
Stakeholder engagement

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.

Six members



Gender split



Further information on our stakeholders and our approach to shareholder engagement can be found on pages 66 to 75.

Environmental, social and governance

We recognise the increasing importance of 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 34 to 64 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 76 to 84.

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 post-pandemic impacts on our business. 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 ensure that we have been able to conclude and begin to implement our strategic review.

The non-executive members of the Board have continued to commit their time and broad business expertise to support the Executive Directors 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 pages 90 to 95 of this report.

Board appointments

We are not currently intending to recruit for an additional Non-Executive Director, even though John Coombs stepped down from the Board at our AGM in July 2022. 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, particularly in light of the outcome of the strategic review.

I assumed the role of Executive Chairman, initially on an interim basis, to support Esken. Whilst in principle this goes against 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 2021. David Blackwood became Deputy Chairman to support this framework and give shareholders and other Board members a channel for communication should they require it.

I remain as Executive Chairman with responsibility for stakeholder management, execution of strategy and executive leadership. Lewis Girdwood, CFO, has the additional role of Executive Director – Aviation with main Board responsibility for that division. Nick Dilworth, COO, has the additional role of Executive Director – Renewable with main Board responsibility for that business, in addition to his executive responsibility for ESG and he has also played a key role in helping to lead Star Handling prior to its sale in May 2023. This structure continues to 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 is 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 pending the full outcome of the implementation of the strategic review. 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, stepped down from the Board with effect from the 2022 AGM. We did not replace John as we felt that a Board with six members is sufficient for our purposes for now, in view of the reduction in scale of the Group's operations over the last period and the ongoing strategic review which may reduce them still further. 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. Clive Condie has assumed the role of chairing the Remuneration Committee as a successor to John.

The Board has worked especially hard during the year to support our business operations and colleagues in navigating the continued sustained level of uncertainty 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 in July 2023. Shareholders are welcome to submit questions for the Board in advance of the meeting. For further details please refer to the AGM Notice that will be sent out to shareholders under separate cover.

Anti-bribery and corruption policy

It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery and corruption. We will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate. Most importantly, we remain bound by and are committed to upholding UK laws, including the Bribery Act 2010, in respect of our conduct both at home and abroad.

Corporate Governance Report

This Corporate Governance Report sets out our approach to governance, provides further information on the operation of the Board and its Committees, and explains how the Group complies with the Code.

David Shearer
Executive Chairman
20 June 2023

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:

Shareholders

Executive Chairman
Responsible for leadership of the Board and ensuring that it operates effectively

Deputy Chairman
Point of reference independent from the Chairman

Board of Directors
Responsible for effective leadership, setting the business strategy and overseeing delivery of the strategy in order to obtain long-term growth for shareholders

Board Committees
Support the Board in its work with specific areas of review and oversight

Nomination Committee
The Nomination Committee takes the lead role in evaluating the Board of Directors by examining the skills and characteristics required for performance. This includes making recommendations to the Board regarding structure, size and composition, succession planning and appointments.

Remuneration Committee
The Remuneration Committee supports the Board in determining and agreeing the remuneration policy to ensure appropriate incentives are available to encourage enhanced performance and fair and responsible rewards for individual contributions towards the Group's success.

Audit Committee
The Audit Committee oversees the review and monitoring of the integrity of financial information provided to shareholders, the Group's internal and external audit processes, and ensures compliance with laws, regulations and ethical codes of practice.

ESG Committee
The ESG Committee oversees the development and recommendation of the Group's strategy on environmental, social and governance issues. This includes setting our ESG KPIs, which are set out elsewhere in this document.

Group management team
Implementation of the Group's policies

Executive Chairman
The Executive Chairman has responsibility for setting the strategy which is agreed and overseen by the Board and for managing the business

Esken Management Board

Divisional leaders	**Functional leaders**
Divisional teams	**Functional teams**

Policies and procedures

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. The Board has established the Group's purpose, values and strategy, and seeks to satisfy itself that these are aligned with its culture. All Directors must act with integrity, lead by example and promote the desired culture.

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 93.

Board composition and independence

The Board continues to have an effective balance of Executive and Non-Executive Directors. As at 28 February 2023, the Board consisted of six individuals: an Executive Chairman, three independent Non-Executive Directors and two Executive Directors. John Coombs stepped down from the Board at the AGM in 2022 and will not be replaced in the immediate future.

David Shearer has the role of Executive Chairman to provide stability and continuity to the Board and the business. His position as Executive Chairman continues for the foreseeable future and is subject to an annual review by the Board. The Board met this year to consider that matter and has determined that he should continue as Executive Chairman, having taken advice from the Non-Executive Directors who met (led by the Deputy Chairman) to appraise his performance.

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. We continue to believe that all of our Non-Executive Directors are independent.

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 on page 90, 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.

Board operation

The Board operates both formally, through Board and Committee meetings, and informally, through regular contact among Directors. The Board held seven scheduled meetings during the course of the year. The Audit, Nomination and Remuneration Committees held three, two and four scheduled meetings respectively. The ESG Committee was formally established during the year and met eight times. 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 at the foot of the page shows the Directors' attendance at Board and Committee meetings during the year ended 28 February 2023. 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. The ESG Committee's agenda and papers are administered by the Group's Head of ESG.

Board meetings are an opportunity for the Non-Executive Directors to challenge the performance of the 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 (or by the Head of ESG in the case of the ESG Committee). 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.

	David Shearer	David Blackwood	Ginny Pulbrook	Clive Condie	Lewis Girdwood	Nick Dilworth	John Coombs[1]
Board *7 meetings*	7/7	7/7	7/7	7/7	7/7	7/7	3/7
Audit Committee *3 meetings*		3/3	3/3	3/3			1/3
Remuneration Committee *4 meetings*[2]		6/6	6/6	6/6			2/6
Nomination Committee *2 meetings*	2/2	2/2	2/2	2/2			2/2

1 John Coombs left the Board in July 2022.

2 The Remuneration Committee held two unscheduled meeting during the year.

Corporate Governance continued

Individual Directors' key responsibilities

All Directors bring their experience to the Board. Directors are encouraged to keep their skillset up to date and the Company provides support in this regard where needed. All Directors are required to submit themselves for re-election at each AGM. This is a requirement of the Articles of Association. 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. He can also act as a sounding board for other Directors where they feel unable to address issues with the Executive Chairman. At Esken, the role of Deputy Chairman and Senior Independent Director are combined.
Executive Directors	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. 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 leaders 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.
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	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. 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.
Non-Executive Directors	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. Each Director has specialist knowledge that helps provide the Board with valuable insights and, in some situations, key contacts in related industries. 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.
Company Secretary	The Company Secretary's role is to act as advisor 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. 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).

Governance and risk	• 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 continuation of arrangements in place for the position of Executive Chairman and the need for a replacement for a departing Non-Executive Director; and • Approved the appointment of a new Assistant Company Secretary.
Strategy	• Board Strategy Day held to discuss and review the implementation of strategy; • Monitored performance against strategic objectives; • Reviewed and adapted business priorities; • Successfully completed the Group's refinancing in December 2022; and • Agreed and announced the strategic review of the Group's businesses and oversees its implementation.
Leadership and a responsible business	• Oversaw the embedding of its new executive leadership structure; • Appointed a new leader for London Southend Airport; • 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; and • Monitored level and content of communication to employees across the Group, focusing in particular on wellbeing.
Financial performance and stewardship	• 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; and • Reviewed and negotiated a revised credit facility.
Shareholder engagement	• Informed and consulted with key investors on the Group's financial performance and strategic financing initiatives during the year; • Consulted with larger shareholders in relation to the announcement of the strategic review; • Reviewed feedback from roadshows and presentations to shareholders; • Approved the Annual Report and Accounts and information to shareholders for the AGM; and • Informed shareholders of its decision to propose that the Group 'renew' its remuneration policy at the 2023 AGM, with a full review to be conducted in 2024 after completion of the strategic review.

Corporate Governance continued

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.

The experience which each member of the Board brings to their role is outlined in the Board biographies on pages 86 and 87.

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 114 and 115.

Expected Board focus for next year
It is anticipated that the following areas will also receive focus by the Board during the year ending 28 February 2024:

- The full implementation of the decisions stemming from the strategic review.
- Review for the ongoing structure and resourcing of the Group as the outcomes of the strategic review are implemented which will include the ongoing financing of London Southend Airport and senior leadership roles, capabilities and requirements; and ESG development and implementation.
- The development of London Southend Airport and the financing of its operations.

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.

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 34 to 64.

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. There were none during the year.

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 128. 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. A new auditor was appointed during the year.

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 2023 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 AGM is a forum for communication with shareholders. Chairs of each Committee attend the AGM to address any queries about their Committee's performance during the year.

The Company Secretary generally deals with enquiries from individual shareholders. Our corporate website www.esken.com contains published information and press releases and is a key form of engagement with our stakeholders, including our shareholders. It provides information about compliance, business announcements, financial results and reporting.

Further information on how Esken engages with shareholders and other stakeholders can be found on pages 66 to 75.

Nomination Committee Report

I am pleased to present the Nomination Committee Report for the year ended 28 February 2023 and to provide shareholders with an overview of the work carried our 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 2023 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 91.

Board appointments

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 left the Board in July 2022, the Nomination 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 after John Coombs' departure in July 2022, 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.

Board evaluation

An internal Board evaluation was undertaken during the year led by our Company Secretary. A questionnaire was circulated to all Board members and used as an aide-mémoire for the Company Secretary to hold one-to-one discussions with each Director to consider the performance of the Board as a whole and address individual Director performance, the Board dynamics and ways of working. The results of the evaluation were reviewed in February 2023. Separately, the Deputy Chairman 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, Board diversity 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, and offers strong support to management. Areas identified as opportunities to develop the Board's effectiveness further include:

- Following the conclusion of the implementation of the outcome of the strategic review, to consider again the appropriate size and structure of the Board and the expertise and experience required of its membership.
- Following the conclusion of the implementation of the outcome of the strategic review, to examine again the diversity of the Board and the Group's senior management team.
- To widen the scope of senior executive management who attend Board meetings to report on performance and to discuss strategic initiatives.
- To arrange for the Board to undertake a revised programme of visits to key sites across the Group.
- To review and reinvigorate the Board's consideration of succession planning for the Board and senior management across the Group once the size and scope of the Group is known following the disposal of its operating businesses.

Further steps are being taken based on the most recent review, but the Company believes that the actions taken during 2022 continued to offer assurance with regards to 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.

Nomination Committee membership

- **David Shearer**, Executive Chairman
- **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.
- Appointment of new Remuneration Committee Chair.
- Board evaluation.
- Re-election of Directors.
- Approval of the appointment of John Upton at London Southend Airport.

Nomination Committee Report continued

Diversity

All new appointments to the Board and all of its Committees are made on merit, taking into account the specific skills, knowledge and experience of candidates and 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 and its Committees.

More widely, the Group continues the development of its Equality, Diversity and Inclusion strategy which is reported upon in detail on page 49 of this Annual Report. For the year ended 28 February 2023, the gender split at Board level was 16.7% women and 83.3% men (following the departure of John Coombs). Women represented 14.3% of the Esken Management Board and 26.0% of other senior management (i.e. direct reports of Esken Management Board members). Overall, our entire workforce is 71% men and 29% women.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	83%	3	6	86%
Women	1	17%	0	1	14%
Other categories	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

The Board is aware of the requirements in Rule 9.8.6 of the Listing Rules which would require of a company incorporated in the United Kingdom that:

- At least 40% of the Board are women.
- At least one of the senior Board positions (Chair, Chief Executive Office, Senior Independent Director or Chief Financial Officer) is a woman.
- At least one member of the Board is from a minority ethnic background (which is defined by reference to categories recommended by the Office for National Statistics (ONS)) excluding those listed, by the ONS, as coming from a white ethnic background).

The Company is not incorporated in the United Kingdom but can report, on a voluntary basis, that it has not complied with these requirements as at a reference date of 28 February 2023.

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 past year 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 these matters. As and when the Company completes any disposal of its operating businesses this position will be reviewed again.

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 refinancing and other major initiatives. It did, however, implement a change in the leadership for London Southend Airport, welcoming John Upton as its new Chief Executive. Nick Dilworth also took on a leadership role for Star Handling after the departure of its Managing Director during the year and the restructuring of the business after the loss of the Group's key logistics partner.

The Committee plans to review its approach to succession planning after completion of the strategic review, to ensure that our approach to Board and senior executive 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.

Committee effectiveness

The aforementioned internally facilitated Board performance review included a review of the performance of the Committee and it concluded that the Committee performs effectively.

The Committee has recommended the re-election of all Directors at the AGM in 2023.

Esken welcomes feedback from shareholders on our report and there will be an opportunity to ask questions about the activities of the Committee at our 2023 AGM.

David Shearer
Chairman of the Nomination Committee
20 June 2023

Audit Committee Report

On behalf of the Audit Committee I am pleased to present our Audit Committee Report for the year ended 28 February 2023.

David Blackwood,
Chairman of the Audit Committee

Dear Shareholder

Having conducted careful reviews, the Audit Committee (Committee) concluded that the 2023 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 Director 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
20 June 2023

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 (resigned 31 July 2022)

Key activities during the year

- Audit tender.
- 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 going concern disclosures and viability statement.
- Impairments and asset carrying values review.
- Funding package review for £50m debt facility, cancellation of Revolving Credit Facility (RCF) and transition of banking arrangements from Lloyds to Barclays.
- Disclosure of strategic review.
- Confirmation of external auditor independence.
- Approval of the external audit plan and strategy of the new auditors for the year ended 28 February 2023.
- Approve the internal audit plan for the year ended 28 February 2023.
- Review the external audit findings for the year ended 28 February 2022.
- Review of the findings from the external review conducted by the auditor for the interim period to 31 August 2022.
- 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 Disclosure and Transparency Rule 7.1.

Committee member	Meeting attendance
David Blackwood	3/3
Ginny Pulbrook	3/3
Clive Condie	3/3
John Coombs	1/3

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 130.

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) had been the Group's auditor since 2012 and per the Financial Reporting Council ten-year mandatory tenure requirement, the audit was put out to tender for the 28 February 2023 year end, including the 31 August 2022 interim review. Mazars LLP (Mazars) were appointed as the Group's auditor and the lead partner is Tim Hudson. In accordance with UK regulations, the Company's auditor will adhere to a lead partner rotation every five years. Mazars provides the Committee with relevant reports, reviews and advice throughout the year, as set out in their terms of engagement.

During the tender process the Committee assessed the proposal from Mazars and was satisfied that they have the required attributes to provide a robust audit that will be effective and provide an appropriate independent challenge of the Group's management.

Engagement of the external auditor continued

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 £130,000 compared to an audit fee of £795,000. The non-audit fees relate to the half-year review. 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 two 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 significant accounting matters reviewed for the year ended 28 February 2023 are set out below:

Going concern and funding/new £50m debt facility/ cancellation of RCF/ change of banking provider	On 15 December 2022, the Group raised £50m of debt via a three year term loan, with a one year extension at the discretion of the lender. This enabled the Group to cancel the RCF and change banking provider from Lloyds to Barclays. Cash forecasts have been prepared which show that the Group has sufficient funds to meet its liabilities as they fall due until at least June 2024 and therefore the financial statements have been prepared on a going concern basis. However, this is highly dependant on the successful completion of the Group's disposal 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. 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.
Hand back of aircraft / maintenance reserves	During the year, four of the eight leased ATR aircraft were handed back to the lessor. Under the conditions of the hand back, for two of the aircraft that were returned early, the Group continued to pay monthly rent payments until the original hand back date in April 2023, but has benefitted from a maintenance cost saving. For the two aircraft returned in line with the agreed hand back schedule, all rental payments ceased on redelivery. The year end maintenance reserve provision is material to the Group and has been constructed in line with the requirements of the four remaining ATR leases. 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 (the previous lessor of the aircraft). The Committee has reviewed the provision and is comfortable with the presentation as current, the disclosures in relation to the provision estimates and the overall quantum.

Audit Committee Report continued

Defined benefit pension surplus/ obligation	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 is recognised because there is a legal right to surplus in the trust deed. The Committee has considered the carrying value of the surplus together with the assumptions underlying the valuation and is satisfied with the valuation and presentation.
Impairment of property, plant and equipment and intangible assets	For certain property assets, namely land at Widnes and Runcorn and Carlisle Lake District Airport, a classification and value review was conducted. This resulted in the transfer of land at Widnes from property inventory to property, plant and equipment and no impairment to the carrying values of these properties. 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. The judgements used in the impairment reviews largely relate to the assumptions underlying the fair value less costs to sell for Aviation and value-in-use calculations for Renewables, primarily the achievability of long-term business plans and macroeconomic assumptions, together with the appropriateness of the discount factors used. 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.

ESG Committee Report

I am pleased to present the ESG Committee Report for the year ended 28 February 2023 and to provide shareholders with an overview of the work carried our during the period under review.

Ginny Pulbrook,
Chairman of the ESG Committee

Dear Shareholder

I am pleased to present the ESG Committee Report for the year ended 28 February 2023 and to provide shareholders with an overview of the work carried out during the period under review.

The outcome of the work of ESG Committee can be seen elsewhere in this report, most notably in the Sustainability report on pages 34 to 64.

Role of the Committee
The ESG Committee has 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-term 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; and
- to monitor, review and consider stakeholder engagement in ESG activities and review key external disclosures.

Attendance
The ESG Committee met eight times during the year.

The meetings have addressed all areas of environmental, social and governance, and a summary is below:

- Environment – data collection and reporting; review of the Roadmap to Net Zero.
- Social – charitable giving, employee volunteering, diversity and wellbeing.
- Governance – review of strategic implementation plan, KPIs and risk register.

Committee effectiveness
The internally facilitated Board performance review included a review of the performance of the Committee and it concluded that the Committee performs effectively.

Esken welcomes feedback from shareholders on our report and there will be an opportunity to ask questions about the activities of the Committee at our 2023 AGM.

Ginny Pulbrook
Chairman of the ESG Committee
20 June 2023

ESG Committee membership

- **Ginny Pulbrook**, Non-Executive Director
- **Nick Dilworth,** Chief Operating Officer and Executive Director, Renewables
- **Sundeep Sangha,** Head of ESG

The Chairman may also invite others to attend meetings of the Committee as required.

Strategic Report Corporate Governance Financial Statements

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.

Clive Condie,
Chairman of the Remuneration Committee

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 Directors' Remuneration Report (DRR) for the year ended 28 February 2023. 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.

I took over as Chairman of the Committee in July 2022 after John Coombs stepped down from the role after many years of service and I would like to take this opportunity to thank John again on behalf of the Board.

Our current Directors' remuneration policy, which was supported by 96% of our shareholders at the AGM on 30 July 2020, is available in our 2020 Annual Report at www.esken.com/investors and has been the policy guiding our decisions during the year. The Annual Report on Remuneration, which provides details of the remuneration earned by Directors for the year ended 28 February 2023 and how we intend to apply our new Directors' remuneration policy in the year ending 28 February 2024 (assuming that it is approved by shareholders), is set out on pages 108 to 116 and will be subject to a separate vote at the AGM.

As announced to our shareholders on 9 November 2022, Esken has conducted a strategic review of its operating businesses and has concluded that it is in the best interests of all stakeholders to secure the long-term potential of these businesses and deliver value for Esken shareholders through a managed disposal process. In line with the requirements of the UK remuneration regulations, we submit the Directors' remuneration policy for the approval of our shareholders at least every three years. The current policy was approved by shareholders at the 2020 AGM and we will therefore be submitting a Directors' remuneration policy for approval at the AGM in 2023. Given the timing of the strategic review and the resulting disposal processes, the Remuneration Committee considers it appropriate to not make any significant changes to the policy at this stage, but instead we are proposing to roll-forward the current policy with minimal changes. Our intention is to undertake a detailed review during the 2023/24 financial year following the completion of the disposal processes, and subject to the outcome of the review, to consult with our shareholders in advance of seeking approval for a revised policy at the 2024 AGM.

It is also highly likely that we will wish to instigate remuneration structures for our Executive Directors that may fall outside the scope of our remuneration policy which recognise the impact of the strategic review and align their interests with those of shareholders in seeking to maximise value from the disposals process. Those matters will be put to shareholders for specific approval in due course.

Remuneration decisions during the year

The past year has seen some remuneration challenges for the Company and the Committee to deal with. 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 third year of considerable financial and operational pressures posed significant challenges for our staff and will continue to do so in the year ahead. We have been very mindful this year that our continued recovery from the pandemic (particularly in the aviation sector), the current inflation and energy crisis 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.

No bonus scheme for Executive Directors was put in place for the year ended 28 February 2022 but it was reinstated in the year ended 28 February 2023. Our Executive Directors were awarded bonuses of 25% (Lewis Girdwood) and 20% (Nick Dilworth) of their salary (from a maximum entitlement of 100%) and details on the achievement against performance conditions and discretions exercised are set out on page 109 below. No bonus was awarded to them for achievement against financial performance targets at the discretion of the Committee as the Group continued to be unprofitable and the two operating divisions missed their own financial performance targets. Cost-of-living awards were able to be implemented for the first time since 2020 where possible (but not for the Executive Directors) for the year ended 28 February 2023.

The awards granted under the approved LTIP in 2020 in respect of performance for the three years ending 28 February 2023 did not vest, as the threshold performance targets were not met. However, we were able to make an LTIP grant over ordinary shares representing 150% of salary for both Nick Dilworth and Lewis Girdwood on 5 July 2022. When considering these awards, the Committee discussed the proposed quantum in light of the prevailing market conditions and the Company's then share price. Following a third year of considerable financial and operational pressures, the Committee was also conscious that the Company's ability to continue to steer the business through the uncertain landscape ahead would, in part, be dependent on its ability to retain key staff. In addition, in view of the significant issues which the business had faced over the last three years, a number of which were legacy matters, all of the previously-issued LTIPs were unlikely to vest. As a result, the Committee did make LTIP awards for FY23, although with quantum reduced from 200% of salary to 150%. As with the awards in respect of the Company's 2022 financial year, the Committee approved a wholly TSR-based performance measure for those 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 2023, 2024 and 2025 financial years. Full details of these targets are set out on page 117.

Looking forward to the year ending February 2024

The remuneration for the Executive Chairman and our two Executive Directors were set last year and there is no need to change those arrangements in the year ahead. We will not make cost of living increases in their base fees/salaries for the coming year. The Executive Directors will also participate in a bonus scheme. However, in light of the strategic review and considering the exceptional difficulties which this review poses in terms of setting performance targets for the bonus, the Committee is still considering the appropriate bonus and will make further details available in due course. If any award is proposed outside of the remuneration policy, shareholder support would be sought. The Executive Chairman does not participate in our bonus scheme.

In view of the outcome of the strategic review, the Committee does not expect to make LTIP awards to the Executive Directors (or other staff) in the usual way during the year. Instead, the Committee is currently considering an alternative form of incentive plan which recognises the impact of the strategic review and aligns participants' interests with those of shareholders in seeking to maximise value from the disposals process. Those matters will be put to shareholders for specific approval in due course. The Executive Chairman does not participate in our long-term incentive schemes.

At the 2023 AGM, we will seek approval from shareholders for our new remuneration policy. Further illustrations of how the remuneration policy will be operated in certain circumstances for the financial year ending 28 February 2024 are included on page 107.

Clive Condie
Chairman of the Remuneration Committee
20 June 2023

Remuneration Committee members[1]

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

1 John Coombs was a member of the Committee and its Chairman until he stepped down from the Board at the AGM in July 2022.

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.
- Terms of appointment for the new CEO of London Southend Airport.
- Review of the terms of reference of the Committee.
- Review the Company's Remuneration Policy and communicate with shareholders over its content.
- Reward and retention arrangements for executives in light of the potential sale of the Group's two main businesses.

Contents of the Directors' Remuneration Report

1.1 Annual Statement by the Remuneration Committee Chairman.
1.2 Remuneration at a glance.
1.3 Directors' remuneration policy.
1.4 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

1.2 Remuneration at a glance

Performance highlights

Adjusted EBITDA

£5.6m

Loss before tax

(£27.7m)

Aviation – Adjusted EBITDA

(£3.8m)

Renewables – Adjusted EBITDA

£18.4m

LTIP outcomes

LTIP awards were granted in July 2021 with vesting based on TSR performance over a three-year period ended 28 February 2023. 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	3.7%
Lewis Girdwood	9.9%

Bonus structure outcomes

The Executive Directors were granted a bonus equivalent to 100% of their salary in the year.

70% payable based on profit targets for the Group.

30% based on personal performance targets.

Bonus outcome

EBT:

EBT for the period was a loss of £27.7m

No bonus for the Executive Directors is payable

Personal targets:

Mr Dilworth: 20% of salary

Mr Girdwood: 25% of salary

Further details on our shareholding guidelines, and how these are affected post-employment, can be found on page 112. These guidelines do not apply to the Executive Chairman, who does not participate in the Group's LTIPs.

Implementation of the remuneration policy in 2024

Element	Purpose	Key features/Alignment to strategy	Directors
Salary, benefits and pension	To reflect an individual's role and experience and to provide fixed remuneration on a market competitive basis.	Salary increases normally reflect salary increases for the wider workforce. Pension provision for any newly-appointed Executive Directors will be in line with the wider workforce.	Having regard to the impact of the energy crisis and other financial pressures on the wider workforce, the Company is budgeting for cost of living increases for wages in the year ahead. However, it is also mindful that these pressures affect the lowest paid staff the most acutely and so have offered the greatest increases to those staff. There will be no increase in fees or salaries for the Executive Chairman or the Executive Directors in FY24.
Bonus	To reward the achievement of short-term strategic objectives and motivate executives to achieve stretching financial goals.	Up to 150% of salary. Deferral into shares enhances alignment with shareholders where the maximum opportunity is more than 100% of salary.	The Executive Directors will participate in a bonus scheme. However, in light of the strategic review and considering the exceptional difficulties which this review poses in terms of setting performance targets for the bonus, the Committee is still considering the appropriate bonus and will make further details available in due course. If any award is proposed outside of the remuneration policy, shareholder support would be sought. The Executive Chairman does not participate in the Company's bonus scheme.
LTIP	Rewards long-term value creation.	Annual awards of up to 200% of salary. Aligns Executive Directors' interests with those of shareholders through the use of performance metrics, delivery in shares and a two-year holding period after vesting.	Due to the exceptional circumstances of the strategic review, our intention is that no awards will be made during the year to the Executive Directors. Instead, the Committee is currently considering an alternative form of incentive plan which recognises the impact of the strategic review and aligns participants' interests with those of shareholders in seeking to maximise value from the disposals process. Those matters will be put to shareholders for specific approval in due course.
Shareholding requirement	Aligns Executive Directors' interests with those of shareholders.	Executive Directors are expected to build a shareholding equal to at least 200% of their salary. A post-employment shareholding requirement further aligns Executive Directors' interests with those of shareholders.	See above.

Directors' Remuneration Report continued

1.3 Directors' remuneration policy

As described in the statement from the Committee's Chairman on page 104 – given the ongoing strategic review and the resulting disposals of key businesses, the Committee considers it appropriate not to make significant changes at this stage to the Directors' remuneration policy approved at the 2020 AGM. Instead, the Committee is proposing a 'roll-forward' of the policy approved in 2020, with minimal changes. Our intention is to undertake a detailed review during the Company's 2023/24 financial year and may consult with our shareholders in advance of seeking approval for a revised policy at our 2024 AGM. This part of the Directors' Remuneration Report sets out the Directors' remuneration policy, which, subject to shareholder approval at the 2023 AGM, shall take binding effect from the close of that meeting. The changes proposed to the policy approved in 2020 are relatively minor and reflect only those matters which relate to the remuneration of the Executive Chairman.

The key principles that underpin the design of our new remuneration policy for Executive Directors are to:

- attract, retain and motivate high-calibre talent to ensure continued 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 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.

David Shearer is currently combining the roles of Chairman and Chief Executive on a basis which we have reported on in the past and which our shareholders were consulted on prior to his role being made permanent at the end of 2021. As a result, certain elements of his remuneration (such as participation in our bonus scheme, receipt of LTIP awards and certain benefits) differ from those of the other Executive Directors and will continue to do so for the coming year. Any change to those arrangements will be considered as part of the revised policy proposed for approval at the 2024 AGM.

The Company is incorporated in Guernsey and, accordingly, is not subject to the provisions of UK legislation relating to the making of remuneration payments and payments for loss of office to Directors. Notwithstanding this, the Company has prepared this policy by reference to the requirements of the UK's Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and any payment made to a Director after this policy has become effective will be consistent with this policy.

The policy is determined by the Remuneration Committee.

Policy for Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Core element of fixed remuneration reflecting an individual's role and experience.	The Committee ordinarily reviews base salaries annually taking into account a number of factors including (but not limited to) the value of the individual, the scope of their role, their skills and experience and performance. The Committee also takes into consideration: • pay and conditions of the workforce generally; and • Group profitability and prevailing market conditions.	Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees of the Group. However, higher increases may be awarded in appropriate circumstances, such as: • on promotion or in the event of an increase in scope of the role or individual's responsibilities; • where an individual has been appointed to the Board at a lower than typical market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a typical market level as the individual gains experience; • a change in size or complexity of the Group and/or significant market movement. Increases may be implemented over such time period as the Committee deems appropriate.	While no formal performance conditions apply, an individual's performance in their role is taken into account in determining any salary increase.
Benefits	Fixed remuneration provided on a market competitive basis.	Benefits include the use of a company car (or cash in lieu), medical cover for the Executive Director and their partner and dependent children and death-in-service cover. The Company operates a tax qualifying Save-As-You-Earn Scheme (the SAYE scheme), in which Executive Directors can participate on the same terms as other qualifying employees. Other benefits may be provided based on individual circumstances, which may include relocation costs, travel and accommodation expenses. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.	Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned taking into account the nature and location of the role and individual circumstances. The limits on participation in the SAYE scheme and the permitted discount when setting the option price for SAYE scheme options are prescribed by the applicable tax legislation. The Executive Chairman does not receive any cash benefits (save that he is covered by the Group's death-in-service policy and is paid his reasonable expenses) and does not participate in the SAYE scheme.	Not applicable.

Directors' Remuneration Report continued

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Retirement benefits	Provide a competitive means of saving to deliver appropriate income in retirement.	The Company operates a defined contribution scheme. In appropriate circumstances, an Executive Director may receive a salary supplement in lieu of some or all of the contributions that would otherwise be made to a pension scheme.	For the Chief Financial Officer and Chief Operating Officer in office at the date on which this Policy takes effect, this is capped at 10% of salary (effective as at 1 March 2023). The Executive Chairman is not paid a pension contribution. In the case of any Executive Director appointed after the date on which this Policy takes effect, a percentage of salary not exceeding the percentage applicable to the majority of the Group's workforce worldwide (or such sub-set of that workforce as the Committee determines) from time to time.	Not applicable.
Annual bonus	To reward the achievement of short-term strategic objectives and motivate executives to achieve stretching financial goals. Deferral of part of the bonus into shares provides longer-term alignment with the interests of shareholders.	Targets and objectives are reviewed annually and any payout is determined by the Committee after the year end. The Committee has discretion to vary any formulaic payout where it believes the outturn does not reflect the Committee's assessment of overall performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the start of the financial year, or for any other reason the Committee considers appropriate. Where the bonus maximum opportunity is up to 100% of salary any bonus earned will ordinarily be paid in cash. Where the bonus opportunity is more than 100% of salary, up to 60% of any bonus earned will ordinarily be paid in cash with the remainder deferred into shares, for up to two years. Deferred bonus awards may take the form of conditional shares or nil cost options. Deferred bonus awards may incorporate the right to receive additional shares calculated by reference to the value of dividends and special dividends which would have been paid on the shares up to the time at which the shares can first be acquired; this amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis. Recovery provisions apply, as referred to on page 111.	The maximum annual bonus opportunity is up to 150% of base salary. The Executive Chairman does not participate in the Company's bonus scheme.	Targets (which may be based on financial or strategic measures) and individual objectives are determined to reflect the Company's strategy. Ordinarily, at least 50% of the bonus opportunity is based on a financial measure or measures, which may include but are not limited to EBITDA or other measures of profit. The balance of the bonus opportunity will be based on one or more financial measures and/or the delivery of one or more strategic/individual measures. Subject to the Committee's discretion to vary formulaic outcomes, vesting of the bonus in respect of any financial measure will be up to 50% for target achievement, rising to 100% for meeting or exceeding a stretch level of performance. Subject to the Committee's discretion to vary formulaic outcomes, for strategic or individual measures, vesting will be determined by the Committee between 0% and 100% based on its assessment of the extent to which the relevant measure is achieved.

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
LTIP	Rewards longer-term value creation and aligns Executive Directors' interests with those of shareholders through the use of performance metrics, delivery in shares and a two-year holding period after vesting.	Under the LTIP, the Committee may grant awards as conditional shares or as nil cost options. Awards will usually vest following the assessment of the applicable performance conditions typically assessed over three years, but will then be subject to a holding period of two years following the performance period. The holding period will be implemented either on the basis: that the award is not released to the Executive Director so that they can acquire shares until the end of the holding period; or that the Executive Director can acquire shares following vesting but that (other than regarding sales to cover tax liabilities) the award is not released so that they can dispose of those shares until the end of the holding period. The Committee has discretion to vary any formulaic vesting outturn applying to an LTIP award where it believes the outturn does not reflect the Committee's assessment of overall performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant or for any other reason the Committee considers appropriate. LTIP awards may incorporate the right to receive additional shares calculated by reference to the value of dividends and special dividends which would have been paid on the shares up to the time at which the shares can first be acquired; this amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis. Recovery provisions apply, as referred to on page 111.	The maximum award in respect of any financial year is 200% of base salary. The Executive Chairman does not participate in the Company's LTIP scheme.	At least 50% of the performance measures under the LTIP will normally be based on financial measures (which may include, but are not limited to, EPS and TSR). The balance of the LTIP opportunity will be based on one or more financial measures and/or non-financial measures. Subject to the Committee's discretion to vary formulaic outcomes, awards will vest up to 25% for threshold performance rising to 100% for maximum performance.

Recovery provisions (malus and clawback)

Malus and clawback may be applied to the annual bonus and LTIP awards in the event of material error in assessing a performance condition, misstatement of results, material failure of risk management, material misconduct, material health and safety failure, corporate failure or serious reputational damage or any other circumstances similar in nature or effect. Malus may be applied up to payment of the annual bonus and up until vesting in the case of the LTIP. After payment of the annual bonus, clawback may be applied for two years (including via the cancellation or reduction of any deferred bonus award). After vesting of an LTIP award, clawback may be applied for up to two years (including via the cancellation or reduction of any LTIP award which remains subject to a holding period).

Directors' Remuneration Report continued

Explanation of performance conditions

Performance measures for the LTIP and annual bonus are selected to reflect the Company's strategy. Stretching performance targets are set each year by the Committee taking into account a number of different factors.

Due to the exceptional circumstances of the strategic review, for the year ending 28 February 2024, the Executive Directors will participate in a bonus scheme but the Committee is still considering the appropriate bonus and will make further details available in due course. If any award is proposed outside of the remuneration policy, shareholder support will be sought. In addition, the Committee has been unable to finally determine the terms for an appropriate long-term incentive plan. The Committee is currently considering an alternative form of incentive plan which recognises the impact of the strategic review and aligns participants' interests with those of shareholders in seeking to maximise value from the disposals process. Those matters will be put to shareholders for specific approval in due course.

The Committee may vary or substitute any performance condition if an event occurs which causes it to determine that it would be appropriate to do so (including to take account of acquisitions or divestments, a change in strategy or a change in prevailing market conditions), provided that any such variation or substitution is fair and reasonable and (in the opinion of the Committee) the change would not make the condition materially less demanding than the original condition would have been but for the event in question. If the Committee were to make such a variation, an explanation would be given in the next Directors' Remuneration Report.

Operation of share plans

The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules, including in the event of a variation of the Company's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the rules of those plans. The Committee may operate any such plan in accordance with its rules. Share awards granted under any such plan may be settled in whole or in part in cash, although the Committee would only settle an Executive Director's award in cash where the particular circumstances made this the appropriate course of action (for example where a regulatory reason prevented the delivery of shares).

In the event of a change of control, unvested awards under the LTIP will vest and be released to the extent determined by the Committee taking into account the relevant performance conditions and, unless the Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the performance period that has elapsed. Any deferred bonus shares will vest on a change of control or other relevant event. In the event of a change of control SAYE scheme options will become exercisable in accordance with the plan rules and applicable tax legislation, which do not provide for any discretion as to the extent of exercise.

Shareholding guidelines

Executive Directors (excluding the Executive Chairman) are expected to build a shareholding equal to 200% of their annual salary within the later of five years of appointment to the Board. Shares subject to LTIP awards which have vested but not been released (that is which are in a holding period) or which have been released but have not been exercised and shares subject to deferred bonus awards count towards the guidelines on a net of assumed tax basis.

Reflecting best practice, the Committee has adopted a post-cessation shareholding requirement. This requires that for 12 months following cessation, an Executive Director must retain such of their 'relevant' shares as have a value (as at cessation) equal to their in-service shareholding guideline and 50% of this guideline for a further 12 months. If the Executive Director holds less than the required number of 'relevant' shares at any time they must retain all the 'relevant' shares they hold. Shares which the Executive Director has purchased or which have been acquired pursuant to share awards granted before this requirement was first approved by shareholders at the 2020 AGM or acquired pursuant to SAYE scheme options are not 'relevant' shares for these purposes. The Committee retains the discretion to vary the post-cessation shareholding requirement in appropriate circumstances.

Policy for Non-Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity
Fees and benefits	To provide fees within a market competitive range reflecting the individual, responsibilities, the role and the expected time commitment. To provide benefits where appropriate which are relevant to the requirements of the role.	The fees of an Executive or Non-Executive Chairman would be determined by the Committee and the fees of the Non-Executive Directors are determined by the Chairman and the Executive Directors. An Executive or Non-Executive Chairman and the Non-Executive Directors may be eligible to receive benefits such as travel and other reasonable expenses. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.	Fees are set taking into account the responsibilities of the role and expected time commitment. The fees paid comprise a base fee and additional fees for the roles of Senior Independent Director, Chairman of the Audit Committee, Chairman of the Remuneration Committee and Chairman of the ESG Committee. Additional fees may also be paid for additional responsibilities and/or time commitments. Where benefits are provided they will be provided at a level considered to be appropriate taking into account the individual circumstances.

Policy for the remuneration of employees more generally

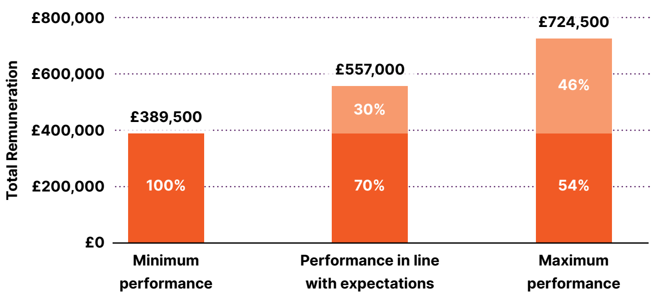
The Group aims to provide a remuneration package that is competitive and which is appropriate to promote the long-term success of the Company. The Company will apply this policy fairly and consistently, and does not intend to pay more than is necessary to attract and motivate colleagues. A greater proportion of the Executive Directors' remuneration package is 'at risk' and determined by reference to the performance conditions. Certain senior members of staff are eligible to earn a bonus based broadly on the same criteria as the Executive Directors and some are also invited to participate in the LTIP again, on a broadly similar basis to the Executive Directors.

The Committee is kept informed of salary increases and remuneration outcomes across the wider workforce and how decisions are made.

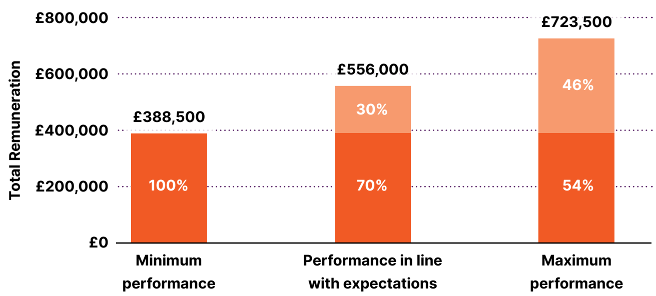
Illustrations of application of the policy

The following charts provide an illustration, for each of the Executive Directors and the Executive Chairman, of the application of the policy in the year ending 28 February 2024, but without taking account of any remuneration initiatives which may be put to shareholders for approval in due course. The charts show the split of remuneration between fixed pay (that is base salary, benefits, employer pensions contributions/salary supplement) and annual bonus on the basis of minimum remuneration, remuneration receivable for performance in line with the Company's expectations and maximum remuneration. The Committee does not intend to make any further awards under the LTIP and information has not been included in these illustrations on the basis of an LTIP award.

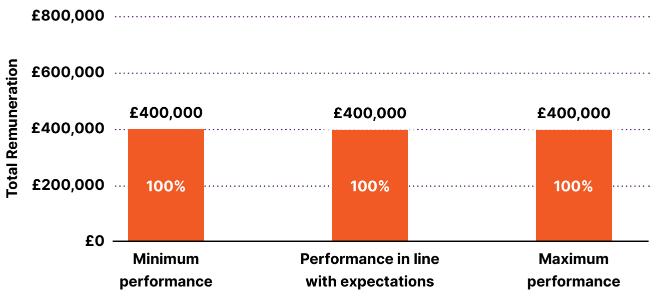
Nick Dilworth



Lewis Girdwood



David Shearer



Salary and benefits
Annual Bonus

In illustrating the potential reward the following assumptions have been made.

	Fixed pay	Annual bonus
Minimum performance	Base salary applying with effect from 1 March 2023, employer pension contributions at an assumed rate of 10% on the salary effective as at 1 March 2023, and benefits disclosed in the single figure table on page 116 for FY 2023.	No bonus.
Performance in line with expectations		Bonus equal to 50% of salary is earned.
Maximum performance		Bonus equal to 100% of salary is earned (the maximum bonus for the year ending 28 February 2023).

Directors' Remuneration Report continued

Recruitment remuneration policy

The remuneration package for the appointment of a new Executive Director would, as far as possible, be set in accordance with the terms and maximum levels of the policy. When determining appropriate remuneration arrangements, the Committee may include other elements of pay, which it considers are appropriate. However, this discretion is capped and is subject to the limits referred to below.

Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate. Pension will be provided in line with the policy.

Other than as regards any 'buyout' award which would be determined as set out below, the Committee will not offer non-performance related incentive payments (for example a 'guaranteed sign-on bonus').

Other elements may be included in appropriate circumstances, including:

- an interim appointment being made to fill an Executive Director role on a short-term basis;
- if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis; and
- if the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.

The Committee may also alter the performance measures, performance period, vesting period and holding period of the annual bonus or long-term incentive opportunity if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' Remuneration Report.

The maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 350% of salary.

The Committee may make payments or awards in respect of hiring an employee to 'buyout' remuneration arrangements forfeited in connection with leaving a previous employer. In doing so, the Committee will take account of relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure 'buyout' awards or payments on comparable basis to the remuneration arrangements forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. 'Buyout' awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within 12 months of joining the Group, although the Committee will retain discretion not to apply forfeiture or clawback in appropriate circumstances.

Any share awards referred to in this section will be granted as far as possible under the Company's ordinary share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their terms.

Fees payable to a newly-appointed Chairman or Non-Executive Director will be in line with the policy.

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 (as amended 17 June 2021 and 29 July 2022)	1 June 2019
Lewis Girdwood	Chief Financial Officer	29 March 2019	1 April 2019
Nick Dilworth	Chief Operating Officer	30 October 2017 (amended 1 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. 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
Clive Condie	1 July 2020
Ginny Pulbrook	1 October 2018

Policy on payments for loss of office

The following table summarises the Company's policy on the determination of payments for loss of office by Executive Directors. Where appropriate, the Committee would have regard to the departing Executive Director's duty to mitigate loss.

Provision	Treatment
Fixed remuneration	Salary/fees, benefits (including health cover, a company car or allowance and life and health insurance) and pension will be paid to the date of termination.
Payments in lieu of notice	Where a payment in lieu of notice is made, this will include salary, benefits and pension (or a cash equivalent) until the end of the notice period that would otherwise have applied. Alternatively, the Company, may continue to provide the relevant benefits. Unless the Committee determines otherwise, amounts will be paid in equal monthly instalments.
Annual bonus	This will be reviewed on an individual basis. The decision whether or not to award a bonus in full or in part will be dependent on a number of factors including the circumstances of the departure and contribution to the business during the bonus period. Any bonus would typically be pro-rated to reflect time in service to termination and paid at the usual time (although the Committee retains discretion not to apply pro-ration and/or to pay the bonus earlier in appropriate circumstances). If an Executive Director ceases employment with the Group as a result of death, ill-health, injury, disability or for any other reason at the Committee's discretion, any outstanding deferred bonus awards would typically continue and vest at the normal vesting date, although the Committee retains discretion to vest any such award at the date of cessation. In either case, the award will vest in full. In other leaver circumstances, deferred bonus awards will lapse.
LTIP	If an Executive Director ceases employment with the Group as a result of death, ill-health, injury, disability or for any other reason at the Committee's discretion before an award under the LTIP vests, the award will usually be released on the ordinary release date (although the Committee retains discretion to release the award as soon as reasonably practicable after the cessation of employment or at some other time, such as following the end of the performance period but before the end of the holding period). In either case, the award will vest to the extent determined by reference to the performance conditions and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed at cessation. If an Executive Director ceases employment with the Group after an award under the LTIP has vested but before it is released (that is the Executive Director ceases employment during a holding period), the award will continue and be released at the normal release date (unless the cessation is for summary dismissal, in which case the awards will lapse). The award will be released to the extent it has vested by reference to the performance conditions. The Committee retains discretion to release the award at cessation.
Other payments	The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. Payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with their cessation of office or employment and payments in respect of accrued but untaken holiday. Where a 'buyout' or other award is made in connection with recruitment, the leaver provisions would be determined at the time of the award. Options under the Company's SAYE scheme will vest on cessation in accordance with the plan rules, which do not allow discretionary treatment.

The Non-Executive Directors and the Executive Chairman are not entitled to compensation on termination of their appointment.

Directors' Remuneration Report continued

Views of shareholders

We are committed to engaging appropriately with our shareholders and our aim is to have an open dialogue on all relevant matters, including remuneration. Each year there are meetings with major shareholders to review the Group's performance and financial position. Executive pay is on the table for discussion at such meetings and we believe that it is better to do so as part of an overall review that puts pay in the context of overall Group performance.

Consideration of employment conditions elsewhere in the Group

Whilst the Committee does not formally consult with employees as part of its process when determining Executive Director pay, it does take into account pay practices and policies for employees across the wider Group. This includes the general basic salary increases, benefits and remuneration arrangements and employment conditions.

Legacy remuneration arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy if the terms of the payment were agreed:

- before the policy comes into effect; or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

1.4 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 2023 and 28 February 2022:

	Salary		Taxable benefits		Pension		Total fixed remuneration[1]		Bonus		Long-term incentives vesting		Total variable remuneration		Total remuneration	
£'000	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Nick Dilworth	**335.0**	292.9	**21.0**	20.7	**33.5**	47.5	**389.5**	361.1	**67.0**	–	**–**	–	**67.0**	–	**456.5**	361.1
Lewis Girdwood	**335.0**	283.5	**20.0**	20.0	**33.5**	28.8	**388.5**	332.3	**83.8**	–	**–**	–	**83.8**	–	**472.3**	332.3
David Shearer[1]	**402.7**	358.8	**–**	–	**–**	–	**402.7**	358.8	**–**	–	**–**	–	**–**	–	**402.7**	358.8

1 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 certain 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. His salary was increased to £400,000 per annum with effect from 10 February 2022. As a result, £2,708 was paid to him during the year ended 28 February 2023 which related to the period at the end of February 2022 but was paid to him following the completion of the previous financial year.

Salary

The annual salary of the Executive Directors as at the dates stated were as follows:

Executive Director	**Salary effective 1 March 2023**	Salary effective 1 March 2022
Nick Dilworth	**£335,000**	£335,000
Lewis Girdwood	**£335,000**	£335,000
David Shearer	**£400,000**	£400,000

The Executive Chairman and the Executive Directors will not see an increase to their salaries in the coming year, despite increases for the workforce as a whole, at their request.

Benefits

The Company currently provides other benefits which comprise standard executive medical cover and death-in-service cover to Executive Directors. The Executive Chairman does not have the standard executive medical cover but is covered by the death-in-service cover. 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.

Pension

For the financial year ended 28 February 2023, 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 equal to 10% of their salary. Pension contributions are based on salary only. Nick Dilworth's pension contribution was reduced from 20% of salary to 10% from 1 November 2021.

Annual bonus

The Executive Directors (other than the Executive Chairman) were granted a bonus equivalent to 100% of their salary in the year. Payment of that bonus was subject to meeting certain targets, with 70% payable based on profit targets for the Group and 30% based on personal performance targets. The profit target related to Earnings Before Tax (EBT) (after recharges) for the Group. The bonus needed to be self-funded so was only payable if the target had been achieved and enough profit generated, in excess of the target, to cover the bonus itself. The Company retained a discretion to assess the quality of the annual EBT performance to determine whether adjustments were required to provide a true representation of the annual performance. There were three target levels for the profit element of the bonus:

	Threshold	Target	Stretch	Actual
EBT (loss), £000	(40,771)	(38,830)	(33,005)	(27,686)
% of bonus vesting	0%	35%	70%	0%

Despite the EBT being at a level sufficient to justify a payment of bonus, the Committee exercised its discretion to reduce the payout to zero in light of the continued losses made by the Group and by its two main operating divisions, which both missed their own profit targets for the year. Nick Dilworth was also paid a sum of 20% of his salary related to achievement of his personal targets. Lewis Girdwood was also paid a sum of 25% of his salary related to achievement of his personal targets. The personal targets set were as follows:

	Target	Overall Achievement
Nick Dilworth	Achievement of Group KPIs for ESG[1]	20%
	Delivery of Esken Renewables budget for the year	
	Complete strategic review of Star Handling and execute on the decision	
	Achieve substantial progress in the realisation of non-core assets	
Lewis Girdwood	Refinance the banking arrangements and facilities	25%
	Rebuild the Aviation management team including the recruitment of a CEO with appropriate objectives set	
	Improve processing of management reports and ensure robust and timely information for Board and EMB	
	Support and implement findings from the Operating Model Review	
	Achieve ESG objectives for the year[1]	

1 The achievement against the Group's ESG objectives for the year are shown in detail on pages 38 to 41 above.

Directors' Remuneration Report continued

LTIPs for the year ended February 2023

Esken granted long-term incentive awards in respect of the financial year ended 28 February 2023 over its ordinary shares to Nick Dilworth and Lewis Girdwood in July 2022 in an amount equivalent to 150% of salary. When considering the FY23 LTIP awards, the Committee discussed the proposed quantum in light of the prevailing market conditions and the Company's then share price. Following a third year of considerable financial and operational pressures, the Committee was also conscious that the Company's ability to continue to steer the business through the uncertain landscape ahead would, in part, be dependent on its ability to retain key staff. 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 three years, a number of which were legacy matters, all of the previously-issued LTIPs were unlikely to vest. As a result, the Committee reduced the quantum of awards from 200% of salary to 150%. The Committee does not intend to make any further awards to Executive Directors under the LTIP.

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	5 July 2022	£0.1067	4,709,466	150%	3 years	1 March 2024
Lewis Girdwood	5 July 2022	£0.1067	4,709,466	150%	3 years	1 March 2024

As with the awards in respect of the Company's 2022 financial year made in December 2021, the Committee approved a wholly TSR-based performance measure for those 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 2023, 2024 and 2025 financial years (i.e. from 1 March 2022 to 28 February 2025), subject to a general financial performance underpin, as set out in the table below (with straight-line vesting between these points):

	Vesting	Esken's three-year TSR
Threshold	25% of maximum	a share price of 20.0p at vesting
Stretch	100% of maximum	a share price of 30.0p at vesting

The Committee considered these to be a stretching but attainable targets 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 into 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 as at 28 February 2023, including those interests awarded during the financial year.

	Type of award	Date of LTIP grant	Market price on date of grant[2]	Number of performance shares at 1 March 2022	Granted during the year	Vested during the year	Lapsed during the year	**Number of performance shares at 28 February 2023**	Performance period	Vesting/lapse date[1]
Nick Dilworth	2014 LTIP	3 July 2019	£1.173	669,735[3]	–	–	669,735	**–**	3 years	3 July 2022
	2020 LTIP	31 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
	2020 LTIP	5 July 2022	£0.107	–	4,709,466	–	–	**4,709,466**	3 years	1 March 2025
				8,358,301	4,709,466	–	699,735	**12,398,032**		
Lewis Girdwood	2014 LTIP	3 July 2019	£1.173	453,650[3]	–	–	453,650	**–**	3 years	3 July 2022
	2020 LTIP	31 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
	2020 LTIP	5 July 2022	£0.107	–	4,709,466	–	–	**4,709,466**	3 years	1 March 2025
				7,523,268	4,709,466	–	453,650	**12,319,084**		

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

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

Save As You Earn scheme

There were no options granted under a Save As You Earn (SAYE) scheme during the year ended 28 February 2023.

Directors' shareholding and share interests

Details of the Directors' interests in shares are shown in the table on page 106

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 the current remuneration policy was approved by shareholders (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 2023, Nick Dilworth and Lewis Girdwood have yet to meet the full requirement, with their holdings as a percentage of salary set out on page 106. All of the shares held by Mr Dilworth and Mr Girdwood have been purchased by them in the market or as part of the Company's fundraising exercises as no long-term incentive awards have vested for them during their employment.

Directors' Remuneration Report continued

Share interests of Directors and connected persons at 28 February 2023

The following table shows the Directors' interests in shares as at 28 February 2023 (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	220,396	12,398,032	12,618,428
Lewis Girdwood	585,714	12,319,084	12,904,798
Non-Executive Directors			
John Coombs[2]	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. 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.

2 John Coombs left the Board in July 2022.

There have been no changes in the holdings of the Directors between 28 February 2023 and 21 June 2023, save that Nick Dilworth had 2,868,422 LTIPs lapse and Lewis Girdwood had 2,789,474 LTIPs lapse.

Percentage change in the remuneration in Director and employee remuneration

	2020/2021			2021/2022			**2022/2023**		
	Base Salary %	Taxable benefits %	Annual bonus %	Base Salary %	Taxable benefits %	Annual bonus %	**Base Salary %**	**Taxable benefits %**	**Annual bonus %**
Executive Directors									
David Shearer[1]	20.0%	–	–	85.4%	–	–	**14.3%**	**–**	**–**
Nick Dilworth	(8.3%)	–	–	19.4%	0.5%	–	**14.4%**	**1.5%**	**N/A[4]**
Lewis Girdwood	(1.8%)	9.3%	–	18.9%	–	–	**18.2%**	**–**	**N/A[4]**
Non-Executive Directors									
John Coombs[2]	(8.5%)	–	–	9.3%	–	–	**(58.4%)**	**–**	**–**
Ginny Pulbrook[3]	(6.0%)	–	–	16.6%	–	–	**8.7%**	**–**	**–**
David Blackwood	3.9%	–	–	19.6%	–	–	**–**	**–**	**–**
Clive Condie	–	–	–	50.0%	–	–	**–**	**–**	**–**
Employee population	16.4%	(28.1%)	–	(18.0%)	(2.0%)	–	**2%**	**(10%)**	**N/A[4]**

1 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. The increase between 2022 and 2023 has been calculated on the basis that the £2,783 paid in respect of the period 10 February 2022 to 28 February 2022 had been paid in the year ended 28 February 2022.

2 John Coombs left the Board in July 2022.

3 Ginny Pulbrook became Chair of the ESG Committee during the year.

4 Mr Dilworth and Mr Girdwood did not receive a bonus in FY22. The bonus paid to them in FY23 is shown on page 106. Employees received no bonuses in FY22 and an average bonus of £701 in FY23.

The above table shows the percentage year-on-year change in salary, benefits and bonus earned (between the year ended 28 February 2020, 29 February 2021 and 28 February 2022 and the year ended 28 February 2021, 28 February 2022 and 28 February 2023) for all Directors and for the average of all other employees in the Group.

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.

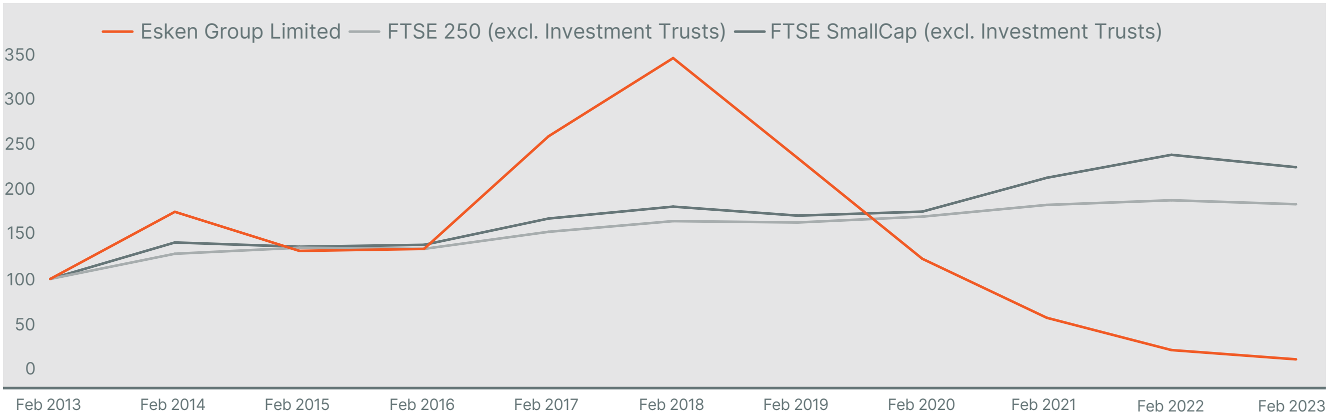
The percentage change table reflects a reduction in the employee population from 912 on 28 February 2021 to 778 on 28 February 2022 and then to 756 at 28 February 2023.

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	2014	2015	2016	2017	2018[1]	2018[2]	2019	2020	2021	2022[3]	2022[3]	2023
Chief Executive's total single figure of remuneration £'000	251.2	1,309.3	931.3	951.1	235.3	648.8	915.8	601.5	545.8	118.0	358.8	402.7
Bonus paid % of maximum	–	76.3%	96.6%	97.0%	91.0%	91.0%	73.0%	–	–	–	N/A	N/A
LTIP vesting % of maximum	–	–	–	–	100%	–	–	–	–	–	N/A	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.

Directors' Remuneration Report continued

Chief Executive pay ratio

The following table compares the Chief Executive Officer's single total figure remuneration (as set out on page 116), 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.

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 2022, in respect of 2021/2022, and 28 February 2023, in respect of 2022/2023 and on corresponding dates for earlier years. 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
2019/2020	Option A	1:28	1:21	1:15
2020/2021	**Option A**	**1:25**	**1:19**	**1:13**
2021/2022	Option A	1:17	1:13	1:10
2022/2023	**Option A**	**1:17**	**1:13**	**1:9**

The Committee considers that the median pay ratio for the year ended 28 February 2023 is consistent with the pay, reward and progression on policies for the Group's UK employees taken as a whole.

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 116.

	25th percentile	50th percentile (median)	75th percentile
Base salary	£23,459	£30,689	£41,684
Total remuneration	£23,970	£31,329	£42,709

Relative importance of spend on pay

The table below shows the year-on-year change in losses, staff costs and distributions to shareholders.

	2023	2022	% change
Remuneration paid to or receivable by all employees of the Group (including Directors)	**£28.9m**	£28.4m	1.8%
Distributions to shareholders	**nil**	nil	0%
Loss for the year from continuing operations	**(£25.2m)**	(£25.8m)	4.5%

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.

	Fees (£'000)		Taxable benefits (£'000)		Total (£'000)	
Non-Executive Director	**2023**	2022	**2023**	2022	**2023**	2022
John Coombs[1]	**26.0**	62.5	**–**	–	**26.0**	62.5
Ginny Pulbrook[2]	**62.5**	57.5	**–**	–	**62.5**	57.5
David Blackwood[3]	**72.5**	72.5	**–**	–	**72.5**	72.5
Clive Condie[4]	**58.8**	52.5	**–**	–	**58.8**	52.5

1 Includes base fee of £52,500 plus additional fees of £10,000 for chairing the Remuneration Committee. John Coombs left the Board in July 2022.

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 and £5,000 for acting as Chair of the ESG Committee.

3 Includes base fee of £52,500 plus additional fees of £10,000 for chairing the Audit Committee and fulfilling the role of Deputy Chairman and Senior Independent Director.

4 Includes base fee of £52,500 plus additional fees of £10,000 for chairing the Remuneration Committee from July 2022.

Non-Executive Directors' fees for the year ended 28 February 2023

There were no changes to Non-Executive Director fees in the year ended 28 February 2023.

External appointments

During the year, Lewis Girdwood 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
Lewis Girdwood	1 April 2019	6 months
David Shearer[3]	1 June 2019	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 David Shearer's terms of appointment have been amended with effect from 9 February 2021 to reflect his role as Executive Chairman and with effect from 10 February 2022 when his role as Executive Chairman was made permanent.

Directors' Remuneration Report continued

Implementation of the policy for the year ending 28 February 2024

This section provides a summary of how the Committee intend to implement the Directors' remuneration policy in the financial year ending 28 February 2024.

Salary

It was agreed during the previous 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 – and there were no further increases in the year nor will there be any changes 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 2024, 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 2024. 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.

Annual bonuses

In light of the strategic review and considering the exceptional difficulties which this review poses in terms of setting performance targets for the bonus, the Committee is still considering the appropriate bonus and will make further details available in due course. If any award is proposed outside of the remuneration policy, shareholder support would be sought. 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 2024 will not be granted to the Chief Financial Officer and the Chief Operating Officer. Due to the exceptional circumstances of the strategic review, the Committee is currently considering an alternative form of incentive plan which recognises the impact of the strategic review and aligns participants' interests with those of shareholders in seeking to maximise value from the disposals process. Those matters will be put to shareholders for specific approval in due course and will also be disclosed in full in next year's Annual Report.

Non-Executive Directors' fees

For the financial year ending 28 February 2024, 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	£10,000
Deputy Chairman and Senior Independent Director	£10,000
Chair of ESG committee	£5,000
Designated Non-Executive Director for People Engagement	£5,000

The Remuneration Committee

Remuneration Committee members

During the year, the Committee comprised the following independent Non-Executive Directors:

John Coombs, Committee Chairman until his departure from the Board in July 2022
Clive Condie, Committee Chairman from July 2022
Ginny Pulbrook
David Blackwood

Attendance at Committee meetings is shown on page 125. 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 advisors

During the year ended 28 February 2023, the Committee received external advice from Deloitte LLP who were appointed as independent advisors 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 £44,000 were paid in respect of remuneration services during the year which included advising on best practice, on remuneration matters, updates on legislative requirements and the remuneration policy to be proposed to the 2023 AGM.

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:

- Levels of base salaries for Executive Directors and other Executives within its remit.
- Executive Directors' bonus arrangements.
- Performance of LTIPs over the year.
- LTIP grants.
- Directors' Remuneration Report.
- Terms of appointment for the new CEO of London Southend Airport.
- Review of the terms of reference of the Committee.
- Review the Company's remuneration policy and communicate with shareholders over its content.
- Consider the appropriate remuneration structures of the Group in light of the outcome of the strategic review.

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 2023:

	Number of meetings	Meetings attended
John Coombs	6	2
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 13 July 2022, 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 2022	Approval of the Directors' Remuneration Report	98.56%	1.44%	104,745
30 July 2020	Approval of the Directors' remuneration policy	96.02%	3.98%	44,929

Directors' Remuneration Report continued

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 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, the current economic position in the UK and the overall performance of the Group in recent years that will need to be addressed during FY24, and most recently by the decision of the Group to dispose of its two main operating businesses.

A description, with examples of how the Remuneration Committee has addressed the factors in Provision 40 of the Code, is as follows:

a. 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;

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 and are further set out in respect of the proposed new policy on page 113. 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. Despite a bonus having been earned, no payment was made to the Executive Directors in respect of bonus related to financial performance in FY23 due to the overall financial position of the Group and the performance of its main businesses; and

f. Alignment to culture – incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy. Esken has a strategy to develop valuable growth assets from aviation and energy from waste. We believe that our remuneration structures have been 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 have adjusted our approach to remuneration in reaction to the immediate goal of realising value for shareholders from the disposal of the Group's two main businesses after the outcome of the strategic review, with rewards being refocused to the retention of key staff required to implement those disposals.

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 FY23 was a another challenging year for the Group, as it was the third year in a row in which remuneration outcomes were challenged by the ongoing business environment. 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 responsible for implementing the immediate strategic objective of disposing of the Group's two main businesses.

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 page 74. 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 FY23 was more limited. We did, however, write to shareholders, inviting comments, ahead of proposing the new remuneration policy to the 2023 AGM and will consult fully ahead of adopting a revised policy in 2024.

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 68 to 69 of this report. We engage with them directly via our People Forums and via their union representatives. In our Aviation division, we have consulted extensively on pay and conditions with UNITE, the union, and employees directly.

The discretion applied to remuneration outcomes and why:
In advance of the final assessment of results, the Committee applied discretion to not pay bonuses to the Executive Directors related to the profit performance of the Group for the year ended 28 February 2023. The Committee and the Board as a whole felt that this was necessary in light of the continued losses made by the Group during the year and the failure of the Group's two main divisions to hit their profit targets. When results were finally assessed, no bonus related to profit performance was, in fact, payable to the Executive Directors in any event.

Approval
The Directors' Remuneration Report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Clive Condie
Chairman of the Remuneration Committee
20 June 2023

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 1 to 85 and Governance (pages 83 to 130) which are incorporated by reference into the Directors' Report.

Results, dividends and post balance sheet events
The financial statements set out the results of the Group for the year ended 28 February 2023 and are shown on pages 131 to 188.

There were no dividends paid in respect of the year ended 28 February 2023.

On 15 May 2023, the Group disposed of its wholly owned subsidiary Star Handling Limited to Skytanking UK Ltd for a maximum cash consideration of £4.8m. See note 30 of the financial statements for further details.

Directors' and Officers' insurance and indemnities
During the financial year, the Group has maintained an appropriate level of Directors' and Officers' insurance whereby Directors were indemnified against liabilities to third parties to the extent permitted by Guernsey company law.

The Group has 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. The Directors' Interests in share options are detailed in the Remuneration Report on page 120.

Political donations
No donations were made for political purposes during the year in question.

Financial instruments
In relation to the use of financial instruments by the Group: (a) the Group does not use hedge accounting, and (b) the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk, is set out in note 1 to the accounts on page 144 and note 22 on page 172.

Modern Slavery Act
Our statement on modern slavery in our supply chain is available on our corporate website (www.esken.com).

Share capital
Details of the authorised and issued share capital and reserves of the Company are shown in note 27 to the financial statements.

As at 28 February 2023, the Company held no treasury shares.

The share capital of Esken Limited at 28 February 2023 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. Each ordinary share has one vote to be cast at meetings of shareholders.

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 outs, as at 28 April 2023 those shareholders who owned 3% or more of the issued ordinary shares of the Company.

Name	Number of ordinary shares 28 April 2023	%
Toscafund	285,077,383	27.80
Strategic Value Partners	92,002,715	8.97
Harwood Capital Mgt Group	81,870,883	7.98
Mr Richard Griffiths	60,959,176	5.95
Cyrus Capital Partners	53,763,529	5.24
Schroders	50,769,846	4.95
Hargreaves Lansdown PLC	43,207,280	4.21
JPMorgan Chase & Co	42,823,547	4.18
Tetragon Financial Group Limited	33,170,440	3.24

Up to 20 June 2023, being the last practicable date before publication of this report, there were no changes to constituents of the major shareholders list above.

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
Directors' biographical details and dates of appointment	Companies Act 2006 Section 416(1)(a)[1]	Pages 86 to 87
Directors' interests in shares		Page 120
Diversity	DTR 7.2.8AR	Page 98
Engaging with stakeholders	Paragraphs 11B and 11C, Schedule 7, 2008 Regulations[1]	Pages 66 to 75
Employee engagement	Companies (Miscellaneous Reporting) Regulations 2018	Pages 68 to 69
Future developments in the business	Paragraphs 7(1)(a) and 7(2), Schedule 7, 2008 Regulations[1]	Pages 22 to 23 and 183
Greenhouse gas (GHG) emissions	Paragraphs 15-20, Schedule 7, 2008 Regulations[1]	Page 61
Energy and carbon information	Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018	Pages 56 to 61
Risk management and internal control: How the business manages risk	Paragraph 6, Schedule 7, 2008 Regulations and DTR 4.1.11R(6)[1]	Pages 76 to 84
Policy with regard to financial instruments	Paragraph 6, Schedule 7, 2008 Regulations and DTR 4.1.11R(6)[1]	Pages 128 and 144

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 23 and the financial position of the Group, its cash flows and funding are set out in the Financial review on pages 26 to 29.

For detailed going concern disclosures, please refer to note 1 on page 131.

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' Report continued

Disabled persons

Job applicants are not asked about health or disability before a job offer is made, except in the very limited circumstances allowed by law: for example, to check that the applicant could perform an intrinsic part of the job (taking account of any reasonable adjustments), or to see if any adjustments might be needed at interview because of a disability. If an employee is disabled or becomes disabled, we consider what reasonable adjustments or support may be appropriate.

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.
- Biannual 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

The Company's external auditors are Mazars. A resolution to reappoint Mazars as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

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.

Annual General Meeting

We will notify shareholders about our AGM in due course, with our intention being that it will be held in person on 12 July 2023. Shareholders are welcome to submit questions for the Board in advance of the meeting. For further details please refer to the AGM Notice that will be sent out to shareholders under separate cover.

The Directors' Report was approved by the Board and signed on its behalf by:

Matthew Joy
Company Secretary
20 June 2023

Independent Auditor's Report
to the members of Esken Limited

Opinion
We have audited the financial statements of Esken Limited and its subsidiaries (together the 'group') for the year ended 28 February 2023, 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 cash flows for the year then ended and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 28 February 2023 and of the group's loss for the year then ended;
- have been properly prepared 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 under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern
We draw attention to note 1 in the financial statements, which indicates the existence of a material uncertainty which may cast significant doubts over the group's ability to continue as a going concern.

Explanation of material uncertainty
As set out in note 1, the availability of sufficient liquidity for the group's requirements during the next twelve months from the date of these financial statements is dependent on a number of factors. In particular these include the successful completion and receipt of proceeds from the proposed sale of the group's Renewables business by 31 December 2023, and the ability to raise an additional short-term facility of up to £5 million to provide liquidity for London Southend Airport (LSA) prior to 31 July 2023.

As stated in note 1, these events or conditions as set forth in this note to the financial statements indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. In forming our conclusions, we have evaluated the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting. Our procedures on going concern included but were not limited to:

- Evaluated management's risk assessment process and relevant controls for identifying going concern and viability risks.
- Evaluated the historical accuracy of cash flow forecasts to assess the accuracy of the forecasting process.
- Gained an understanding of the status of the ongoing re-financing activities being undertaken by the group and the group's current trading performance.
- Reviewed and challenged management's going concern assessment, including evaluating the reasonableness of the underlying assumptions and assessing the consistency with cashflow forecasts used elsewhere.
- Discussed with management and external advisors on the current status of the process for disposal of the Renewables business. This included challenging the reasonableness of forecasted proceeds and timing of completion of the disposal of the Renewables business and non-core assets.
- Discussed with management the progress made in finalising the required short-term facility to enable LSA to meet its liquidity requirements prior to a potential default in July 2023.
- Performed sensitivity analysis and critically assessed different scenarios included in management's going concern assessment. This included evaluating the achievability of the actions considered by the directors to achieve the funding, and the possible additional mitigating actions considered by the directors.
- Assessed the forecast compliance with financing covenants during the going concern period.
- Reviewed the adequacy and appropriateness of the financial statement disclosures. This included whether the going concern disclosures in note 1 to the financial statements gives a full and accurate description of identified risks and mitigating actions.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report continued
to the members of Esken Limited

Material uncertainty related to going concern continued
Explanation of material uncertainty continued

In relation to Esken Limited's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting; and
- the directors' identification in the financial statements of the material uncertainty related to the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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. These matters were 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 these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures. The matters set out below are in addition to the "Material uncertainty related to going concern" above which, by its nature, is also a key audit matter.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Revenue recognition Refer to the group's accounting policy and further disclosures on Revenue on pages 144 and note 3 respectively. The group's revenue for the year of £120 million (2022: £105 million) is a highly material balance comprising several revenue streams with varying performance obligations and revenue recognition requirements. Revenue recognition is prone to risk of fraud, especially given revenue is a key performance indicator for the group and the ongoing strategic business review. Revenue recognition also involves certain levels of judgement including the determination of when performance obligations are satisfied. We identified that the risk of fraud relates to: a) Cut-off and completeness of revenue related to the delivery of processed material to biomass plants and related accrued income within the Renewables business; and b) Cut-off for product revenue and occurrence of service revenue within the Aviation business.	Our audit procedures included, but were not limited to: • Understanding the key business process and assessing the design and implementation of relevant revenue controls. • Reviewing relevant customer contracts and ensuring that revenue has been recognised in accordance with those contracts and IFRS 15. • Performing data analytical procedures to identify unusual relationships and outliers between revenue, trade receivables and cash received for renewables revenue. • Performing substantive testing procedures on samples of revenue transactions in Renewables and Aviation and agreeing to relevant support for occurrence and accuracy. • Addressing the cut-off risk in Renewables and Aviation by testing a sample of transactions around year end to ensure they have been recorded in the appropriate period; and in Renewables agreeing accrued revenue to post-year end invoices and cash receipts. • In respect of the completeness risk in Renewables, agreeing a sample of revenue transactions selected from a reciprocal population to the revenue general ledger. • Reading the financial statements to assessing the appropriateness of the disclosures. **Our observations** Based on our work performed revenue for the year is fairly stated.

Key audit matters continued

Key Audit Matter	How our scope addressed this matter
Valuation of LSA cash generation unit (CGU) Refer to the group's accounting policy and further disclosures on LSA impairment on pages 145 and note 13 respectively. The group's cash generating units include the assets within the LSA CGU with a carrying amount of £151 million (2022: £154 million). Determining the recoverable amount of the LSA CGU under *IAS 36 Impairment* involves making judgement and estimates about future cash flows, and the use of subjective assumptions. Management has determined the recoverable amount of LSA CGU using fair value less cost to sell to be in excess of £250 million (2022: £360 million), indicating a headroom of £99m (2022: £206 million) and no impairment. Given the history of ongoing losses, there is a risk that the carrying value of the LSA CGU may be inappropriate.	Our audit procedures included, but were not limited to: • Understanding the methodology applied by the management in calculating the recoverable amount of the CGU and relevant controls. • Challenging management's impairment assessment including the appropriateness of key assumptions including the forecast EBITDA, exit multiple and discount rate. • Using the assistance of our internal experts in challenging the appropriateness of management's key assumptions based on knowledge of the industry and by considering contradictory evidence. • Checking the mathematical accuracy of management's impairment assessment. • Validating the historical accuracy of forecasts used in the impairment calculation and assessing management's ability to accurately forecast. • Validating consistency of cashflow forecasts to those used in the going concern assessment. • Performing sensitivity analyses on management's cash flow forecast and key assumptions. • Considering alternative evidence supporting the carrying amount. • Reviewing the appropriateness of the financial statement disclosures. **Our observations** Based on the procedures performed, the carrying value of the CGU is reasonable.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	
Overall materiality	£1.2 million
How we determined it	We determined overall materiality for the group by applying a benchmark of approximately 1% of group's total revenue.
Rationale for benchmark applied	We considered total revenue to be a critical component for determining materiality given the group's focus on revenue as a key performance measure.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Based on our risk and internal control assessments including considerations applicable to first-year audit, we have set performance materiality at £0.6 million which represents 50% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £36,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditor's Report continued
to the members of Esken Limited

Our application of materiality and an overview of the scope of our audit continued
Our audit of the group was undertaken to the materiality and performance materiality levels specified above.

An overview of the scope of our audit, including the extent to which the audit was considered capable of detecting irregularities, including fraud
As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included the parent company (Esken Limited) and subsidiaries financial statements. Based on our risk assessment, four components including the parent company were subject to full scope audit by the group audit team, and three components were subject to audit procedures over one or more account balance and/or disclosures by the group audit team. Under the direct supervision of the group audit partner, the component audit teams performed full scope audit on two components and audit procedures over one or more account balance and/or disclosures on three components. The components scoped in for audit procedures over one or more account balances and/or disclosures were not individually financially significant enough to require a full scope audit for group purposes, but the group audit risk assessment identified specific material balances and/or disclosures to be addressed. The remaining fourteen components were subject to analytical procedures and review of financial information at group level.

We set out below a summary of the group approach to demonstrate the coverage of group revenue, profit before tax, net assets and total assets resulting from auditing significant components including the parent company.

Coverage of key benchmarks:

	Revenue	Loss before tax	Total assets
Full scope audit	87%	77%	84%
Audit procedures over one or more balances and/or disclosures	12%	6%	11%
Total coverage	**99%**	**83%**	**95%**

The group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

The group engagement team approved the component materiality, which ranged from £50,000 to £450,000 having regard to the mix of size and risk profile of the group across the components. The scope of the audit work performed was predominantly substantive as we placed no reliance upon the group's internal control over financial reporting.

Other information
The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of our audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Corporate governance statement
The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to Esken Limited's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 130;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate, set out on page 85;
- Directors' statement on fair, balanced and understandable, set out on page 99;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 76;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 94; and
- The section describing the work of the audit committee, set out on page 100.

Responsibilities of Directors
As explained more fully in the directors' responsibilities statement set out on page 130, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations
We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the consolidated financial statements including employment regulation, health and safety regulation, anti-money laundering regulation, taxation legislation, environmental and aviation regulations.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group, the industry in which it operates, the group's structure, and considering the risk of acts by the group which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group complies with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies (Guernsey) Law 2008, and Listing Rules.

Independent Auditor's Report continued
to the members of Esken Limited

Irregularities, including fraud, are instances of non-compliance with laws and regulations continued
In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, revenue recognition fraud risks as explained under the key audit matter section, and management bias through judgements and assumptions in significant accounting estimates and significant one-off transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Considering remuneration incentive schemes and performance targets for Directors and key management personnel.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report. A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address
Following the recommendation of the audit committee, we were appointed on 30 June 2022 by the audit committee to audit the financial statements for the year ending 28 February 2023 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended 28 February 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and we remain independent of the group in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report
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.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has prepared using the single electronic format specified in the ESEF RTS.

Tim Hudson
Senior Statutory Auditor
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

1 St Peter's Square
Manchester
M2 3DE

20 June 2023

Consolidated income statement
for the year ended 28 February 2023

	Notes	Year ended 28 February 2023 £'000	Restated[1] Year ended 28 February 2022 £'000
Continuing operations			
Revenue	4	**120,004**	104,633
Other income	6	**2,220**	8,364
Operating expenses	7	**(116,587)**	(102,386)
Adjusted EBITDA		**5,637**	10,611
Depreciation	13	**(18,284)**	(20,749)
Impairments	13	**(1,016)**	(5,970)
Operating loss		**(13,663)**	(16,108)
Reversal of impairment of loan notes	9	**7,302**	–
Finance costs	10	**(24,786)**	(21,446)
Finance income	9	**4,027**	2,240
Share of post-tax losses of associates and joint ventures[2]	14	**(566)**	(356)
Loss before tax		**(27,686)**	(35,670)
Tax	11	**2,508**	9,865
Loss for the year from continuing operations		**(25,178)**	(25,805)
Discontinued operations			
Loss from discontinued operations, net of tax	5	**(59)**	(2,386)
Loss for the year		**(25,237)**	(28,191)

	Notes	Year ended 28 February 2023	Restated[1] Year ended 28 February 2022
Loss per share expressed in pence per share – continuing operations			
Basic	12	**(2.47)p**	(3.12)p
Diluted	12	**(2.47)p**	(3.12)p
Loss per share expressed in pence per share – total			
Basic	12	**(2.47)p**	(3.41)p
Diluted	12	**(2.47)p**	(3.41)p

1 The 2022 results have been restated where required due to prior period adjustments, see note 34.

2 In the prior year the share of post-tax losses of associates and joint ventures was presented as part of adjusted EBITDA. This year it is presented on its own line as part of the loss before tax.

The notes on pages 142 to 186 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 28 February 2023

	Notes	Year ended 28 February 2023 £'000	Restated[1] Year ended 28 February 2022 £'000
Loss for the year		**(25,237)**	(28,191)
Exchange differences from discontinued operations, net of tax		**(7,017)**	(1,824)
Other comprehensive expense – items that are or may be reclassified subsequently to profit or loss, net of tax		**(7,017)**	(1,824)
Remeasurement of defined benefit plan	23	**324**	1,876
Change in fair value of financial assets classified as fair value through other comprehensive income	15	**963**	(1,187)
Tax on items relating to components of other comprehensive income	11	**(341)**	(417)
Other comprehensive income – items that will not be reclassified to profit or loss, net of tax		**946**	272
Other comprehensive expense for the year, net of tax		**(6,071)**	(1,552)
Total comprehensive expense for the year		**(31,308)**	(29,743)

1 The 2022 results have been restated where required due to prior period adjustments, see note 34.

Of the total comprehensive expense for the year, a loss of £24,232,000 (2022: £25,533,000) is in respect of continuing operations and a loss of £7,076,000 (2022: £4,210,000) is in respect of discontinued operations.

The notes on pages 142 to 186 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
as at 28 February 2023

	Notes	28 February 2023 £'000	Restated[1] 28 February 2022 £'000
Non-current assets			
Property, plant and equipment	13	**263,412**	269,944
Investment in associates and joint ventures	14	**450**	1,016
Other financial assets	15	**15,324**	14,105
Intangible assets	16	**54,669**	54,669
Net investment in leases	28	**16,888**	17,763
Defined benefit pension surplus	23	**1,937**	348
Other receivables	18	**–**	1,495
		352,680	359,340
Current assets			
Inventories	17	**1,729**	12,552
Trade and other receivables	18	**34,195**	23,883
Cash and cash equivalents	22	**49,264**	52,738
Restricted cash	22	**1,000**	–
		86,188	89,173
Total assets		**438,868**	448,513
Non-current liabilities			
Loans and borrowings	22	**(259,841)**	(222,981)
Other liabilities	20	**(8,894)**	(8,643)
Provisions	25	**(3,942)**	(13,279)
		(272,677)	(244,903)
Current liabilities			
Trade and other payables	19	**(27,611)**	(30,160)
Loans and borrowings	22	**(80,521)**	(77,099)
Corporation tax	11	**(583)**	(5,110)
Provisions	25	**(17,560)**	(20,674)
		(126,275)	(133,043)
Total liabilities		**(398,952)**	(377,946)
Net assets		**39,916**	70,567
Capital and reserves			
Issued share capital	27	**102,534**	102,534
Share premium		**403,225**	403,225
Foreign currency exchange reserve		**(6,799)**	218
Reserve for own shares held by employee benefit trust		**(7,596)**	(7,596)
Retained deficit		**(451,448)**	(427,814)
Group shareholders' equity		**39,916**	70,567

1 The 2022 results have been restated where required due to prior period adjustments, see note 34.

The notes on pages 142 to 186 are an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board of Directors on 20 June 2023 and were signed on its behalf by:

David Shearer
Executive Chairman

Nick Dilworth
Director

Consolidated statement of changes in equity

for the year ended 28 February 2023

For the year ended 28 February 2023

	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 2022 (restated)		**102,534**	**403,225**	**218**	**(7,596)**	**(427,814)**	**70,567**
Loss for the year		**–**	**–**	**–**	**–**	**(25,237)**	**(25,237)**
Other comprehensive expense for the year		**–**	**–**	**(7,017)**	**–**	**946**	**(6,071)**
Total comprehensive expense for the year		**–**	**–**	**(7,017)**	**–**	**(24,291)**	**(31,308)**
Employee benefit trust		**–**	**–**	**–**	**–**	**(3)**	**(3)**
Share-based payment charge	26	–	–	–	–	**630**	**630**
Tax on share-based payment charge	24	**–**	**–**	**–**	**–**	**30**	**30**
Balance at 28 February 2023		**102,534**	**403,225**	**(6,799)**	**(7,596)**	**(451,448)**	**39,916**

For the year ended 28 February 2022 (restated[1])

	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
Prior period adjustments	34	–	–	–	–	1,204	1,204
Balance at 1 March 2021 – restated		62,492	390,336	3,826	(7,480)	(399,657)	49,517
Loss for the year		–	–	–	–	(28,191)	(28,191)
Other comprehensive (expense)/ income for the year		–	–	(1,824)	–	272	(1,552)
Total comprehensive expense for the year		–	–	(1,824)	–	(27,919)	(29,743)
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)	(427,814)	70,567

1 The 2022 results have been restated where required due to prior period adjustments, see note 34.

The notes on pages 142 to 186 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 28 February 2023

	Notes	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Cash (used in)/generated from continuing operations	31	**(8,481)**	3,291
Cash outflow from discontinued operations	5	**(10,610)**	(17,775)
Income taxes paid		**(2,060)**	–
Net cash outflow from operating activities		**(21,151)**	(14,484)
Purchase of property, plant and equipment net of financing		**1,705**	(3,015)
Proceeds from the sale of property inventory		**3,539**	–
Proceeds from the sale of property, plant and equipment		**2,197**	1,115
Receipt of capital element of net investment in lease		**1,725**	1,547
Cash disposed on liquidation/disposal of subsidiary undertakings	5	**–**	(362)
Acquisition of other investments	15	**–**	(4,900)
Interest received		**451**	415
Cash inflow/(outflow) from discontinued operations	5	**2,171**	(7,808)
Net cash inflow/(outflow) from investing activities		**11,788**	(13,008)
Proceeds from the issue of ordinary shares (net of issue costs)	27	**–**	52,330
Proceeds from issue of convertible debt (net of costs)	22	**–**	111,459
Proceeds from new borrowings (net of costs)	22	**44,784**	–
Proceeds from grants	21	**1,705**	2,600
Principal element of lease payments	22	**(16,603)**	(17,026)
Net repayment of revolving credit facility (net of costs)	22	**(850)**	(58,165)
Interest paid	10	**(6,658)**	(8,992)
Cash outflow from discontinued operations	5	**(16,489)**	(14,384)
Net cash inflow from financing activities		**5,889**	67,822
(Decrease)/increase in cash and cash equivalents		**(3,474)**	40,330
Cash and cash equivalents at beginning of year		**52,738**	12,408
Cash and cash equivalents at end of year		**49,264**	52,738
Cash transferred from unrestricted cash	22	**1,000**	–
Cash, cash equivalents and restricted cash		**50,264**	52,738

The notes on pages 142 to 186 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 28 February 2023

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 23 and the financial position of the Group, its cash flows and funding are set out in the Financial review on pages 26 to 29.

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 will have adequate resources to continue in operational existence for the foreseeable future until at least 30 June 2024. 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 the disposal of the Renewables business will complete prior to 31 August 2023, with the timing of completion and forecast consideration are both significant judgements.

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, for the period to 30 June 2024. Within this timescale, it is forecast that funds will be generated from the disposal of the Renewables business and that those proceeds, together with certain non-core asset disposals, will enable the repayment of the £50m term loan, and associated costs, settlement of the exchangeable bonds (bonds) in May 2024, and provide further liquidity to London Southend Airport (LSA), in addition to the short-term facility currently being negotiated with an existing lender, during the ongoing sale process.

The project to dispose of the Renewables business is significantly progressed, with the process being at an advanced stage with a preferred bidder now undertaking due diligence. The current timetable and management judgement assumes completion in August 2023.

As at 28 February 2023, the Group had cash balances of £50.3m. Included in this £50.3m of cash is £5.3m 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, the current position is that the Group needs to complete the disposal of the Renewables business prior to the end of December 2023, or complete significant asset disposals, otherwise the Group may be unable to continue trading. The Directors have a reasonable expectation, following discussions with the appointed advisor, that the required disposal of the Renewables business will be completed at the quantum and within the timescales required.

Should the business disposal not successfully complete before the end of December 2023, this is expected to lead to severe liquidity issues and the Group will likely breach its forward-looking covenant. The Directors would have a limited amount of time to raise additional funds if the timing of the business disposal was to be delayed, to allow the Group to continue trading. The Directors have prepared base case forecasts, together with sensitivity analysis on those forecasts, including a severe but plausible downside set of assumptions detailed below. Under both the base and plausible downside scenario, Group liquidity following the maturity of the bonds in May 2024 becomes negative, excluding the key mitigating action of disposal of the Renewables business. The reasonableness of the assumption made by the Directors that funds from the disposal of the Renewables business will be received is a significant judgement and this gives rise to a material uncertainty in respect of securing the necessary funds. Both forecasts include the critical assumption that the business disposal is successful, the base case forecast indicates Group headroom of c.£26m at 30 June 2024 and the severe but plausible downside indicates that the Group will have headroom of c.£4m at this date.

For the purposes of this going concern analysis, the base case forecast assumes:

- The Group completes the disposal of its Renewables business before 31 August 2023. The proceeds of which will be used to repay the term loan drawn in December 2022;
- The Group settles its bonds, paying cash in excess of the collateral shares held;
- Full year passenger volumes from LSA of c.0.1m for the year ending 28 February 2024 and c.0.5m passengers in the year ending 28 February 2025;
- £34.0m cash received in respect of non-core asset disposals in the year ending February 2024;
- The Group is able to finalise terms with an existing lender for a suitable additional short-term facility that would enable additional required liquidity of up to £5m to be injected into LSA, prior to 31 July 2023; and
- Proceeds from the Renewables disposal would be available to be used in the LSA Group to meet ongoing forecast liquidity needs.

The severe but plausible downside excludes all but £9m of non-core asset disposals. That forecast also includes a reduction in 2025 Aviation operational and trading performance due to the slower recovery following the COVID-19 pandemic, resulting in a cash reduction to forecast. The passenger forecast for 2024, of c.0.1m, is primarily based on the known current routes available, and therefore Management do not believe that a downside sensitivity is required to these assumptions. The severe but plausible forecast also assumes that the completion of the Renewables business disposal will be delayed until November 2023. Based on those assumptions, the severe but plausible downside scenario does not have a material impact on the ability of the Group to continue in operational existence for the foreseeable future. However, it is important to note that if the Renewables business disposal is delayed beyond the severe but plausible downsides forecast, the forward-looking covenant will be breached without additional mitigating actions, including the accelerated disposal of non-core assets and alternative funding arrangements.

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 30 June 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 disposal 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:

- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

(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
Classification of Liabilities as Current or Non-current and non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024	28 February 2024
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2024	28 February 2024

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.

Notes to the consolidated financial statements
continued

1 Accounting policies of Esken Limited continued

Summary of significant accounting policies

Revenue

Revenue from the Renewables division mainly relates to the delivery of processed material to biomass power plants, gate fee income from the collection of waste wood, and transport income. In note 4, delivery of material and gate fee income are shown in sale of goods, and transport income is in revenue from services. 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 by invoicing 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. Transport turnover relates to the transport of goods and is recognised at the point of delivery of the goods.

The Aviation division provides some of its services under contracts and others relate to the sale of goods. Revenue from services relates to aeronautical, retail, hotel and surface access sales; revenue from the sale of goods relates to jet fuel sales. See note 4 for the split of revenue by goods and services. 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. Revenue is invoiced when the goods or services have been supplied 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 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.

Revenue is analysed by segment in note 4. The Group presents income which is outside of the day-to-day operations of the Group, and generally one off in nature on its own line of the consolidated income statement, see note 6.

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 Propius Limited and Propius Holdings Limited is USD.

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. The consolidated income statement and each component of the consolidated statement of comprehensive income are attributable to the shareholders of the Group.

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
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.

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.

Notes to the consolidated financial statements
continued

1 Accounting policies of Esken Limited continued

Cash and cash equivalents
Cash and cash equivalents comprise bank deposits and cash in hand.

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.

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.

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 and liabilities

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, if the interest rate in the lease is not readily determinable, 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, along with any impairment charges where applicable. Where the lease is short term (less than 12 months) 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.

Notes to the consolidated financial statements
continued

1 Accounting policies of Esken Limited continued

Interest paid
Interest paid is presented as a financing cash flow in the consolidated statement of cash flows as it is the cost of obtaining financial resources.

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. The income is shown as a deduction from costs within operating expenses on the consolidated income statement. 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.

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.

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. At each reporting date the Group reviews the classification of property inventory assets and transfers occur when another classification is deemed more appropriate as to the assets intended future use.

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.

Notes to the consolidated financial statements
continued

1 Accounting policies of Esken Limited continued
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 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.

(b) IFRS 5 classification of Esken Renewables CGU
At 28 February 2023, the process to dispose of the Esken Renewables business (Renewables) had started. The Group considered the implications of IFRS 5 and the Directors concluded that Renewables should not be classified as held for sale at the year end as not all criteria had been met: the business was not available for immediate sale at year end; Renewables was not being actively marketed; and the judgment of Directors was that disposal was not highly probable.

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 £9.1m. The carrying value of the estimated portion of £6.0m 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 2023 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, in addition to sample water testing, and hence the provision could materially change when this is confirmed. See note 25 for further details.

(d) Impairment of London Southend Airport (LSA)

Where there is an indication that an asset may be impaired, the Group is required to test whether assets have suffered any impairment. The recoverable amount of LSA was determined based on a fair value less costs to sell (FVLCS) calculation. The key assumptions used in the calculation are forecast EBITDA, which itself is based on passenger growth forecasts to year ending February 2030, discounted for time value of money, and an exit multiple for a London airport, which is based on observed pre COVID-19 disposals. It is the view of the Directors that the FVLCS is in excess of £250m. See note 13 for more detail.

3 Segmental information

The reportable segment structure is determined by the nature of operations and services. The operating segments are Renewables, Aviation, Investments and Non-Strategic Infrastructure. The results for Propius are presented as discontinued operations on the face of the consolidated income statement, see note 5.

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

Year ended 28 February 2023	Renewables £'000	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group Central and Eliminations £'000	Total £'000
Revenue						
External	93,748	25,455	–	516	285	120,004
Internal	–	–	–	100	(100)	–
Total revenue	**93,748**	**25,455**	**–**	**616**	**185**	**120,004**
Adjusted EBITDA	**18,388**	**(3,845)**	**(34)**	**(1,694)**	**(7,178)**	**5,637**
Depreciation	(7,615)	(9,763)	–	(387)	(519)	(18,284)
Impairment	(1,016)	–	–	–	–	(1,016)
Reversal of impairment of loan notes	–	–	–	7,302	–	7,302
Finance costs (net)	(1,783)	(15,191)	(1,535)	(46)	(2,204)	(20,759)
Share of post-tax losses of associates and joint ventures	–	–	(566)	–	–	(566)
Profit/(loss) before tax from continuing operations	**7,974**	**(28,799)**	**(2,135)**	**5,175**	**(9,901)**	**(27,686)**

Notes to the consolidated financial statements
continued

3 Segmental information continued

Year ended 28 February 2022 (restated)	Renewables £'000	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group Central and Eliminations £'000	Total £'000
Revenue						
External	79,650	23,389	–	563	1,031	104,633
Internal	–	22	–	100	(122)	–
Total revenue	**79,650**	**23,411**	**–**	**663**	**909**	**104,633**
Adjusted EBITDA	**20,308**	**(773)**	**(34)**	**3,273**	**(12,163)**	**10,611**
Depreciation	(8,469)	(10,831)	–	(357)	(1,092)	(20,749)
(Impairment)/impairment reversal	(6,790)	–	–	820	–	(5,970)
Finance costs (net)	(1,753)	(8,700)	(1,596)	(330)	(6,827)	(19,206)
Share of post-tax losses of associates and joint ventures	–	–	(356)	–	–	(356)
Profit/(loss) before tax from continuing operations	**3,296**	**(20,304)**	**(1,986)**	**3,406**	**(20,082)**	**(35,670)**

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 2023	**Renewables £'000**	**Aviation £'000**	**Investments £'000**	**Non-Strategic Infrastructure £'000**	**Group Central and Eliminations £'000**	**Total £'000**
Revenue from contracts with customers	93,748	25,279	–	173	–	119,200
Other revenue – lease income	–	176	–	343	285	804
	93,748	**25,455**	**–**	**516**	**285**	**120,004**

Year ended 28 February 2023	Renewables £'000	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group Central and Eliminations £'000	Total £'000
Major product/service line						
Sale of goods	84,701	4,270	–	–	–	88,971
Rendering of services	9,047	21,009	–	173	–	30,229
	93,748	**25,279**	**–**	**173**	**–**	**119,200**
Primary geographical markets						
United Kingdom	93,748	24,953	–	173	–	118,874
Europe	–	218	–	–	–	218
Rest of world	–	108	–	–	–	108
	93,748	**25,279**	**–**	**173**	**–**	**119,200**
Timing of revenue recognition						
Products and services transferred at a point in time	**93,748**	**25,279**	**–**	**173**	**–**	**119,200**

Year ended 28 February 2022	Renewables £'000	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group Central and Eliminations £'000	Total £'000
Revenue from contracts with customers	79,650	23,035	–	117	–	102,802
Other revenue – lease income	–	354	–	446	1,031	1,831
	79,650	**23,389**	**–**	**563**	**1,031**	**104,633**

Year ended 28 February 2022	Renewables £'000	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group Central and Eliminations £'000	Total £'000
Major product/service line						
Sale of goods	71,561	3,644	–	–	–	75,205
Rendering of services	8,089	19,327	–	117	–	27,533
Royalties/commissions	–	64	–	–	–	64
	79,650	**23,035**	**–**	**117**	**–**	**102,802**
Primary geographical markets						
United Kingdom	79,650	18,054	–	117	–	97,821
Europe	–	4,967	–	–	–	4,967
Rest of world	–	14	–	–	–	14
	79,650	**23,035**	**–**	**117**	**–**	**102,802**
Timing of revenue recognition						
Products and services transferred at a point in time	79,650	23,035	–	117	–	102,802
	79,650	**23,035**	**–**	**117**	**–**	**102,802**

In both the current and prior year, no customer amounted to more than 10% of the Group's total continuing revenue.

Notes to the consolidated financial statements
continued

4 Revenue continued
Contract balances
Opening and closing receivables, contract assets and contract liabilities from contracts with customers are provided in the table below.

Contract balances	**2023 £'000**	2022 £'000
Receivables	**8,911**	10,064
Contract assets	**6,136**	3,327
	15,047	13,391

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.

Receivables and contract assets are included in trade and other receivables on the consolidated statement of financial position.

5 Discontinued operations
Propius and Stobart Air
Propius, our aircraft leasing business, formerly leased all eight of its aircraft to Stobart Air. In the prior year 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.

Propius and Stobart Air were both separately considered major lines of business. The results of Propius, along with the prior year results of Stobart Air and profit on liquidation, are reported on a single line, net of tax on the face of the consolidated income statement. 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 Propius and Stobart Air included in discontinued operations are as follows.

Results of discontinued operations of Propius	**2023 £'000**	2022 £'000
Operating expenses	**783**	(9,613)
Reversal of impairment of property assets	**879**	–
Net finance costs	**(1,721)**	(2,601)
Results from operating activities before tax	**(59)**	(12,214)
Tax	**–**	(90)
Loss for the year from discontinued operations, net of tax	**(59)**	(12,304)

Results of discontinued operations of Stobart Air	**2023 £'000**	2022 £'000
Revenue	**–**	3,449
Operating expenses	**–**	(4,858)
Net finance income	**–**	325
Results from operating activities before tax	**–**	(1,084)
Profit on liquidation	**–**	11,307
Profit for the year from discontinued operations, net of tax	**–**	10,223

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

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

Cash flows used in discontinued operations of Propius	**2023 £'000**	2022 £'000
Net cash used in operating activities	**(10,610)**	(2,160)
Net cash received from/(used in) investing activities	**2,171**	(7,808)
Net cash used in financing activities	**(16,489)**	(12,241)
Net cash flows for the year	**(24,928)**	(22,209)

Cash flows used in discontinued operations of Stobart Air	**2023 £'000**	2022 £'000
Net cash used in operating activities	**–**	(15,751)
Net cash used in financing activities	**–**	(2,143)
Net cash flows for the year	**–**	(17,894)

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

Disposal of Stobart Rail Limited

In the prior year, the Group incurred residual costs in relation to the disposal of Stobart Rail, which the Group divested of on 14 July 2020, along with the receipt of contingent consideration from the disposal. The prior year loss of £305,000 is included as part of the single line loss from discontinued operations, net of tax on the face of the consolidated income statement. There was a prior year cash inflow of £136,000 in relation to the operation.

Summary of discontinued operations recognised within the consolidated income statement

	2023 £'000	2022 £'000
Propius	**(59)**	(12,304)
Stobart Air	**–**	10,223
Stobart Rail	**–**	(305)
Loss for the year from discontinued operations, net of tax	**(59)**	(2,386)

Summary of cash flows from discontinued operations

	2023 £'000	2022 £'000
Propius	**(24,928)**	(22,209)
Stobart Air	**–**	(17,894)
Stobart Rail	**–**	136
Net cash flows for the year	**(24,928)**	(39,967)

Notes to the consolidated financial statements
continued

6 Other income

	2023 £'000	2022 £'000
Profit on disposal of property, plant and equipment	**947**	308
Release of unused provision	**675**	–
R&D tax credit	**598**	1,426
Profit on termination of onerous lease	**–**	4,667
Connect Airways recoveries and disposal	**–**	1,963
Operating income	**2,220**	8,364

In the current year a provision for an HMRC tax enquiry was released from other creditors following the closure of the enquiry which led to a £675,000 income to the consolidated income statement.

In the prior year 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.

In the prior 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:

	2023 £'000	2022 £'000
Employee benefits expenses excluding share-based payment charge	**34,063**	33,219
Share-based payment charge	**630**	285
Direct material and other costs	**43,113**	29,329
Diesel and oil	**12,161**	9,384
Maintenance	**5,690**	4,832
Litigation and claims	**2,951**	6,806
Rates, light and heat	**5,735**	4,345
Insurance	**3,219**	3,133
Other purchases and external expenses	**9,025**	11,053
Operating expenses – other	**116,587**	102,386

Amounts receivable by the auditor and its associates in respect of the following:

	2023 £'000	2022 £'000
Remuneration receivable in respect of the audit of the Company	**334**	631
The auditing of accounts of any subsidiary of the Company	**501**	434
Audit-related services – interim results review	**90**	150
Audit-related services – working capital review for capital raise	**–**	320
	925	1,535

The Group changed auditor during the year from KPMG LLP to Mazars LLP.

8 Staff costs

Staff costs (including Directors) comprise:	Note	**2023 £'000**	2022 £'000
Wages and salaries		**30,264**	29,476
Social security costs		**2,872**	2,859
Other pension costs		**976**	1,031
Share-based payment charge	26	**630**	285
		34,742	33,651

Included in staff costs above are costs which have been capitalised within assets under construction totalling £49,000 (2022: £147,000).

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 £nil (2022: £1,425,000) was received by the Group under the furlough scheme.

9 Finance income

	2023 £'000	Restated 2022 £'000
Foreign exchange gains	**2,105**	–
Revaluation of financial instrument derivatives	**1,084**	–
Interest receivable from net investment in lease	**658**	659
Change in fair value of financial liabilities	**–**	1,581
Other interest received	**180**	–
	4,027	2,240

In addition to the amounts above, a gain on reversal of impairment of £7,302,000 (2022: £nil) was recognised in relation to shareholder loan notes relating to Mersey Bioenergy Holdings Limited, the Widnes biomass plant owner. The gain is presented on its own line on the face of the consolidated income statement.

In the prior year the Group's put option with fellow Connect Airways shareholder Cyrus Capital Partners was exercised. The exercise meant that the associated financial liability had a fair value of £nil and £1,581,000 was released to the consolidated income statement.

10 Finance costs

	2023 £'000	Restated 2022 £'000
Convertible debt – interest & amortisation of deferred issue costs	**15,074**	7,402
Finance charges payable under leases	**4,009**	4,301
Exchangeable bond – interest & amortisation of deferred issue costs	**1,835**	1,835
Term loan – interest & amortisation of deferred issue costs	**1,896**	–
Revolving credit facility – interest & amortisation of deferred issue costs	**1,972**	7,290
Foreign exchange losses	**–**	484
Other interest paid	**–**	134
	24,786	21,446

During the year interest paid in cash on continuing operations was £6,658,000 (2022: £8,992,000), this included bank loans and loan notes of £3,248,000 (2022: £5,084,000) and finance charges payable under leases of £3,410,000 (2022: £3,908,000).

Notes to the consolidated financial statements
continued

11 Tax

Total tax charged in the consolidated income statement from continuing and discontinued operations	2023 £'000	2022 £'000
Corporation tax:		
Current year corporation tax	**(2,197)**	(9,433)
Adjustment in respect of prior years	**–**	254
Total corporation tax	**(2,197)**	(9,179)
Deferred tax:		
Adjustment in respect of prior years	**–**	1,542
Origination and reversal of temporary differences	**79**	(2,258)
Effect of changes in tax rates	**(390)**	120
Total deferred tax	**(311)**	(596)
Total credit in the consolidated income statement	**(2,508)**	(9,775)
Split between:		
• Continuing operations	**(2,508)**	(9,865)
• Discontinued operations	**–**	90

Included in the above tax charges are a total current tax credit on continuing operations of £2,197,000 (2022: £9,179,000) and a total deferred tax credit on continuing operations of £311,000 (2022: £686,000) giving a total tax credit on continuing operations in the consolidated income statement of £2,508,000 (2022: £9,865,000). In addition, there is a total tax charge on discontinued operations of £nil (2021: £90,000) giving a total tax credit on continuing and discontinued operations in the consolidated income statement of £2,508,000 (2022: £9,775,000).

The effective tax rate in the year was 9.1% 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:

	2023 £'000	Restated 2022 £'000
Net loss before tax from continuing and discontinued operations	**(27,745)**	(37,966)
UK income tax at rate 19%[1] (2022: 19%)	**(5,272)**	(7,214)
Effects of:		
Release of uncertain tax position	**(2,311)**	(9,590)
Impact of change in tax rate	**(390)**	120
Income not taxable	**(7,586)**	(5,485)
Losses carried forward not recognised	**3,959**	7,349
Expenses incurred not relievable against current tax	**8,428**	3,406
Reversal of deferred tax on impairment reversal	**664**	(156)
Adjustments in respect of prior years	**–**	1,795
Total credit in the consolidated income statement from continuing and discontinued operations	**(2,508)**	(9,775)

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.

The most significant item in expenses incurred not relievable against current tax is bad debts. The £2,311,000 release of uncertain tax position relates primarily to the release of tax provisions.

Included in the statement of other comprehensive income is a tax charge of £341,000 (2022: £417,000), all in relation to deferred tax. Included in the statement of changes to equity is a credit of £30,000 (2022: £81,000), all in relation to deferred tax.

The deferred tax credit in the consolidated income statement is analysed as follows:

	2023 £'000	2022 £'000
Accelerated allowances on plant and machinery	**(2,150)**	3
Revaluation of properties to fair value on acquisition	**(326)**	(796)
Other temporary differences	**2,165**	161
	(311)	(632)

Cumulative deferred tax on temporary differences amounts to £83,284,000 (2022: £78,935,000). 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.

Notes to the consolidated financial statements
continued

11 Tax continued

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 £583,000. Within this liability is an uncertain tax provision of £1,000,000 and a corporation tax payable of £526,000. The Directors believe that a range of outcomes for the uncertain tax provision is between £500,000 and £1,000,000. Offsetting these liabilities is a £943,000 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 2023 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 options have performance conditions which have not been unconditionally met at the year end.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

Numerator	**2023 £'000**	Restated 2022 £'000
Continuing operations		
Loss for the year used for basic and diluted earnings	**(25,178)**	(25,805)
Discontinued operations		
Loss for the year used for basic and diluted earnings	**(59)**	(2,386)
Total		
Loss for the year used for basic and diluted earnings	**(25,237)**	(28,191)

Denominator	**Number**	Number
Weighted average number of shares used in basic EPS	**1,020,735,977**	826,598,148
Effects of employee share options	**–**	–
Weighted average number of shares used in diluted EPS	**1,020,735,977**	826,598,148
Weighted average of own shares held and therefore excluded from weighted average number	**4,600,764**	4,197,496

On 21 December 2018, the Group invited qualifying employees to join a Save As You Earn (SAYE) scheme. During prior years, 117,769 options were forfeited and 1,081,940 options were cancelled. During the year, the remaining shares lapsed. There were no shares outstanding at the year end.

On 3 July 2019, 1,939,896 awards were made to Executive Directors and other senior employees under an LTIP. During prior years an additional 5,086 shares were granted as a result of the equity raise in August 2021 and 712,510 shares lapsed. The remainder of the shares lapsed in the year. There were no shares outstanding at the year end.

On 2 August 2019, the Group invited qualifying employees to join a SAYE scheme. During prior years, 764,886 shares were forfeited and 1,672,222 shares were cancelled. During the year, 8,346 shares were forfeited and 136,965 shares were cancelled. There were 380,129 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 prior year, 1,048,290 shares lapsed. During the year, 1,127,106 shares lapsed. There were 8,941,549 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. During the year, 1,742,446 shares lapsed. There were 16,423,291 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 4 July 2022, 21,116,779 awards were made to Executive Directors and other senior employees under an LTIP. During the year, 1,415,807 shares lapsed. There were 19,700,972 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.

No treasury shares were held at year end (2022: 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 2023	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Total £'000
Cost					
At 1 March 2022	287,861	65,960	16,555	40,527	410,903
Additions	1,770	430	120	–	2,320
Right-of-use asset additions	2,087	3,202	–	–	5,289
Disposals	–	(2,810)	(72)	(1,595)	(4,477)
Right-of-use asset disposals	(800)	(938)	–	(69)	(1,807)
Right-of-use asset rent review	783	–	–	–	783
Transfer from inventory (see note 17)	7,136	–	–	–	7,136
Transfers between categories	(1,301)	986	315	–	–
At 28 February 2023	**297,536**	**66,830**	**16,918**	**38,863**	**420,147**
Aggregate depreciation and impairment charges					
At 1 March 2022	70,493	28,552	11,418	30,496	140,959
Charge for the year	6,321	3,215	1,408	708	11,652
Charge for the year on right-of-use assets	2,678	2,084	–	1,870	6,632
Impairment	2,424	–	–	–	2,424
Disposals	(1)	(2,059)	(72)	(1,077)	(3,209)
Right-of-use asset disposals	(800)	(859)	–	(64)	(1,723)
At 28 February 2023	**81,115**	**30,933**	**12,754**	**31,933**	**156,735**
Net book value at 28 February 2023	**216,421**	**35,897**	**4,164**	**6,930**	**263,412**
Net book value of right-of-use assets included in the table above	54,544	15,725	475	5,967	76,711

Notes to the consolidated financial statements
continued

13 Property, plant and equipment continued

Year ended 28 February 2022 (restated)	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
Prior period adjustments	5,835	–	–	–	5,835
At 1 March 2021 – restated	289,883	66,257	17,425	56,213	429,778
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)
Right-of-use asset rent review	(387)	–	–	–	(387)
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	**287,861**	**65,960**	**16,555**	**40,527**	**410,903**
Aggregate depreciation and impairment charges					
At 1 March 2021	57,828	27,246	10,426	42,822	138,322
Prior period adjustments	255	–	–	–	255
At 1 March 2021 – restated	58,083	27,246	10,426	42,822	138,577
Charge for the year	6,364	6,079	1,881	3,026	17,350
Charge for the year on right-of-use assets	3,089	246	–	64	3,399
Impairment	5,970	–	–	–	5,970
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	**70,493**	**28,552**	**11,418**	**30,496**	**140,959**
Net book value at 28 February 2022	**217,368**	**37,408**	**5,137**	**10,031**	**269,944**
Net book value of right-of-use assets included in the table above	47,256	19,401	713	8,934	76,304

Impairment of assets

During the year, owned and right-of-use assets at the Renewables Port Clarence site were impaired by £2,424,000 as part of the closure of the site. The closure of the site also led to a £1,408,000 gain on the termination of the Port Clarence lease, giving an overall £1,016,000 loss on impairment of property assets on the consolidated income statement.

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 2023.

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. Taking into account climate change factors in addition to the current aviation market growth post COVID-19, it is the view of the Directors that the FVLCS is in excess of £250m, 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 2023 is £151m.

There has been a reduction in estimated FVLCS disclosed in the prior year driven principally by two factors. Firstly, the delayed recovery from COVID-19 has seen cash flows also delayed and this has had a significant reduction on the valuation. Secondly, the discount rate applicable to cash flows has increased in line with the wider economic slowdown and inflationary pressures.

There is significant estimation involved in the FVLCS, with reductions or increases in cash flows and exit multiples both leading to materially lower or higher valuations. The key assumptions used in the model to calculate FVLCS are forecast EBITDA, which itself is based on passenger growth forecasts to year ending February 2030, discounted for time value of money, and an exit multiple for a London airport, which is based on observed pre COVID-19 disposals. The impact on headroom in excess of CGU asset base is detailed below:

Change in assumption	Impact £'000
1 percentage point change in discount rate	15,241
5% reduction in EBITDA	12,523
5% reduction in exit multiple	12,523

As set out in the strategic report the current strategy is to dispose of LSA, and management's estimate is that the recoverable amount through disposal should be significantly in excess of the current carrying value.

Although there continues to be uncertainty in the aviation industry which has impacted the timing of airline allocation decisions and aircraft purchase delays, the Directors believe LSA will recover close to pre-pandemic passenger volumes at profitable levels by 2027. The Directors have considered the impact on the FVLCS of a further delay in reaching pre-pandemic levels, the exit multiples and cash flows and are satisfied that it would not result in a material impairment.

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 2023 are assets under construction of £1,901,000 (2022: £4,772,000). 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	500,000	Esken Green Energy Limited	UK	Operation of energy plant	39.6%
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 are strategic to the Group's activities, nor material.

Notes to the consolidated financial statements
continued

14 Investments in associates and joint ventures continued
Associates and joint ventures

	2023 £'000	2022 £'000
At 1 March	**1,016**	1,372
Share of post-tax losses	**(566)**	(356)
At 28 February	**450**	1,016

The balance at 28 February 2023 relates to the investment in AirPortr Technologies Ltd.

Aggregate associates

	2023 £'000	2022 £'000
Carrying amount	**450**	1,016
Share of post-tax losses	**(566)**	(356)

During the year, the Group did not take a 39.6% share of the Mersey Bioenergy Holdings Limited losses (2022: £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 £566,000 (2022: £356,000). 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

	2023 £'000	2022 £'000
At 1 March	**14,105**	10,392
Additions	**256**	4,900
Gain/(loss) on revaluation – FVOCI	**963**	(1,187)
At 28 February	**15,324**	14,105

At the year end the Group holds 11.4% of the total nominal value of issued shares of AIM-listed Logistics Development Group plc (LDG). At 28 February 2023 the Group's investment was worth £10,168,000 (2022: £9,205,000). 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.

The Group utilises Protected Captive Cell (PCC) arrangement as part of its insurance portfolio. During the year the Group has invested a further £100,000 in the PCC, interest of £156,000 was received, and there have been no drawdowns. The value of the investment at 28 February 2023 was £5,156,000 (2022: £4,900,000).

16 Intangible assets

	Goodwill £'000
Cost	
At 1 March 2021	87,419
At 28 February 2022 and 28 February 2023	**87,419**
Amortisation and impairment	
At 1 March 2021	32,750
At 28 February 2022 and 28 February 2023	**32,750**
Net book value	
At 28 February 2021	54,669
At 28 February 2022 and 28 February 2023	**54,669**

No internally generated intangible assets are recognised in the financial statements.

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	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'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 (2022: 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 12.7% (2022: 12.6%) 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% (2022: 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 26.0% or cash flows would have to reduce by 46.6%.

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

	2023 £'000	2022 £'000
Consumable supplies	**561**	581
Goods held for resale	**392**	520
Property inventories	**776**	11,451
	1,729	12,552

During the year inventory of £13,275,000 (2022: £11,447,000) was expensed to the consolidated income statement within operating expenses, and £nil (2022: £nil) was written-off to the consolidated income statement.

During the year a portion of development land in Widnes held in property inventories within the Non-Strategic Infrastructure segment was sold for cash proceeds of £3,539,000 which was equal to the land's book value.

At the year end the Group reviewed the intended use of the remaining Widnes development land and concluded that land and buildings was a more suitable classification. Hence property inventory with net book value of £7,136,000 was transferred to property plant and equipment on the consolidated statement of financial position.

Notes to the consolidated financial statements
continued

18 Trade and other receivables

	2023 £'000	2022 £'000
Non-current		
Deferred consideration	–	1,495
	–	1,495
Current		
Trade receivables – net	**10,172**	8,364
Deferred consideration	**1,495**	–
Amounts owed by associates and joint ventures	**7,302**	–
Other receivables and prepayments	**15,226**	15,519
	34,195	23,883
Movement in the loss allowance		
At 1 March	**1,329**	417
Movement in the year	**(159)**	912
At 28 February	**1,170**	1,329

The analysis of trade receivables by due date is as follows:

	2023 Receivable £'000	2023 Provision £'000	2022 Receivable £'000	2022 Provision £'000
Current	**8,990**	**(17)**	4,824	(69)
1 month	**969**	**(8)**	2,297	–
2 months	**201**	**(2)**	307	(8)
3+ months	**1,182**	**(1,143)**	2,265	(1,252)
	11,342	**(1,170)**	9,693	(1,329)

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 using a provision matrix 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.

19 Trade and other payables

	Note	2023 £'000	2022 £'000
Trade payables		**9,447**	10,828
Other taxes and social security		**1,892**	1,772
Other payables and accruals		**13,250**	14,653
Government grants	21	**3,022**	2,907
		27,611	30,160

20 Other liabilities

	Note	2023 £'000	2022 £'000
Other payables and accruals		**1**	1
Government grants	21	**8,893**	8,642
		8,894	8,643

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. During the year the release of grants related to Port Clarence was accelerated due to the disposal of the site post year end.

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.

During the year, the Widnes grant liability was increased by £672,000 due to a discrepancy around the recorded number of jobs created which was not communicated clearly during an audit of the grant in the year. There is a possibility that this will reverse in the year ended 29 February 2024.

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

	2023 £'000	2022 £'000
Balance at 1 March	**11,549**	9,737
Changes from financing cash flows:		
New grants received	**1,705**	2,600
Total changes from financing cash flows	**1,705**	2,600
Release to consolidated income statement	**(2,011)**	(788)
Increase in grant liability	**672**	–
Balance at 28 February	**11,915**	11,549

Notes to the consolidated financial statements
continued

22 Financial assets and liabilities

Loans and borrowings	2023 £'000	Restated 2022 £'000
Non-current		
Obligations under leases	**82,895**	104,119
Convertible debt (net of costs)	**132,977**	118,862
Term loan (net of costs)	**43,969**	–
	259,841	222,981
Current		
Exchangeable bonds	**52,637**	52,385
Term loan (net of costs)	**1,250**	–
Obligations under leases	**26,634**	24,714
	80,521	77,099
Total loans and borrowings	**340,362**	300,080
Cash	**(49,264)**	(52,738)
Restricted cash	**(1,000)**	–
Net debt	**290,098**	247,342

Restricted cash relates to money held in escrow, included within the Renewables division as security for one of its contracts. Included in the cash balance of £49,264,000 is £5,286,000 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 £943,000 for use in the Employee Benefit Trust.

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

Year ended 28 February 2023	Exchangeable bonds £'000	Revolving credit facility £'000	Convertible debt £'000	Term loan £'000	Obligations under leases £'000	Total £'000
Balance at 1 March 2022	52,385	–	118,862	–	128,833	300,080
Changes from financing cash flows:						
Additional loans	–	–	–	50,000	–	50,000
Cash outflow from debt issue costs	–	(850)	–	(5,216)	–	(6,066)
Principal elements of lease payments – continuing operations	–	–	–	–	(16,603)	(16,603)
Principal elements of lease payments – discontinued operations	–	–	–	–	(14,446)	(14,446)
Interest paid – continuing operations	(1,460)	(331)	–	(1,457)	(3,410)	(6,658)
Interest paid – discontinued operations	–	–	–	–	(2,043)	(2,043)
Total changes from financing cash flows	**(1,460)**	**(1,181)**	**–**	**43,327**	**(36,502)**	**4,184**
Release of deferred issue costs	376	–	1,934	435	–	2,745
Revaluation of derivative	(124)	–	(960)	–	–	(1,084)
New leases entered into	–	–	–	–	10,407	10,407
Termination of lease	–	–	–	–	(2,298)	(2,298)
The effect of changes in foreign exchange rates	–	–	–	–	3,046	3,046
Non-cash interest accruals	1,460	1,181	13,141	1,457	6,043	23,282
Balance at 28 February 2023	**52,637**	**–**	**132,977**	**45,219**	**109,529**	**340,362**
Deferred issue costs included in the above liabilities	438	–	10,608	4,781	–	15,827

Year ended 28 February 2022 (restated)	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
Prior period adjustments	–	–	–	7,232	7,232
Balance at 1 March 20221 – restated	52,010	52,329	–	166,140	270,479
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	–	–	–	3,737	3,737
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	6,997	18,486
Balance at 28 February 2022	**52,385**	**–**	**118,862**	**128,833**	**300,080**
Deferred issue costs included in the above liabilities	814	–	12,542	–	13,356

Esken Limited cancelled its £19.125m undrawn Revolving Credit Facility (RCF) with Lloyds/AIB on the 15 December 2022 in line with signing its new £50m three year term loan, see following Term loan section.

Esken Limited provides support to its subsidiaries where required including guarantees to certain counterparties in the Renewables business linked to energy supply contracts. Further 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 or a security deposit. 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 2023 £'000	**Fair value 2023 £'000**
Financial assets		
Other investments	**15,168**	**15,168**
Financial liabilities		
Exchangeable bonds – host element	**52,637**	**42,413**
Convertible debt – host element	**132,932**	**85,213**
Embedded derivatives	**45**	**45**

Notes to the consolidated financial statements
continued

22 Financial assets and liabilities continued

	Book value 2022 £'000	Fair value 2022 £'000
Financial assets		
Other investments	14,105	14,105
Financial liabilities		
Exchangeable bonds – host element	52,261	47,278
Convertible debt – host element	117,774	121,423
Embedded derivatives	1,212	1,212

The Directors reasonably consider the fair value of other financial assets and liabilities (such as trade and other receivables, trade and other payables, and lease liabilities) approximate their book value.

Term loan
On 9 November 2022, the Group signed a three-year (with one year extension at lender's discretion) £50m term loan with Avenue Capital Management. The term loan also has an optional (at lender's discretion) £40m uncommitted tranche. The £50m term loan was drawn down on 15 December 2022 – in line with the cancellation of the £19.125m Lloyds/AIB RCF. Interest is paid quarterly at SONIA + 9.875% with an element of principal amortisation (first year deferred). The SONIA rate used for the interest is the one-year SONIA rate and resets on 15 December each year. Secured on all non-LSA group assets, via fixed and floating charges and debentures.

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 loan liability is valued at amortised cost, applying the effective interest rate (EIR) method. This takes into account the expected future cash flows and timings of these cash flows over the life of the instrument. Judgement has been used in determining the timing of the future cash payments to be earlier than the maturity date. When judgements relating to the future cash flows are made, the Group recalculates the gross carrying amount of the amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate. This adjustment is recognised in profit or loss as interest income or interest expense. 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. At 28 February 2023, the fair value of the derivative is £45,000, which is unchanged from 31 August 2022 interim review.

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 contractually agreed number of shares in LDG at any time. 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 2023 this amounted to £42.9m.

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 2023	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets				
Other financial assets	**15,168**	**10,168**	**5,000**	**–**
Financial liabilities				
Other financial liabilities	**45**	**–**	**–**	**45**

As at 28 February 2022	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets				
Other financial assets	14,105	9,205	4,900	–
Financial liabilities				
Other financial liabilities	1,212	–	–	1,212

The £5m other financial assets presented within level 2 at 31 August 2022 has been fair valued by reference to cash held within the bank account of the captive cell. The other financial liabilities are recognised within the convertible debt and exchangeable bonds within loans and borrowings on the face of the consolidated statement of financial position.

During the current and prior year, there were no transfers between level 1, 2 and 3 fair value measurements. The movement in level 3 other financial liabilities of £1,043,000 relates to the value of the single compound derivative within the convertible debt instrument. This movement has been recognised within finance income in the consolidated income statement.

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.

Notes to the consolidated financial statements
continued

22 Financial assets and liabilities continued

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 effect of a change in market interest rate is not considered to be material.

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.

Foreign exchange risk

The Group is exposed to currency price risk as it undertakes certain transactions denominated in foreign currencies, primarily the leasing and maintenance of aircraft in USD and EUR.

The following table shows the Group's undiscounted foreign currency assets/(liabilities) expressed in GBP using exchange rates as at 28 February:

	2023 US Dollar £'000	**2023 Euro £'000**	2022 US Dollar £'000	2022 Euro £'000
Lease liabilities	**(14,434)**	**(789)**	(24,050)	(5,366)
Maintenance cost	**(11,203)**	**(3,463)**	(14,596)	(8,453)
Other aircraft-related cost	**(119)**	**(733)**	(501)	(1,486)
Cash	**708**	**9**	–	111

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 678.3% at 28 February 2023 (2022: 344.9%). 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 is not subject to any externally imposed capital restraints except compliance with covenants imposed by primary lenders listed above. 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.

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 2023				
Loans and borrowings	**8,374**	**114,555**	**193,750**	**316,679**
Obligations under lease	**30,455**	**33,295**	**108,905**	**172,655**
Trade payables	**9,455**	**–**	**–**	**9,455**
	48,284	**147,850**	**302,655**	**498,789**
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

23 Employee benefits – pension schemes

The Ansa plan remains open for employees of Ansa Logistics Limited, a subsidiary of the Group. The latest triennial 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 2023 amounted to £1,524,000 (2022: £1,211,000) with no contributions (2022: none) due to the plan at 28 February 2023.

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. Management exercised judgement as to whether the Group has an unconditional right to benefit from any pension surplus at some point in the future (through refunds of surplus or reductions in future contributions), in accordance with the requirements of IFRIC 14.

The principal assumptions for the purpose of the actuarial valuations used in these consolidated financial statements were as follows:

	2023	2022
Discount rate for scheme liabilities	**4.75%**	2.50%
Rate of inflation (RPI)	**3.15%**	3.70%
Rate of inflation (CPI)	**2.35%**	2.80%
Rate of general increase in salaries	**n/a**	n/a
Mortality table used	**S3NA, CMI_2021, 1.25% minimum annual improvement**	S3NA, CMI_2020, 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.

Notes to the consolidated financial statements
continued

23 Employee benefits – pension schemes continued

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 2023	85	89
28 February 2043	86	91
28 February 2022	85	89
28 February 2042	86	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_2021 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	4.50% £'000	4.75% £'000	5.00% £'000
Liabilities	21,984	21,359	20,762
Assets	24,339	24,339	24,339
Surplus	(2,355)	(2,980)	(3,577)

RPI inflation assumption	2.90% £'000	3.15% £'000	3.40% £'000
Liabilities	20,898	21,359	21,848
Assets	24,339	24,339	24,339
Surplus	(3,441)	(2,980)	(2,491)

Minimum annual improvement	0.75% £'000	1.25% £'000	1.75% £'000
Liabilities	21,100	21,359	21,623
Assets	24,339	24,339	24,339
Surplus	(3,239)	(2,980)	(2,716)

Amounts recognised in the consolidated statement of financial position

	2023 £'000	2022 £'000
Present value of funded obligations	**(21,359)**	(29,151)
Fair value of scheme assets	**24,339**	29,499
Net asset	**2,980**	348
Withholding tax	**(1,043)**	–
Net asset recognised in the consolidated statement of financial position	**1,937**	348

Amounts recognised in the consolidated income statement

	2023 £'000	2022 £'000
Return on scheme assets	**733**	540
Interest expense	**(709)**	(577)
Finance income/(expense)	**24**	(37)
Current service cost (included in staff costs)	**(1)**	(4)

Amounts recognised in the consolidated statement of comprehensive income

	2023 £'000	2022 £'000
Actual return less return recognised in profit or loss	**(5,571)**	596
Experience losses arising on the scheme liabilities	**(1,540)**	(511)
Changes in financial assumptions underlying the present value of the scheme liabilities	**8,434**	446
Changes in demographic assumptions underlying the present value of the scheme liabilities	**44**	1,345
Withholding tax	**(1,043)**	–
Amounts recognised in the consolidated statement of comprehensive income	**324**	1,876
Deferred tax	**(341)**	(417)
Remeasurement on defined benefit plan	**(17)**	1,459
Actual return less return recognised in profit or loss		
Actual return on scheme assets	**(4,838)**	1,136
Less return recognised in profit or loss	**(733)**	(540)
	(5,571)	596

Notes to the consolidated financial statements
continued

23 Employee benefits – pension schemes continued

Changes in the present value of defined benefit obligations and the fair value of scheme assets are as follows:

	2023 £'000	2022 £'000
Defined benefit obligation		
Opening defined benefit obligation	**29,151**	30,862
Current service cost	**1**	4
Interest expense	**709**	577
Actuarial gains	**(6,936)**	(1,280)
Employee contributions	**–**	1
Benefits paid	**(1,566)**	(1,013)
Closing defined benefit obligation	**21,359**	29,151
Fair value of scheme assets		
Opening fair value of scheme assets	**29,499**	28,444
Return recognised in profit or loss	**733**	540
Actuarial gains	**(5,571)**	596
Contributions made by the Group	**1,524**	1,211
Employee contributions	**–**	1
Benefits paid	**(1,566)**	(1,013)
Expenses	**(280)**	(280)
Closing fair value of scheme assets	**24,339**	29,499

The fair value of the scheme assets at the year end is analysed as follows:

	2023 £'000	2022 £'000
Equity instruments	**13,790**	8,063
Bonds	**10,181**	14,296
Diversified growth funds	**–**	7,017
Other (including cash)	**368**	123
Fair value of scheme assets	**24,339**	29,499

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:

	2023 £'000	2022 £'000
Normal retirement age	**65**	65
Average age of deferred members	**58**	58
Average age of pensioner members	**70**	70

The Group expects to contribute £1,570,000 to the Ansa plan in the year ended 28 February 2024. 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.

At 28 February 2023, the weighted-average duration of the defined benefit obligation was 15 years (2022: 15 years).

The Group operates a defined contribution plan. The charge in the year to the consolidated income statement was £976,000 (2022: £1,031,000). The value of contributions outstanding as at 28 February 2023 and included in other payables is £143,000 (2022: £111,000).

24 Deferred tax

Deferred tax liabilities

	2023 £'000	2022 £'000
Accelerated allowances on plant and machinery	**(7,128)**	(4,813)
Other temporary differences	**1,801**	(840)
Revaluation of properties to fair value on acquisition	**5,327**	5,653
	–	–

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 £83,284,000 as at 28 February 2023 (2022: £78,935,000) 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.

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 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	**Recognised in profit or loss £'000**	**Recognised in other comprehen-sive income £'000**	**Recognised in retained earnings £'000**	**Balance 28 February 2023 £'000**
Provisions	1,409	(791)	–	–	618	**(156)**	**–**	**–**	**462**
Share-based payments	56	41	–	46	143	**13**	**–**	**30**	**186**
Pension	459	(129)	(417)	–	(87)	**(317)**	**(341)**	**–**	**(745)**
Roll-over relief	(2,030)	(891)	–	–	(2,921)	**(678)**	**–**	**–**	**(3,599)**
Revaluation of properties to fair value on acquisition	(6,449)	796	–	–	(5,653)	**326**	**–**	**–**	**(5,327)**
Accelerated allowances on plant and machinery	4,816	(3)	–	–	4,813	**2,150**	**–**	**–**	**6,963**
Corporate interest restriction disallowance	1,478	1,609	–	–	3,087	**(1,027)**	**–**	**–**	**2,060**
	(261)	632	(417)	46	–	**311**	**(341)**	**30**	**–**

Notes to the consolidated financial statements
continued

25 Provisions

	Site restoration £'000	Onerous contracts £'000	Litigation and claims £'000	Remediation provision £'000	Maintenance reserves £'000	Total £'000
At 1 March 2022	1,250	2,021	3,095	3,942	23,645	33,953
Provisions used	(1,250)	(1,361)	(1,522)	–	(9,231)	(13,364)
Provisions made	–	215	–	–	705	920
Provisions reversed during the year	–	–	–	–	(2,758)	(2,758)
Currency retranslation	–	–	–	–	2,751	2,751
At 28 February 2023	**–**	**875**	**1,573**	**3,942**	**15,112**	**21,502**
Analysis of provisions:						
Current	–	875	1,573	–	15,112	17,560
Non-current	–	–	–	3,942	–	3,942

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
During the year the Group paid the remaining £1,250,000 of dilapidation obligations it had in relation to a long leasehold property the Group has agreed on 3 March 2022 to exit.

Onerous contracts
The Group holds a provision for unavoidable costs related to the eight ATR aircraft in Propius which will be incurred prior to their redelivery to the lessor. During the year, £1,351,000 of this provision has been used. The provision is separate from the maintenance provision held for the aircraft, see following.

Litigation and claims
The balance at the year end primarily relates to a provision for part 1 claims relating to London Southend Airport and other legal costs and claims around the Group. During the year part 1 claims totalling £1,230,000 have been settled and £215,000 was paid in relation to a legal case. It is expected that these claims and cases will be settled within 12 months.

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 ongoing discussions with appropriate regulators and sample water testing, management believes that the provision of £3.9m is appropriate. It is anticipated that the majority, if not all, works on the site will be carried out after 12 months and so the provision has been presented as a non-current liability.

Maintenance reserves
The maintenance reserves represent the estimated cost of ensuring the remaining four ATR aircraft in Propius at the year end are kept in a suitable condition for when they are handed back at the end of the leases including redelivery costs. 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 impact of discounting is not material and has not been recognised.

The estimated proportion of the provision is £6.0m and largely relates to airframe, engines and propeller blade costs. A large portion of airframe checks (£3.8m) is considered estimable due to the potential for costs to vary significantly. However, the chance of this significant variance is considered low based on experience of actual costs incurred on airframe works for the aircraft handed back to date. The estimable portion of engines covers items outside of the firm fixed price offered by the supplier and is based on Propius incurred costs to date. A key estimate of propeller blades is the scrap rate, currently 15% (c.£0.5m). 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.£1.2m. See note 2 for information on significant estimation uncertainties.

26 Share-based payments

The table below shows the expenses arising from share-based payment transactions (credited)/charged to operating profit.

	2023 £'000	2022 £'000
Long-Term Incentive Plan 2014 to date	**38**	(9)
Long-Term Incentive Plan 2020 to date	**602**	354
SAYE schemes to date	**(10)**	(60)
	630	285

Of the total expenses for the year of £630,000 (2022: £285,000), £nil (2022: £nil) 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 12 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.

Notes to the consolidated financial statements
continued

26 Share-based payments continued

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
4 July 2022	19,700,972	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 would have been 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 prior 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 lapsed during the year as the performance conditions were not met.

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:

	2023 No. '000	**2023 WAEP**	2022 No. '000	2022 WAEP
Outstanding at 1 March	**30,709**	**£0.02**	3,685	£0.32
Granted during the year	**21,117**	**–**	29,287	–
Exercised during the year	**–**	**–**	–	–
Lapsed during the year	**(6,235)**	**£0.00**	(1,603)	–
Forfeited during the year	**(8)**	**£0.95**	(203)	£0.98
Cancelled during the year	**(137)**	**£0.95**	(457)	£0.98
Outstanding at end of year	**45,446**	**£0.01**	30,709	£0.02
Exercisable at end of year	**–**	**–**	13	£1.62

The weighted average contractual life of awards/options outstanding at the year end is 15 months (2022: 19 months).

Valuation details

The fair value of the options granted without market-based performance conditions are initially 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 initially estimated using a Monte Carlo model taking into account the terms and conditions upon which the options were granted. Subsequent grant valuations are adjusted for changes in share price.

The following tables list the inputs to the models used for the current and prior year.

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 (%)	74.17%	74.06%
Risk-free interest rate (%)	0.55%	0.14%
Expected life of options (years)	2.19	3
Weighted average share price (£)	0.138	0.19
Fair value at date of grant (£)	0.071	0.139
Model used	Monte Carlo	Black-Scholes

FY23 LTIP share awards	**Long-Term Incentive Plan subject to TSR**	**Long-Term Incentive Plan subject to PBT**
Dividend yield (%)	**0%**	**0%**
Expected volatility (%)	**77.08%**	**74.06%**
Risk-free interest rate (%)	**1.82%**	**0.14%**
Expected life of options (years)	**2.66**	**3**
Weighted average share price (£)	**0.086**	**0.11**
Fair value at date of grant (£)	**0.036**	**0.107**
Model used	**Monte Carlo**	**Black-Scholes**

Notes to the consolidated financial statements
continued

26 Share-based payments continued

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 (2022: £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

Ordinary shares issued and fully paid	**Number of shares 2023 '000**	**Share capital 2023 £'000**	Number of shares 2022 '000	Share capital 2022 £'000
At 1 March	**1,025,337**	**102,534**	624,926	62,492
Share issue	**–**	**–**	400,411	40,042
At 28 February	**1,025,337**	**102,534**	1,025,337	102,534

During the prior year the Company issued 394,410,618 ordinary shares of 10p each for 14p per share raising £55,217,000. The share capital increased by £39,442,000 and share premium increased by £12,889,000, net of costs. The employee benefit trust purchased 822,307 of the ordinary shares issued.

During the prior year the Group issued 6,000,000 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. The share issue resulted in an increase in share capital £600,000 and an increase in retained deficit of £600,000.

The number of shares held by the employee benefit trust at 28 February 2023 is 4,600,764 (2022: 4,600,764).

The Group has a retained deficit at 28 February 2023; 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.

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:

	2023 £'000	Restated 2022 £'000
Interest on lease liabilities	**6,046**	6,979
Expenses relating to short-term leases	**11**	467
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**–**	32
	6,057	7,478

Recognised in the consolidated statement of cash flows	2023 £'000	2022 £'000
Total cash outflow for leases	**35,838**	32,004

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.

	2023 £'000	Restated 2022 £'000
Less than one year	**1,994**	2,083
One to two years	**2,133**	1,956
Two to three years	**1,317**	2,088
Three to four years	**1,330**	1,317
Four to five years	**1,344**	1,330
More than five years	**14,197**	15,541
Total undiscounted lease receivable	**22,315**	24,315
Finance income	**(5,427)**	(6,552)
Net investment in lease	**16,888**	17,763

29 Contingent liabilities

As at 28 February 2023 the Group had no contingent liabilities (2022: £2.0m).

30 Post balance sheet events

On 15 May 2023, the Group disposed of its wholly owned subsidiary Star Handling Limited to Skytanking UK Ltd, a wholly owned subsidiary of Prime Flight Aviation Services Inc, for a maximum cash consideration of £4.8m on a debt free cash free basis. Under the terms of the agreement, the Group received £3.5m in cash, with up to a further £0.3m being payable following agreement of completion accounts. An additional payment of up to £1.0m (equating to 20% of the maximum cash consideration) is deferred and will be payable subject to the business achieving forecast customer revenue targets in the 12 months following completion.

Notes to the consolidated financial statements
continued

31 Notes to the consolidated cash flow statement

	Notes	Year ended 28 February 2023 £'000	Restated Year ended 28 February 2022 £'000
Loss before tax from continuing operations		**(27,686)**	(35,670)
Adjustments to reconcile loss before tax to net cash flows:			
Non-cash:			
Realised profit on sale of property, plant and equipment		**(947)**	(308)
Share of post-tax losses of associate accounted for using the equity method	14	**566**	356
Depreciation of property, plant and equipment	13	**18,284**	20,749
Finance income		**(1,922)**	(2,240)
Finance costs	10	**24,786**	20,962
Release of grant income, net	21	**(1,339)**	(788)
(Impairment reversal)/impairment	9, 13, 17	**(6,286)**	5,970
Charge for share-based payments	26	**630**	285
Foreign exchange retranslation		**(2,099)**	445
Gain on swaps mark to market valuation		**–**	(93)
Working capital adjustments:			
Decrease/(increase) in inventories		**148**	(144)
(Increase)/decrease in trade and other receivables		**(5,751)**	6,625
Decrease in trade and other payables		**(1,841)**	(7,840)
Decrease in retirement benefits and other provisions		**(4,024)**	(5,018)
Cash transferred to restricted cash	22	**(1,000)**	–
Cash (used in)/generated from continuing operations		**(8,481)**	3,291

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 (2022: £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 (2022: £83,000) was owed by the Group and £46,000 (2022: £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 £30,000 (2022: £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 £nil (2022: £6,000) was owed to the Group due to the write-off of invoices totalling £6,000. 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 £8,000 (2022: £3,000) relating to equipment hire of which £2,000 (2022: £nil) 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 £33,000 including VAT (2022: £207,000) relating to recharge of expenses. At the year end, £nil (2022: £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 (MBHL), of £7,302,000 (2022: £nil) at the year end due to the reversal of impairment of the loans. The loans are unsecured and have a ten-year term ending in November 2024.

During the year, the Group made sales of £7,246,000 (2022: £7,411,000) to Mersey Bioenergy Limited (a subsidiary of Mersey Bioenergy Holdings Limited) relating to the sale of material. At the year end, £1,390,000 (2022: £220,000) 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 £1,551,000 (2022: £1,419,000) and consisted of:

	2023 £'000	2022 £'000
Emoluments	**1,484**	1,324
Share-based payment	**362**	135
Company contribution to money purchase pension plan	**67**	95
	1,913	1,554

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 and restricted cash per the consolidated statement of financial position.

Net debt and gearing

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 a reconciliation. Gearing is defined as net debt 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 £21,151,000 (2022: £14,484,000) which consists of a Renewables inflow of £12,798,000 (2022: £17,924,000) an Aviation outflow of £6,646,000 (2022: £4,663,000), and other outflow of £27,303,000 (2022: £27,745,000).

Propius lease and aircraft-related costs

This is the sum of cash outflows related to the ATR aircraft in Propius to be paid in FY24. It consists of net lease payments, less deposit paid of £9.2m, maintenance outflows of £15.1m, see note 25 maintenance reserves, and other unavoidable aircraft costs of £0.9m, see note 25 onerous leases/contracts.

34 Prior year restatement

During the year, errors were identified relating to the adoption of IFRS 16: Leases from the year ended 29 February 2020. The errors concerned minimum rent payment increases built into the terms of several leases and one sublease across the Group, that were omitted from the calculations on transition. In addition, the classification of the difference between a headlease liability and sublease net investment in lease has been corrected. These errors led to a material understatement within lease liabilities, right-of-use assets and net investment in leases, with the balance of these errors impacting retained earnings.

Notes to the consolidated financial statements
continued

34 Prior year restatement continued

The cumulative net impact of adjustments to retained earnings as at 28 February 2022 was a decrease in retained deficit of £424,000. Lease liabilities were understated by £5,442,000 and right-of-use assets were understated by £4,307,000 at the same date. There was no impact on net cash flows.

The following tables summarise the impacts on the Group's consolidated financial statements.

Consolidated income statement and other comprehensive income

	Year ended 28 February 2022 – As previously reported £'000	Year ended 28 February 2022 – Adjustments £'000	**Year ended 28 February 2022 – Restated £'000**
Depreciation	(20,464)	(285)	**(20,749)**
Impairments	(5,369)	(601)	**(5,970)**
Finance costs	(21,228)	(218)	**(21,446)**
Finance income	2,239	1	**2,240**
Others	17,734	–	**17,734**
Loss for the year	(27,088)	(1,103)	**(28,191)**
Other comprehensive (expense)/income for the year, net of tax	(1,875)	323	**(1,552)**
Total comprehensive expense for the year	(28,963)	(780)	**(29,743)**

Loss per share

	Year ended 28 February 2022 – As previously reported	Year ended 28 February 2022 – Adjustments	**Year ended 28 February 2022 – Restated**
Loss per share expressed in pence per share – total			
Basic	(3.28)p	(0.13)p	**(3.41)p**
Diluted	(3.28)p	(0.13)p	**(3.41)p**

Consolidated statement of financial position

	Year ended 28 February 2022 – As previously reported £'000	Year ended 28 February 2022 – Adjustments £'000	**Year ended 28 February 2022 – Restated £'000**
Assets			
Property, plant and equipment	265,637	4,307	**269,944**
Net investment in lease	16,204	1,559	**17,763**
Others	160,806	–	**160,806**
	442,647	5,866	**448,513**
Liabilities			
Loans and borrowings	(294,638)	(5,442)	**(300,080)**
Others	(77,866)	–	**(77,866)**
	(372,504)	(5,442)	**(377,946)**
Net assets	70,143	424	**70,567**
Capital and reserves			
Retained deficit	(428,238)	424	**(427,814)**
Others	498,381	–	**498,381**
Group shareholders' equity	70,143	424	**70,567**

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

Ginny Pulbrook Appointed 1 October 2018
Clive Condie Appointed 1 July 2020

Company Secretary
Matthew Joy

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Registered number
39117

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Auditor
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Banker
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1st Floor, 3 Hardman Street, Spinningfields, Manchester M3 3HF

Corporate Broker and Financial Adviser
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88 Wood Street, London EC2V 7QR

Corporate Broker
Liberum Capital Limited
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