London Southend Airport Company Limited

Annual Report and Financial Statements

28 February 2023

Registered number 02881745

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Directors and Officers

Directors
L I Girdwood
N A Dilworth
A Whiteman De Brunner
P D Grewock
J A Upton

Auditor
Mazars LLP
One St Peters Square
Manchester
M2 3DE

Banker
Lloyds Bank PLC
PO Box 1000
BX1 1LT

Barclays Bank
Leicester
LE87 2BB

Registered Office
Third Floor, 15 Stratford Place
London
W1C 1BE

Strategic report

The Directors present their Strategic report for the year ended 28 February 2023.

Results and dividends

The loss for the year after taxation amounted to £27,675,083 (2022: £21,487,570). The Directors do not recommend a final dividend (2022: £nil).

Principal activity and review of the business

The principal activity of the Company continued to be that of operating and managing a commercial airport.

The previously reported global outbreak of COVID-19 continued to have a significant impact on the Company's operations as the industry continues to recover resulting in a marginal decline in passenger numbers to 89,017 (2022: 93,957). The business continues to focus on future development and growth. EasyJet returned to the airport with operations starting in April 2023 serving 3 key destinations. The new agreement reflects a multi-year growth deal that will help underpin growth over the coming years.

Passenger spend in the year remained resilient with an increase to £13.12 per passenger (2022: £9.71 per passenger). Key retail partners commenced operations supporting the summer schedule and demand across both car parking and rail use remained strong.

Freight operations by a global logistics company ceased at the airport in September 2022. Revenue from freight operations was £1,631,479 (2022: £3,298,294).

Turnover for the year ended 28 February 2023 was £9,589,727 (2022: £11,324,810). The Company reported an operating loss of £11,967,420 (2022: £9,036,727) and a loss before taxation of £28,300,425 (2022: £17,843,366).

Tangible fixed asset additions of £1,695,666 in the year predominately relate to a project to upgrade the hand baggage screening equipment and a project to enhance the infrastructure and facilities required to carry out border security and control functions to support trade between the European Union and the United Kingdom.

During the year, the Company continued to strengthen its Operating Board, with the appointment of John Upton as Chief Executive Officer.

Principal risks and uncertainties

The Board regularly reviews the risks facing the business.

Overall

The Company is committed to developing and maintaining appropriate risk management strategies, policies and frameworks to minimise the frequency and impact of adverse events on the Company's business and wider community.

The most important external risks facing the business over which the Board and management have no control include a general decrease in demand for air travel and a material change in government policy. The most important risks over which the Board and management have some control include the loss of key staff, and changes affecting our relationship with the operators using the airport and other key stakeholders.

Operational safety and security

The Company operates under the remit of the Civil Aviation Authority with a Safety Management System and mitigates operational and compliance risks by being aware of best industry practice, applicable guidelines, regulatory requirements and investment in staff training. The Company also continues to assess potential impacts from any wider industry, macroeconomic and macro political risks through regular internal risk review and processes.

Strategic report

Environmental

The Company believes that delivering benefit to our employees, local authorities, corporate base and customers can all be met whilst respecting and balancing the airport's impact on the environment. The Company continues to prioritise the management of our environmental impact and will always strive to seek an appropriate balance for our local community.

Noise management

The Company continues to demonstrate its commitment to managing noise through:

- continuous engagement with the community;
- steps taken to minimise noise generated from the airfield;
- the operation of noise tracking software to investigate any noise compliant using objective data; and
- procedures to ensure aircraft are operated on preferred flight paths which seek to minimise aircraft noise.

Financial

The Company continually monitors its economic environment by evaluating business intelligence and applying a prudent approach to our business and financial planning processes.

The Company applies the following review processes to manage its financial risk:

- the monitoring of financial key performance indicators including turnover, operating profit and profit before tax;
- the review of its cashflow on a weekly basis in collaboration with Esken Group to ensure appropriate facilities are available to cover liquidity risk;
- the management of credit risk by the setting of credit limits for customers based on a combination of payment history and third-party credit references which are reviewed on a regular basis in conjunction with debt ageing and collection history; and
- the Company's operations expose it to a variety of financial risks that include the effects of changes in interest rates, price risk, credit risk and currency risk, which are closely reviewed on a regular basis.

Future developments

The Company's short to medium term strategy is to expand passenger services to and from European destinations and as a Gateway to South Essex, the Thames Gateway and London. With developments across the London transport network such as the new Elizabeth Line, this focus and opportunity is further strengthened.

Although the Company operates in a competitive London market, the airport has an advantage with its availability of peak operational slots and is well placed to provide cost efficiencies to customers. This advantage is anticipated to continue as the aviation industry recovers from the effects of Covid-19 and pressures on capacity are felt across the London and Europe market. The Company seeks to capitalise from this advantage by the continued focus on exceptional customer service being placed at the core of its operations. This is evidenced by the continued growth in passenger numbers and available routes. Several new routes have been announced from Summer 2023 including all year-round routes such as Amsterdam, Paris and Geneva.

Strategic report

Statement by the Directors in performance of their duty to promote the success of the Company: Section 172(1) Companies Act 2006.

In their discussions and decisions during the year end 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. In doing so they have considered, among other matters, those set out in section 172(1) (a) to (f) of the Companies Act 2006:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct;
- and the need to act fairly between members of the Company.

In discharging their duties in relation to section 172 (1), careful consideration is given to the matters set out above. The stakeholders we consider in this regard are primarily employees, partners and customers, the regulator, the community we operate in, the environment and shareholders.

Employees

Our people are at the centre of everything we do, and we are continuing to invest in making London Southend Airport a better place to work and become an employer of choice. We are committed to equal opportunity and oppose all forms of unfair or unlawful discrimination within the recruitment process, career development or promotion.

Partners and customers

We strive to build trusted relationships with airline partners and to continue the development of the airport to be passenger focused. The passenger focus balances commercial revenues with a spacious, convenient, safe and secure environment.

Communities

We are committed to creating sustainable, long-term opportunities in the community. In addition to aiming to become an employer of choice in the community, we also seek to engage with the wider community. Through the Airport Consultative Committee, which meets each quarter, the airport maintains a close working relationship with representatives of local authorities, community groups and airport users. Issues discussed by the Committee include employment opportunities; training; new investment and environmental management. The minutes of the meetings and feedback received are reported to the Directors by the Executive team.

Regulator

We aim to maintain strong, effective relationships with the Civil Aviation Authority (CAA) working in a collaborative and transparent manner. The collaborative nature of the relationship is achieved through continuous engagement. It is vital that the relationship is well maintained as this is directly linked to the Company's business being able to continue.

Environment

We recognise that we have an important role to play in protecting the environment whilst creating economic benefits and social and employment opportunities. We actively monitor the air quality (NO2) around the airport site, as well as managing the use of the onsite renewable solar energy, paper, water consumption, waste and sustainable transport.

Strategic report

Shareholders

The Company's key stakeholder is its ultimate beneficial owner, Esken Limited, and the stakeholder groups set out in Esken Limited's Annual Report. The views and impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. The size and spread of both our stakeholders and the Esken Group means that stakeholder engagement takes place at a Group level. For details on some of the engagement that takes place with the Company's stakeholders, please see the Esken 2023 Annual Report.

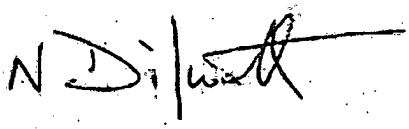
Decision making

An example of how the Board has considered the matters set out in section 172(1) and the interests of stakeholders is provided below in connection with the application for a Port Infrastructure Fund (PIF) grant to support the transition of its cargo operations through Brexit.

In applying for the grant, the Board considered the following items:-

- the impact new import and export regulations would have on the Company's operations, infrastructure and facilities to perform border security and control functions;
- the impact on employees of changes to cargo operations caused by Brexit;
- the financial impact new requirements would have on the Company, its shareholders and the local economy.

On behalf of the Board



N Dilworth
Director

1 August 2023

Directors' Report

The Directors present their report and financial statements for the year ended 28 February 2023.

Directors

The Directors who served the Company during the year were as follows:
L I Girdwood (resigned 24/07/2023)
N A Dilworth
A Whiteman De Brunner (appointed 01/03/2023)
P D Grewock (appointed 12/09/2022)
J A Upton (appointed 12/09/2022)

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period until 31 July 2024 from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Esken Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Esken Limited providing additional financial support during that period. Esken Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. A material uncertainty exists over the ability of Esken Limited to provide ongoing financial support, please see note 1 for further details. Despite this, the Directors are comfortable that the going concern assumption remains appropriate.

Policy and practice on payment of creditors

In respect of all suppliers, it is the Company's policy to agree payment terms on each and every purchase order. The Company abides by these terms of payment as standard.

Political donations and political expenditure

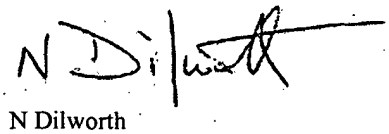
The Company made no political donations during the year (2022: £nil).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the shareholders agreed to the appointment of Mazars LLP as auditors for the year ended 28 February 2023. KPMG LLP ceased to act as auditors.

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board



N Dilworth
Director
1 August 2023

Statement of Directors' responsibilities in respect of the Strategic report, the annual report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Annual Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company 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 the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Independent auditor's report to the members of London Southend Airport Company Limited

Opinion

We have audited the financial statements of London Southend Airport Company Limited (the 'Company') for the year ended 28 February 2023 which comprise the Profit and loss account, Balance Sheet, Statement of changes in equity and 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 United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Company 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, 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

The Company is a wholly owned subsidiary of Esken Limited which, together with other subsidiaries, forms part of the Esken Group (the 'Group'). We draw attention to note 1 to the financial statements, which sets out that the availability of sufficient liquidity for the Company to meet its liabilities as they fall due during the twelve months from the date of these financial statements is dependent on the ongoing ability of the entities in the Group to continue trading and provide the financial support required by the Company. The Group's ability to continue trading depends on a number of factors, including the successful completion and receipt of proceeds from the proposed sale of the Group's renewables business by 31 December 2023.

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

Independent auditor's report to the members of London Southend Airport Company Limited (continued)

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.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included, but was not limited to:

- Evaluating management's risk assessment process and relevant controls for identifying going concern risks.
- Obtaining and challenging management's going concern assessment including the underlying assumptions.
- Evaluating the historical accuracy of cash flow forecasts to assess the accuracy of the forecasting process.
- Understanding the status of the ongoing re-financing activities being undertaken by the Group and the Group's current trading performance.
- Assessing forecast compliance with financing covenants during the twelve months from the date of these financial statements.
- Reviewing 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 the identified risks and mitigating actions. We further assessed the completeness and accuracy of the matters covered in the going concern disclosures by comparing this to our understanding of the risks faced by the Group and the Company.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 the 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of London Southend Airport Company Limited (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 Company'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 Company 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 the financial statements.

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 Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation and anti-money laundering regulation.

Independent auditor's report to the members of London Southend Airport Company Limited (continued)

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:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as related pension legislation, tax regulations and the Companies Act 2006.

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 risk is related to management override of controls through posting of manual journal entries to manipulate financial results, cut-off risk on product revenue and occurrence of service revenue.

Our audit 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; and
- Testing a sample of transactions to address the risks of cut-off and occurrence on product and service revenues respectively.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with 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.

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.

Independent auditor's report to the members of London Southend Airport Company Limited (continued)

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Valerie Levi

Valerie Levi (Aug 1, 2023 20:09 GMT+1)

Valerie Levi (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

One St Peters Square

Manchester

M2 3DE

1 August 2023

Profit and loss account

for the year ended 28 February 2023

	Notes	2023 £	2022 £
Turnover	2	9,589,727	11,324,810
Cost of sales		(4,210,310)	(3,729,213)
Gross profit		5,379,417	7,595,597
Administrative expenses		(18,736,785)	(18,137,270)
Other Income	3	1,389,948	1,504,946
Operating loss	3	(11,967,420)	(9,036,727)
Interest receivable		960,000	-
Interest payable and similar charges	6	(17,293,005)	(8,806,639)
Loss on ordinary activities before taxation		(28,300,425)	(17,843,366)
Tax on loss on ordinary activities	7	625,342	(3,644,204)
Loss for the financial year		(27,675,083)	(21,487,570)

All amounts relate to continuing activities.

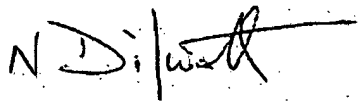
The notes on pages 17 to 38 form part of these financial statements.

Balance Sheet

at 28 February 2023

	Notes	2023 £	2022 £
Fixed assets			
Tangible assets	8	134,569,513	138,885,146
Investments	9	2,003	2,003
		134,571,516	138,887,149
Current assets			
Stocks	10	286,922	230,801
Debtors	11	3,779,015	3,661,230
Cash at bank and in hand		3,709,670	13,955,754
		7,775,607	17,847,785
Current Liabilities			
Creditors	12	(28,684,498)	(28,621,119)
Provisions for liabilities	15	(7,649,847)	(8,277,784)
		(36,334,345)	(36,898,903)
Net current liabilities		(28,558,738)	(19,051,118)
Total assets less current liabilities		106,012,778	119,836,031
Debtors: amounts falling due after more than one year	11	3,701,279	3,336,591
Creditors: amounts falling due after more than one year	13	(146,092,311)	(131,950,299)
Net liabilities		(36,378,254)	(8,777,677)
Capital and reserves			
Called up share capital	16	24,003	24,003
Share premium		86,789,897	86,789,897
Capital Contribution	17	7,905,684	7,905,684
Capital redemption reserve	17	6,000	6,000
Profit and loss account	17	(131,103,838)	(103,503,261)
Shareholders' deficit		(36,378,254)	(8,777,677)

Approved by the Board on 1 August 2023 and signed on its behalf by:



N Dilworth

Director

Registered number 02881745

The notes on pages 17 to 38 form part of these financial statements.

Statement of changes in equity

at 28 February 2023

	Share capital	*Share premium*	*Profit and loss account*	*Capital contribution*	*Capital redemption reserve*	*Total equity*
	£	£	£	£	£	£
Balance as at 1 March 2022	24,003	86,789,897	(103,503,261)	7,905,684	6,000	(8,777,677)
Loss for the year	-	-	(27,675,083)	-	-	(27,675,083)
Total comprehensive loss for the year	**-**	**-**	**(27,675,083)**	**-**	**-**	**(27,675,083)**
Share based payment credit	-	-	71,911	-	-	71,911
Tax on share-based payment credit	-	-	2,595	-	-	2,595
Balance as at 28 February 2023	**24,003**	**86,789,897**	**(131,103,838)**	**7,905,684**	**6,000**	**(36,378,254)**

	Share capital	*Share premium*	*Profit and loss account*	*Capital contribution*	*Capital redemption reserve*	*Total equity*
	£	£	£	£	£	£
Balance as at 1 March 2021	24,000	-	(82,034,713)	-	6,000	(82,004,713)
Loss for the year	-	-	(21,487,570)	-	-	(21,487,570)
Total comprehensive loss for the year	**-**	**-**	**(21,487,570)**	**-**	**-**	**(21,487,570)**
Issue of shares	3	86,789,897	-	-	-	86,789,900
Capital contribution	-		-	7,905,684	-	7,905,684
Share based payment credit	-	-	51,728	-	-	51,728
Tax on share-based payment credit	-	-	(32,706)	-	-	(32,706)
Balance as at 28 February 2022	**24,003**	**86,789,897**	**(103,503,261)**	**7,905,684**	**6,000**	**(8,777,677)**

The notes on pages 17 to 38 form part of these financial statements.

Notes to the financial statements

for the year ended 28 February 2023

1. Accounting policies

Basis of preparation

London Southend Airport Company Limited ("the Company") is a Company incorporated, domiciled and registered in the UK. The registered number is 02881745 and the registered address is: Third Floor, 15 Stratford Place, London, England, W1C 1BE.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. These financial statements are rounded to the nearest pound except where otherwise stated.

The Company's ultimate parent undertaking, Esken Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Esken Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Esken Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IFRS 13 Fair Value Measurement;
- Disclosures required by IFRS 7 Financial Instrument Disclosures;
- Certain disclosures required by IFRS 15 Revenue from Contracts with Customers; and
- Certain disclosures required by IFRS 16 Leases.

Notes to the financial statements

for the year ended 28 February 2023

1. Accounting policies (continued)

Going concern

The Company is a wholly owned subsidiary of Esken Limited, which together with other subsidiaries, forms part of the consolidated Esken Group (Group). The Company is loss-making and has net liabilities in both the current and preceding financial year, which is an indicator of risk relating to going concern. The going concern basis of preparation of the Company is dependent on the ongoing ability of the Group to continue trading and provide the financial support required by the Company. Esken Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for a period until at least 31 July 2024 from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so, there exists a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. However, the Group's consolidated financial statements for the year ended 28 February 2023 issued on 21 June 2023 include a material uncertainty that casts a significant doubt over the ability of the Group to continue as a going concern. The disclosure included in the Group financial statements is as below:

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 of the Group's Annual Report.

Note 22 of the Group's Annual Report 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.

Notes to the financial statements

for the year ended 28 February 2023

1. Accounting policies (continued)

Going concern (continued)

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.

Notes to the financial statements

for the year ended 28 February 2023

1. Accounting policies (continued)

Group financial statements

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Turnover

Turnover represents invoiced sales from airport activities, property rentals due and of supply of utilities, excluding value added tax. It is recognised at the fair value of the consideration received or receivable. Airport activities are invoiced as and when the goods or services have been supplied as this is the point in time which the consideration is unconditional because only the passage of time is required before payment is due. Property rentals are invoiced quarterly in advance and accounted for on an accruals basis. Utility supplies are invoiced as and when the goods have been supplied.

Interest payable and similar charges

Interest payable is recognised in profit or loss as it accrues.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements

for the year ended 28 February 2023

1. Accounting policies (continued)

Financial instruments

(i) Recognition and Initial measurement

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

(a) Classification

(b)

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding,

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit and loss.

The financial liability element of the convertible debt instrument, see note 13, 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 in fair value through profit and loss.

Investments in associates and subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes to the financial statements

for the year ended 28 February 2023

1. Accounting policies (continued)

Financial instruments (continued)

(c) Subsequent measurement and gains and losses

- Financial assets at fair value through profit and loss – these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss.
- Financial assets at amortised cost- these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity
Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the group's own equity instruments or is a derivative that will be settled by the group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit and loss.

Impairment
The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Loss allowances are measured at an amount equal to lifetime expected credit losses, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorted period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating expected credit losses is the maximum contractual period over which the group is exposed to credit risk.

Notes to the financial statements

for the year ended 28 February 2023

1. Accounting policies (continued)

Financial instruments (continued)

Measurement of expected of credit losses
Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is not realistic prospect of recovery.

Tangible fixed assets

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, other than assets in the course of construction, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life. 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. Useful lives and residual values are reconsidered on an annual basis. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Repairs and maintenance costs are charged to the profit and loss account as incurred.

Depreciation is applied at the following rates:

Freehold land	–	not depreciated
Freehold buildings	–	2% - 5% straight line
Long leasehold property	–	0.1% to 30% straight line
Plant and machinery	–	2% to 50% straight line
Fixtures and fittings	–	3% to 20% straight line
Motor vehicles	–	20% straight line

Borrowing costs attributable to qualifying assets are capitalised.

Summary of significant accounting judgements and estimates

The Company makes judgements and estimates in preparing the financial statements. Judgements 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 significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year and discussed below.

Notes to the financial statements

for the year ended 28 February 2023

1. Accounting policies (continued)

Judgements

Going Concern

The accounts have been prepared on the going concern basis. This treatment is based in judgments including the performance of the business, the forecast cashflows for the foreseeable future, the capital requirements of the Company and funding options available. See page 17 for basis of preparation.

Recoverability of intercompany debtor

The Directors have seen cash forecasts predicated on a new business plan for London Southend Jet Centre Limited (formerly Stobart Jet Centre Limited) which means the company will generate sufficient cash flows such that they will be able to repay the intercompany debtor. If the new business plan does not materialise and the business is unable to generate sufficient income, they may not be able to repay the intercompany debtor and an expected credit loss provision may be required in future periods.

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items.

The Company as a lessee

The Company recognises a right-of-use asset and a corresponding lease liability at the lease commencement date, except for short-term leases, leases of low value assets and variable lease payments that do not depend on an index or rate. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a rent review or a change in an index or rate. 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 right-of-use assets comprise the initial measurement of the corresponding lease liability and any initial direct costs. The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset and adjusted for any impairment losses.

The Company as lessor

Where the Company retains substantially all the risks and rewards of ownership of the asset subject to the lease, the asset is shown within tangible fixed assets. Rental income from operating leases is recognised on a straight-line basis over the period of the lease. Lease premiums received by the Company are accounted for as deferred income and released to the profit and loss account over the period of the lease.

Pensions

The Company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

Notes to the financial statements

for the year ended 28 February 2023

1. Accounting policies (continued)

Government grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to the profit and loss account in the period to which they relate.

Estimates

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

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 profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet 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 balance sheet date 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 income statement, with a corresponding entry in equity.

The group headed by Esken Limited (the ultimate parent undertaking) has a share-based long-term incentive plan relating to options over its shares. Where these options are granted to Directors and employees in the Company they are accounted for as set out above.

Notes to the financial statements

for the year ended 28 February 2023

2. Turnover

	2023 £	2022 £
Major product/service lines:		
Sales of goods	3,708,429	3,515,874
Rendering of services	5,704,993	7,455,381
Property rentals	176,305	353,555
	9,589,727	11,324,810
Primary geographical markets:		
United Kingdom	9,776,778	6,398,275
Europe and Ireland	(187,051)	4,926,535
	9,589,727	11,324,810

The turnover in the year relating to Europe and Ireland includes a credit note of £631,530 which relates to an invoice from a prior period. The total turnover in the year from Europe and Ireland excluding the credit note was £444,479. The decrease in the turnover from Europe and Ireland was due to an airline who ceased to operate at the airport.

3. Operating loss

Operating loss is stated after charging/(crediting):

	2023 £	2022 £
Depreciation of tangible fixed assets	5,965,713	6,198,607
Expenses relating to short-term leases	11,303	9,153
Expenses relating to low-value assets	-	1,177
Auditor's remuneration	152,377	234,377
Marketing and support costs	(1,171,600)	(557,012)
Government grants	(1,389,948)	(1,504,946)

Marketing and support credits of £1,171,600 (2022: £557,012) relate to costs from introducing additional passenger airline routes. The balance in the year relates to the reversal of cost accruals.

Notes to the financial statements

for the year ended 28 February 2023

4. Directors' emoluments

Borne by the Company:	*2023*	*2022*
	£	*£*
Emoluments for qualifying services	294,764	-
Pension contributions	23,485	-
	318,249	-

Borne by fellow group companies:	*2023*	*2022*
	£	*£*
Emoluments for qualifying services	710,876	703,932
Pension contributions	67,000	92,084
	777,876	796,016

The Directors of the Company are also Directors of fellow subsidiaries. The Directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as Directors of the fellow subsidiary companies. During the year 4 (2022: 3) Directors participated in a money purchase pension scheme.

The highest paid director's emoluments were as follows:

	2023	*2022*
	£	*£*
Emoluments for qualifying services	158,821	-
Pension contributions	12,812	-
	171,633	-

Notes to the financial statements

for the year ended 28 February 2023

5. Staff costs

	2023	2022
	£	£
Wages and salaries	6,714,885	6,390,757
Social security costs	697,840	671,315
Other pension cost	248,791	330,932
Share based payments	(71,911)	(51,728)
	7,589,605	7,341,276

UK Government 'furlough' scheme:

	2023	2022
	£	£
Total amount received under scheme	-	313,481

The average monthly number of employees during the year (including Directors) was made up as follows:

	2023	2022
	No.	No.
Operational and administrative staff	180	205

6. Interest payable and similar charges

	2023	2022
	£	£
Interest on lease liabilities	554,214	604,183
Interest on convertible debt facility	13,140,411	6,404,110
Intercompany loan interest	1,663,997	799,954
Release of debt issue costs	1,934,383	998,392
	17,293,005	8,806,639

Notes to the financial statements

for the year ended 28 February 2023

7. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2023 £	2022 £
Current tax:		
Adjustments in respect of previous periods	-	-
Total current tax	-	-
Deferred tax:		
Current year	(131,523)	12,079
Adjustment in respect of prior periods	(451,037)	1,642,745
Impact of rate change	(42,782)	1,989,380
Total deferred tax	(625,342)	3,644,204
Total tax on ordinary losses	(625,342)	3,644,204

The deferred tax adjustment in respect of prior years is primarily in relation to fixed asset timing differences between the financial statements and the final submitted tax returns for the period.

(b) Factors affecting tax on loss for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £	2022 £
Loss for the financial year	(26,675,083)	(21,487,570)
Tax on loss on ordinary activities	625,342	(3,644,204)
Loss on ordinary activities before tax	(28,300,425)	(17,843,366)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	(5,377,081)	(3,390,240)
Effects of:		
Permanent differences	2,571,233	2,858,133
Adjustments in respect of previous periods	(451,037)	1,642,745
Income not taxable	(221,414)	(285,940)
Tax losses carried forward not recognised	2,895,739	830,126
Difference between current and deferred tax rates	(42,782)	1,989,380
Tax credit for the year	(625,342)	3,644,204

(c) Factors that may affect the future tax charge:

In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at 19% and not reduce to 17% from 1 April 2020.

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. The deferred tax assets/liabilities have been remeasured at the blended average rates at which they are expected to unwind.

Notes to the financial statements

for the year ended 28 February 2023

8. Tangible fixed assets

	Land and buildings	*Assets under construction*	*Plant and machinery*	*Fixtures and fittings*	*Motor vehicles*	*Total*
	£	£	£	£	£	£
Cost or valuation:						
At 1 March 2022	141,965,993	3,176,522	26,950,601	8,675,709	187,119	180,955,944
Additions	-	1,670,408	25,258	-	-	1,695,666
Right-of-use asset additions	-	-	38,473	-	-	38,473
Disposals	-	-	(9,695)	-	-	(9,695)
Right-of-use asset disposals	(78,727)	-	-	-	-	(78,727)
Transfers	1,766,847	(3,042,754)	1,112,643	163,264	-	-
At 28 February 2023	**143,654,113**	**1,804,176**	**28,117,280**	**8,838,973**	**187,119**	**182,601,661**
Depreciation:						
At 1 March 2022	25,400,248	-	11,020,764	5,474,274	175,512	42,070,798
Charge for the year	3,588,725	-	1,594,021	667,746	5,309	5,855,801
Charge for the year on right-of-use assets	85,167	-	24,745	-	-	109,912
Disposals	-	-	-	-	-	-
Right-of-use asset disposals	-	-	(4,363)	-	-	(4,363)
At 28 February 2023	**29,074,140**	**-**	**12,635,167**	**6,142,020**	**180,821**	**48,032,148**
Net book value:						
At 28 February 2023	**114,579,973**	**1,804,176**	**15,482,113**	**2,696,953**	**6,298**	**134,569,513**
At 1 March 2022	116,565,745	3,176,522	15,929,837	3,201,435	11,607	138,885,146

Freehold land and buildings includes land at cost of £32,576 (2022: £32,576) that is not depreciated.

Included within land and buildings at a cost of £5,279,400 (2022: £5,279,400) are assets that are funded by grants from Southend Borough Council. Included within plant and machinery at a cost of £346,258 (2022: £346,258) are assets which are funded by the Department for Transport. The improvements and the grants are being written off over their estimated useful lives of the assets.

Included within land and buildings at a cost of £7,767,938 (2022: £7,767,938) are finance costs which were capitalised at the prevailing group rate and include directly related financing fees.

Notes to the financial statements

for the year ended 28 February 2023

8. Tangible fixed assets (continued)

The above assets include right-of-use assets as follows:

	Land & buildings	*Plant & machinery*	*Fixtures & fittings*	*Motor Vehicles*	*Total*
	£	£	£	£	£
NBV at 28 February 2023	7,838,832	37,056	-	-	7,875,888
NBV at 28 February 2022	8,002,727	28,660	-	-	8,031,387

Impairment testing of property, plant and equipment where no charge for impairment has been recognised

The London Southend Airport (LSA) comprises the business operations of the commercial airport and railway station ancillary operations. The Company has been tested for impairment as the business suffered a loss before tax in the year to 28 February 2023.

The Directors estimated the Fair Value Less Costs to Sell (FVLCS) of the Company 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. 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 Company assets. The carrying amount of the LSA Company asset base as at 28 February 2023 is £134m. The assumptions used to determine this recoverable amount include future forecast EBITDA, including passenger growth, and multiples achieved by London airports. Although there continues to be uncertainty in the aviation industry which has impacted airline allocation decisions, the Directors believe that LSA will recover close to pre-pandemic passenger volumes at profitable levels by 2025. The Directors have considered the impact on the FVLCS of a delay in reaching pre-pandemic levels until 2027 and are satisfied that it would not result in a material impairment.

9. Fixed asset investments

	Shares in subsidiary undertakings	*Other investment*	*Total*
	£	£	£
Cost or valuation:			
At 1 March 2022	3	2,000	2,003
Additions	-	-	-
At 28 February 2023	3	2,000	2,003
Net book value:			
At 28 February 2023	3	2,000	2,003
At 1 March 2022	3	2,000	2,003

During the year ended 28 February 2023 the cost of investment in 100% of the ordinary share capital of London Southend Solar Limited (formerly Stobart Solar Limited) and London Southend Jet Centre Limited (formerly Stobart Jet Centre Limited) was transferred from Esken Aviation Limited (formerly Stobart Aviation Limited), a fellow group undertaking, to the Company. The investments in subsidiary undertakings above represent the cost of investment in 100% of the ordinary share capital of the subsidiary undertakings, which are incorporated in England and Wales.

Other investment represents the cost of investment in an unlisted entity incorporated in England and Wales, Esken Brands LLP (formerly Stobart Group Brands LLP). The principal activity of the LLP is the ownership, management and exploitation of certain intellectual property assets.

Notes to the financial statements

for the year ended 28 February 2023

10. Stocks

	2023	2022
	£	£
Finished goods and goods for resale	286,922	230,801

11. Debtors: amounts falling due within one year

Due within one year	2023	2022
	£	£
Trade debtors	346,193	435,144
Amounts owed by fellow subsidiary undertakings	1,546,952	2,704,525
Other debtors	1,296,135	41,272
Prepayments	317,615	282,137
Accrued income	53,015	43,520
Other taxes and social security	219,105	154,632
	3,779,015	3,661,230
Due over one year		
Amounts owed by fellow subsidiary undertakings	3,701,279	3,336,591
Total Debtors balance	7,480,294	6,997,821

Amounts owed by group undertakings are unsecured and repayable on demand. It is not anticipated that these amounts will be requested to be repaid in the next 12 months. There is no interest rate applied to amounts owed to group undertakings.

12. Creditors: amounts falling due within one year

	2023	2022
	£	£
Net lease obligations	691,991	1,110,608
Trade creditors	1,294,435	1,597,667
Amounts owed to parent and fellow subsidiary undertakings	22,913,581	20,804,520
Provisions (note 14)	730,248	1,960,000
Other taxes and social security costs	243,745	215,297
Other creditors	416,484	423,668
Accruals	2,031,369	1,706,043
Deferred income	362,645	803,316
	28,684,498	28,621,119

Amounts owed to group undertakings are unsecured and repayable on demand. There is no interest rate applied to amounts due from group undertakings.

Included within deferred income are government grants of £317,741 (2022: £768,896).

Notes to the financial statements

for the year ended 28 February 2023

13. Creditors: amounts falling due after more than one year

	2023	*2022*
	£	*£*
Net lease obligations	9,287,080	10,025,802
Government grants	3,828,620	3,062,680
Convertible debt (net of costs)	132,976,611	118,861,817
	146,092,311	131,950,299

On 26 August 2021 the Group signed an agreement with Carlyle Global Infrastructure Opportunity Fund (CGI) for a £125m investment in the Company 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 the Company 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 lifetime 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 Company recalculates the gross carrying amount of the amortised cost of the financial liability as the present value of the future expected cashflows 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 the profit or loss as interest income or interest expense. The derivative was fair valued at £1,005,000 on the issue of the loan and is revalued at each reporting date, with any gain or loss recognised in financial 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.

The key valuation assumption and sensitivities for the option valuation are:

Discount rate

Judgement is used in arriving at the appropriate discount rate which includes a specific risk premium which takes into account the significant uncertainty in the Company achieving forecasted growth and the comparable cost of debt and equity for other European airports. A discount rate of 11.25% was used. A 1% movement in rate would lead to an increase/decrease in the value of the option of c.£500,000.

Probability weighting of scenarios

The probability weighting of scenarios flexes passenger forecasts adopted in the Base Case scenario model and assigns probabilities to each scenario.

Notes to the financial statements

for the year ended 28 February 2023

13. Creditors: amounts falling due after more than one year (continued)

	Government Grants
	£
Balance at 1 March 2022 – non-current liabilities	3,062,680
Balance at 1 March 2022 – current liabilities	768,896
Additions	1,704,733
Amortisation in the year	(1,389,948)
Included within current liabilities	(317,741)
Balance at 28 February 2023	3,828,620

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the assets acquired by equal annual instalments. Grants of a revenue nature are credited to the profit and loss account in the period to which they relate.

The amount of the grant to be released after more than five years is £2,326,272 (2022: £1,327,470).

14. Provisions

	Property Claims
	£
Balance at 1 March 2022 – current liabilities	1,960,000
Additions	-
Utilised in the year	(1,229,752)
Reversed during the year	-
Balance at 28 February 2023	730,248

The balance at year end relates to a provision for part 1 property claims. During the year claims totalling £1,229,752 (2022: £1,340,000) have been settled. It is expected that these remaining claims will be settled within 12 months.

During the year Esken Limited, the ultimate parent company, provided an indemnity against the settlement of the balance and any future changes.

Notes to the financial statements

for the year ended 28 February 2023

15. Deferred taxation

	2023	2022
	£	£
Deferred tax liability at 1 March 2022	8,277,784	4,600,874
Adjustments in respect of prior years	(451,037)	1,682,800
Charge for the year	(174,303)	2,001,459
Movement through other comprehensive income	(2,597)	(7,349)
Deferred tax liability at 28 February 2023	7,649,847	8,277,784
The deferred tax liability is analysed as follows:		
Accelerated capital allowances	4,149,619	4,589,151
Capitalised interest	3,739,605	3,739,605
Other timing differences	(239,377)	(50,972)
	7,649,847	8,277,784

The deferred tax liability at 28 February 2023 has 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 balance sheet date (2022: 25%).

Deferred tax has not been recognised in respect of tax losses of £11,279,946 as at 28 February 2023 (2022: £10,515,468) on the basis that there is uncertainty over whether taxable profit will be available within the Company against which the unused tax losses can be utilised in future periods.

16. Issued share capital

	2023	2022
	£	£
Allotted, called up and fully paid		
24,003 Ordinary shares of £1 each	24,003	24,003

During the year ended 28 February 2022 the Company issued two £1 ordinary shares for a consideration of £2 on a share for share exchange to acquire the investment in London Southend Jet Centre Limited and London Southend Solar Limited.

The company also issued one £1 ordinary share for a consideration of £86,789,898. The share capital increased by £1 and share premium increased by £86,789,897. The shares were issued as consideration for the loan capitalised.

Notes to the financial statements

for the year ended 28 February 2023

17. Reserves

Nature and purpose of reserves are as follows:

Share premium
The share premium represents the equity generated through the issue of shares exceeding the face value of the shares. The reserve is non-distributable.

Capital contribution reserve
The capital contribution reserve represents capital injections from the parent company. This reserve is distributable.

Capital redemption reserve
The capital redemption reserve represents amounts transferred following the repurchase of the company's own shares. This reserve is non-distributable.

Profit and loss account
Retained earnings comprise all realised gains and losses through the income statement. This reserve is distributable.

For a summary of movements in the year and balances as at the year end, please refer to the Statement of Changes in Equity.

18. Pensions

The Company operates a defined contribution pension scheme for the benefit of the Directors and employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £246,712 (2022: £330,932). The outstanding contributions as at 28 February 2023 are £45,507 (2022: £20,798).

19. Lease commitments

Company as lessee

The Company leases a number of premises and equipment with varying terms and renewal rights. Under IFRS16, each lease is reflected in the Balance Sheet as a right-of-use asset (see note 8) 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 profit or loss for which the Company is a lessee:

	2023	*2022*
	£	*£*
Interest expenses on lease liabilities	554,214	*604,183*
Expenses relating to short-term leases	11,303	*9,153*
Expenses relating to leases of low-value assets	-	*1,177*

Notes to the financial statements

for the year ended 28 February 2023

19. Lease commitments (continued)

Company as lessor

The Company leases aircraft hangars and other buildings under operating leases.

During the year £176,305 (2022: £324,395) was recognised as rental income by the Company.

The maturity analysis of the future lease payments to be received is shown in the table below:

	2023	*2022*
	£	*£*
Less than one year	47,920	47,920
One to two years	43,837	47,920
Two to three years	40,920	47,920
Three to four years	40,253	40,920
Four to five years	39,920	40,920
More than five years	2,789,954	2,829,874
	3,002,804	**3,055,474**

20. Related party transactions

The Company has taken advantage of the exemptions within FRS 101 and has not disclosed transactions with wholly owned group undertakings or compensation of Key Management Personnel.

The following companies ceased to be related during 2019:

- W A Developments International Limited – Sales of aviation and fuel services. The balance owed to the Company at 28 February 2023 was £nil (2022: £nil).
- Apollo Air Services Limited – Sales of aviation services. The balance owed to the Company at 28 February 2023 was £nil (2022: £nil).
- Apollo Air Services Limited – Purchases of aviation services. The balance owed by the Company at 28 February 2023 was £82,745 (2022: £82,745).

21. Ultimate parent undertaking and controlling party

The Company is a subsidiary of Esken Aviation Limited (formerly Stobart Aviation Limited) which is the immediate parent Company. The ultimate parent Company and controlling party is Esken Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Esken Limited, incorporated in Guernsey. No other group financial statements include the results of the Company.

The consolidated accounts in which the Company is included are available from Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY.

Notes to the financial statements

for the year ended 28 February 2023

22. Post Balance sheet events

On the 26th June 2023 The Company entered into a new loan facility agreement with Esken Aviation Limited that secured further funding up to a total of £26m. The funding will be drawn through an intercompany loan on a monthly basis providing the liquidity required to support forecasted operating and capital expenditure for the Company and its subsidiaries.

This facility will provide the support required to underpin the continued growth of the Company and its subsidiaries over the coming years and provide a solid foundation over the coming years.