London Southend Airport Company Limited

Annual Report and Financial Statements

28 February 2021

Registered number 02881745

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Directors and Officers

Directors
L I Girdwood
N A Dilworth

Auditor
KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Banker
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Third Floor, 15 Stratford Place
London
W1C 1BE

Strategic report

The directors present their Strategic report for the year ended 28 February 2021.

Results and dividends

The loss for the year after taxation amounted to £12,691,737 (2020: £1,010,965). The directors do not recommend a final dividend (2020: £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 global outbreak of COVID-19, declared as a pandemic by the World Health Organisation, had a significant impact on the Company's operations resulting in a large decline in passenger numbers following air travel restrictions put in place by the governments of affected countries. Annual passenger numbers decreased to 147,208 (2020: 2,142,310).

The Company reacted quickly to the rapidly evolving change to its operating environment and took immediate action to protect its people and customers. Where possible, non-operational staff were asked to work from home; a number of employees were placed on the government's furlough scheme; the Senior Management Team took voluntary pay cuts; a freeze was implemented on all discretionary expenditure including capital expenditure other than for critical safety purposes; and a firm control over cash flow was maintained.

A consequence of COVID-19 was the closure of the easyJet base at the airport on 31 August 2020.

Whilst commercial operations were severely impacted, a global logistics company that began freight operations in October 2019 continued to operate with minimal disruption. However, a planned reduction in freight operations arising from Brexit anticipated clearance delays from border controls occurred in January and February 2021. Revenue from freight operations was £4,698,948 (2020: £1,846,012).

Whilst COVID-19 resulted in a deterioration in financial performance in the year as a result of the reduction in passenger numbers, the Company is confident in the recovery of passenger numbers as government lockdown measures ease and airlines resume flying.

Passenger spend in the year increased to £10.34 per passenger (2020: £6.30 per passenger). However, this is skewed by the effect of Covid-19 and the contractual arrangements of the terminal concessionaires.

Turnover for the year ended 28 February 2021 was £13,370,063 (2020: £37,125,650). The Company reported an operating loss of £12,125,892 (2020: £5,596,876) and a loss before taxation of £12,749,900 (2020: £1,347,289).

Tangible fixed asset additions of £4,048,425 in the year predominately relate to the transfer of the train station operating licence to the Company and a project to upgrade the hold baggage screening building and equipment. The hold baggage screening project began in November 2019 and will ensure that the latest European regulatory hold baggage screening standards are met. The project will complete post year end so has been classified as an asset under construction at year end.

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.

Strategic report

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.

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.

Although the Company operates in a competitive London market, the airport has an advantage with its availability of peak operational slots. This is anticipated to continue as the aviation industry recovers from the effects of Covid-19. The Company seeks to exploit this advantage by the continued focus on exceptional customer service being placed at the core of its operations.

The Company will also focus on its partnership with the global logistics provider, which commenced operation at the airport in October 2019, to develop growth opportunities through the availability of development land for expanded warehouse facilities.

Whilst COVID-19 has had a significant impact upon the aviation industry, it is anticipated that the planned growth of the airport will recover as the pandemic impact eases which is anticipated from summer 2022.

The business strategy and development of the airport has the full support of Esken Limited, who will provide the necessary financing to allow the Company to continue to trade and develop its assets. On 2 July 2021, the Company signed and exchanged contracts on a £125m senior loan facility which is convertible into 29.999% of the entire issued share capital of the Company. This transaction is subject to Esken Limited shareholder approval, being the shareholders of the listed ultimate parent company. In addition to the funding being provided, the lender brings expertise in investing in and developing airports around the world.

Strategic report

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

The Directors confirm, both individually and collectively, that they have acted in good faith in the way they consider what 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. We are proud to be a signatory of the Women in Aviation and Aerospace Charter and working towards improving gender equality.

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 (NO_2) around the airport site, as well as managing the use of the onsite renewable solar energy, paper, water consumption, waste and sustainable transport.

In February 2021 London Southend Airport achieved Airport Carbon Accreditation which is the only institutionally-endorsed, global carbon management certification programme for airports.

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 2021 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 managing the effects of the Covid-19 global pandemic whilst resuming passenger operations once travel restrictions allowed.

In managing the effects of the pandemic, the Board considered the following items:-

- the health and safety of passengers by implementing hygiene and social distancing measures such as hand sanitiser stations every twenty paces through the passenger journey;
- the health and safety of employees by installing bio-shields at key contact points and installing state of the art security equipment in central search to minimise contact between staff and passengers;
- the health and safety of local communities by opening the terminal to passengers only;
- the financial impact not resuming passenger flights would have on the Company, its shareholders and the local economy.

On behalf of the Board

L I Girdwood
Director

14 July 2021

Directors' Report

The directors present their report and financial statements for the year ended 28 February 2021.

Directors

The directors who served the Company during the year were as follows:
W Brady (resigned 30/04/2021)
G Jones (resigned 20/03/2020)
R M Jackson (resigned 20/03/2020)
L I Girdwood (appointed 20/03/2020)
N A Dilworth (appointed 08/03/2021)

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 January 2023 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 (2020: £nil).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

L I Girdwood
Director
14 July 2021

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

The directors are responsible for preparing the Strategic 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.

KPMG

KPMG LLP
1 St Peter's Square
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M2 3AE
United Kingdom

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 2021 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the company's ability to continue as a going concern is dependent on financial support from its parent company Esken Limited. However, there is uncertainty that the parent company will be able to provide this financial support as there is a material uncertainty as to whether the Group can secure the necessary funding through i) the banks not recalling the Group's existing RCF ii) the banks allowing the Group further planned drawdowns through to August 2021 iii) the Group executing the heads of terms in respect of the convertible debt instrument, iv) the Group's successful completion of the Capital Raise and v) the Group obtaining the new RCF.

These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty 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.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our financial statements audit work, we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent Auditor's Report to the Members of London Southend Airport Company Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are few judgmental elements to revenue and revenue recognition is not complex.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience ,and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation ,taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, environmental law and aviation legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of London Southend Airport Company Limited (continued)

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with 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.

M. Froom

Michael Froom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square, Manchester, M2 3AE

14 July 2021

Profit and loss account

for the year ended 28 February 2021

	Notes	*2021* £	*2020* £
Turnover	2	13,370,063	37,125,650
Cost of sales		(4,069,539)	(11,435,540)
Gross profit		9,300,524	25,690,110
Administrative expenses	3	(21,426,416)	(31,286,986)
Operating loss		(12,125,892)	(5,596,876)
Income from fixed asset investments	6	-	4,815,778
Interest payable and similar charges	7	(624,008)	(566,191)
Loss on ordinary activities before taxation		(12,749,900)	(1,347,289)
Tax on loss on ordinary activities	8	58,163	336,324
Loss for the financial year		(12,691,737)	(1,010,965)

All amounts relate to continuing activities.

Statement of Comprehensive Income

for the year ended 28 February 2021

The Company has no other comprehensive income to report for the current or prior periods.

The total comprehensive income recognised is a loss for the period of £12,691,737 (2020: £1,010,965).

The notes on pages 16 to 36 form part of these financial statements.

Balance Sheet

at 28 February 2021

	Notes	2021 £	2020 £
Fixed assets			
Tangible assets	9	142,279,840	143,565,684
Investments	10	2,001	2,001
		142,281,841	143,567,685
Current assets			
Stocks	11	95,000	177,192
Debtors	12	6,324,686	8,607,949
Cash at bank and in hand		458,511	1,267,013
		6,878,197	10,052,154
Creditors: amounts falling due within one year	13	(212,924,284)	(204,987,484)
Net current liabilities		(206,046,087)	(194,935,330)
Total assets less current liabilities		(63,764,246)	(51,367,645)
Creditors: amounts falling due after more than one year	14	(13,639,593)	(13,266,162)
Provisions for liabilities	16	(4,600,874)	(4,663,253)
Net liabilities		(82,004,713)	(69,297,060)
Capital and reserves			
Called up share capital	17	24,000	24,000
Capital redemption reserve		6,000	6,000
Profit and loss account		(82,034,713)	(69,327,060)
Shareholders' deficit		(82,004,713)	(69,297,060)

Approved by the Board on 14 July 2021 and signed on its behalf by:

L I Girdwood

Director

Registered number 02881745

The notes on pages 16 to 36 form part of these financial statements.

Statement of changes in equity

at 28 February 2021

	Share capital	*Profit and loss account*	*Capital redemption reserve*	*Total equity*
	£	*£*	*£*	*£*
Balance as at 1 March 2020	24,000	(69,327,060)	6,000	(69,297,060)
Loss for the year	-	(12,691,737)	-	(12,691,737)
Total comprehensive loss for the year	-	(12,691,737)	-	(12,691,737)
Share based payment charge	-	(20,132)	-	(20,132)
Tax on share-based payment charge	-	4,216	-	4,216
Balance as at 28 February 2021	**24,000**	**(82,034,713)**	**6,000**	**(82,004,713)**

	Share capital	*Profit and loss account*	*Capital redemption reserve*	*Total equity*
	£	*£*	*£*	*£*
Balance as at 1 March 2019	24,000	(68,366,182)	6,000	(68,336,182)
IFRS 16 transition adjustment	-	-	-	-
Loss for the year	-	(1,010,965)	-	(1,010,965)
Total comprehensive loss for the year	-	(1,010,965)	-	(1,010,965
Share based payment credit	-	243,269	-	243,269
Tax on share-based payment credit	-	(193,182)	-	(193,182)
Balance as at 29 February 2020	**24,000**	**(69,327,060)**	**6,000**	**(69,297,060)**

The notes on pages 16 to 36 form part of these financial statements.

Notes to the financial statements

for the year ended 28 February 2021

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.

The Company's ultimate parent undertaking, Esken Limited (previously Stobart Group 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 2021

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 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 31 January 2023 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. However, the Group's consolidated financial statements for the year ended 28 February 2021 issued on 30 June 2021 includes a material uncertainty, relating to the Group's refinancing plans, 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 Chairman's statement and the financial position of the Group, its cash flows and funding are set out in the Financial Review of the Group's Annual Report.

Note 25 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 has adequate resources to continue in operational existence for the foreseeable future through to January 2023. Accordingly, the financial statements have been prepared on a going concern basis. However, there is a material uncertainty in respect of this going concern assumption and the Directors have exercised a very significant degree of judgement in concluding that the Group remains a going concern, in particular the identification of the going concern period and identifying and describing the material uncertainties that exist in concluding that the going concern basis of preparation remains appropriate.

In performing the going concern assessment, the Directors have reviewed the cash flow forecasts together with the funding options that may be available to the Group and the likelihood of them being accessible, including the current revolving credit facility (RCF), in the timelines required and anticipated in the forecasts, which cover the period up to January 2023. As at 28 February 2021, the Group was drawn £55.0m on its £120m existing RCF and had cash balances of £12.4m, resulting in headroom as of that date of £77.4m. However as explained below any further drawdowns from the existing RCF are subject to bank consent. Whilst the Group continues to tightly manage its cash resources during the post year end period, the current position is that the Group has drawn down £95m on its existing RCF and plans to draw down a further £13m during July 2021 and £5m in August 2021. Whilst the banks have indicated in writing their willingness to allow the Group to draw down those funds through to August 2021, there is no certainty that this will be the case. In addition, the banks have indicated in writing their willingness to defer certain covenant tests attached to the existing RCF. Should the bank not defer the covenant tests, or not allow the planned drawdowns to August 2021, the Group may be unable to continue trading.

Notes to the financial statements

for the year ended 28 February 2021

1. Accounting policies (continued)

Going concern (continued)

To enable the Group to repay its current RCF, the Group has announced it has entered into a signed term sheet on a £125m convertible debt instrument issued by its 100% owned subsidiary London Southend Airport Company Limited. The Group is currently still in negotiations with this lender and the agreed exclusivity period expires on 30 June 2021. Should this transaction not complete, the Group, in all likelihood, would need to market London Southend Airport for sale. In addition, the Group has announced its intention to raise net proceeds of approximately £40m by way of a documented equity raise (Capital Raise) that will be conditional upon, among other things, the approval of shareholders. A combined Prospectus to shareholders containing additional details on the convertible debt instrument and Capital Raise is intended to be published towards the end of July 2021. Should shareholders approve these transactions it is expected that the funds will be received by the Group before the end of August 2021. The funds raised will be used to repay the existing RCF, which is expected to be drawn down by £113m at the end of August 2021.

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

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

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

Notes to the financial statements

for the year ended 28 February 2021

1. Accounting policies (continued)

Going concern (continued)

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

- *The banks allow the Group to draw down £13m in July 2021 and £5m in August 2021 and does not require the Group to repay the existing RCF before the end of August 2021;*
- *The Group completes the Capital Raise and convertible debt issue discussed above, resulting in the receipt of gross proceeds of at least c.£165m which will largely be used to repay the existing RCF, which is expected to be drawn by £113m at the point of completion of the Capital Raise and convertible debt instrument.*
- *The Group enters into a new RCF of £20m and that this is refinanced prior to maturity in January 2023;*
- *A gradual resumption of flying from June 2021, with full year passenger volumes from LSA of c.0.3m for the year ending February 2022 and c.2.0m passengers in the year ending February 2023;*
- *Continued improvements in gate fee income along with the plants we supply experiencing improved availability;*
- *The liquidation of Stobart Air and payments for the remaining Propius obligations will result in cash outflows of c.£82m through to August 2023, which includes outflows in respect of aircraft lease payments, break fees in respect of the aircraft leases, maintenance obligations in respect of the aircraft, professional fees in respect of the liquidation and a contingency for unforeseen costs of liquidation;*
- *Significant professional fees in respect of the convertible debt instrument, equity raise and new RCF;*
- *An expectation that the Group will receive no sublease income in respect of the aircraft that will continue to be held by Propius; and*
- *No specific sector support from government and withdrawal of the Job Retention Scheme from 30 September 2021.*

Should the banks refuse to allow the planned drawdowns or require repayment of the existing RCF before the end of August 2021, or the Capital Raise, convertible debt transaction and new RCF are not successfully completed before the end of August 2021 the Group will have severe liquidity issues and the Director's would have a limited amount of time to raise additional funds, for example through a larger equity raise or a distressed sale of major assets, and this may not be completed in sufficient time to allow the Group to continue trading. Should this transaction not complete, the Group, in all likelihood, would need to market London Southend Airport for sale.

The Directors have considered a severe but plausible downside forecast. This scenario indicates that, before non-controllable mitigating actions such as non-core asset disposals, the Group will have a shortfall in headroom of c.£11m at January 2023. The downside detailed above is deemed by the Directors to provide a severe but plausible stress test on forecast trading results. This includes a significant reduction in 2022 and 2023 performance as a result of COVID-19 and reduced trading performance across both operations, resulting in a pre-mitigation cash reduction to forecast. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example, accessing the value of the asset base to support liquidity. Consequently, the Directors have concluded that to stress test a level of increased severity (beyond the downside modelled) that may create circumstances that represent further instances of a material uncertainty and which may cast an additional significant doubt about the group's ability to continue as a going concern, is not currently reasonable.

Notes to the financial statements

for the year ended 28 February 2021

1. Accounting policies (continued)

Going concern (continued)

The severe but plausible downside forecast includes:

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

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

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

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

- *the banks not requiring repayment of the existing RCF before the end of August 2021;*
- *the banks allowing the Group to draw down from the existing RCF £13m in July 2021 and £5m in August 2021;*
- *the successful completion of the Capital Raise of net £40m before the end of August 2021,*
- *successful completion of the convertible debt instrument of gross £125m before the end of August 2021; and*
- *the successful completion of the new RCF of £20m maturing in January 2023, before the end of August 2021, and it's refinancing on maturity in January 2023.*

The successful completion of the Group's refinancing plans, along with other matters referred to above, represent a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The Group financial statements do not include any adjustments that would be necessary if the going concern basis was inappropriate.

Notes to the financial statements

for the year ended 28 February 2021

1. Accounting policies (continued)

Going concern (continued)

Taking all these factors into account, the directors are satisfied that the company will have sufficient funds to continue to meet its liabilities as they fall due until at least January 2023 from the date of approval of the annual financial statements and therefore have prepared the financial statements on a going concern basis. However the Directors consider that the Company's ability to continue as a going concern is dependent on the ongoing financial support from the Group and to enable this to occur the Group needs to successful complete it's refinancing plans which, together with the other matters referred to above, represents a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would be necessary if this basis were inappropriate

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.

Airport activities are invoiced as and when the goods or services have been supplied. 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 2021

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

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.

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.

(b) 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.

Notes to the financial statements

for the year ended 28 February 2021

1. Accounting policies (continued)

Financial instruments (continued)

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 group 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 group; 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.

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.

Notes to the financial statements

for the year ended 28 February 2021

1. Accounting policies (continued)

Financial instruments (continued)

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 or valuation 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.

Depreciation is applied at the following rates:

Freehold land	–	not depreciated
Freehold buildings	–	2% - 5% straight line
Long leasehold property	–	0.5% to 30% straight line
Plant and machinery	–	2% to 100% straight line
Fixtures and fittings	–	3% to 20% straight line
Motor vehicles	–	20% straight line

Borrowing costs attributable to qualifying assets are capitalised.

Impairment of non-financial assets excluding stocks and deferred tax assets

Impairment tests of goodwill and intangible assets with indefinite useful lives 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 Company's CGU's that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the profit and loss account.

Accounting estimates and judgements

Where there is an indication that an asset may be impaired, London Southend Airport is required to test whether assets have suffered any impairment. The recoverable amount is determined based on fair value less costs of disposal calculations. The material estimations related to the forecast EBITDA and appropriate EBITDA multiple for a London airport. Further information is set out in note 9.

The directors have seen cash forecasts predicated on a new business plan for 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.

Notes to the financial statements

for the year ended 28 February 2021

1. Accounting policies (continued)

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.

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.

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.

Notes to the financial statements

for the year ended 28 February 2021

1. Accounting policies (continued)

Share based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the 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.

2. Turnover

	2021	*2020*
	£	*£*
Major product/service lines:		
Sales of goods	3,751,239	13,858,762
Rendering of services	8,897,491	22,202,429
Property rentals	721,333	1,064,459
	13,370,063	37,125,650
Primary geographical markets:		
United Kingdom	9,789,534	25,344,188
Europe and Ireland	3,580,529	11,781,462
	13,370,063	37,125,650

Notes to the financial statements

for the year ended 28 February 2021

3. Operating loss

Operating loss is stated after charging/(crediting):

	2021	*2020*
	£	*£*
Depreciation of tangible fixed assets	6,221,454	5,723,088
Expenses relating to short-term leases	9,153	2,594
Expenses relating to low-value assets	2,635	350
Expenses relating to variable lease payments	(85,797)	(16,399)
Auditor's remuneration	127,000	68,000
Marketing and support costs	372,260	9,266,097
Government grants	(236,137)	(236,876)

Marketing and support costs of £372,260 (2020: £9,266,097) relate to costs from introducing additional passenger airline routes.

4. Directors' emoluments

Remuneration in respect of the directors was as follows:

	2021	*2020*
	£	*£*
Emoluments and benefits in kind		
- Bourne by a fellow group Company	709,279	507,882
- Bourne by London Southend Airport Company Limited	-	490,155
Pension contributions		
- Bourne by a fellow group Company	121,517	93,634
- Bourne by London Southend Airport Company Limited	-	28,623
	830,796	1,120,294

Of the costs that are borne by a fellow group Company; these 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 (2020: 3) directors participated in a money purchase pension scheme.

Notes to the financial statements

for the year ended 28 February 2021

5. Staff costs

	2021	*2020*
	£	*£*
Wages and salaries	6,905,807	7,505,454
Social security costs	710,201	854,993
Other pension cost	228,289	250,139
	7,844,297	8,610,586

UK Government 'furlough' scheme:

	2021	*2020*
	£	*£*
Total amount received under scheme	1,220,894	-

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

	2021	*2020*
	No.	*No.*
Operational and administrative staff	246	242

6. Income from fixed asset investments

	2021	*2020*
	£	*£*
Dividend received from subsidiary	-	4,815,778

7. Interest payable and similar charges

	2021	*2020*
	£	*£*
Interest on lease liabilities	624,008	566,191

Notes to the financial statements

for the year ended 28 February 2021

8. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2021	2020
	£	£
Current tax:		
Adjustments in respect of previous periods	-	-
Total current tax	-	-
Deferred tax:		
Current year	(828,078)	(393,740)
Adjustment in respect of prior periods	194,231	57,416
Impact of rate change	575,684	-
Total deferred tax	(58,163)	(336,324)
Total tax on ordinary losses	(58,163)	(336,324)

(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% (2020: 19%). The differences are explained below:

	2021	2020
	£	£
Loss for the financial year	(12,691,737)	(1,010,965)
Tax on loss on ordinary activities	58,163	336,324
Loss on ordinary activities before tax	(12,749,900)	(1,347,289)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(2,422,481)	(255,985)
Effects of:		
Permanent differences	1,458,897	564,209
Adjustments in respect of previous periods	194,231	57,416
Income not taxable	(44,866)	(960,005)
Tax losses carried forward not recognised	180,370	211,719
Difference between current and deferred tax rates	575,686	46,322
Tax credit for the year	(58,163)	(336,324)

(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. The deferred tax assets/liabilities as at 28 February 2021 and 28 February 2020 have been recognised/provided at 19%.

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023.

Notes to the financial statements

for the year ended 28 February 2021

9. Tangible fixed assets

	Land and buildings	*Assets under construction*	*Plant and machinery*	*Fixtures and fittings*	*Motor vehicles*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Cost or valuation:						
At 1 March 2020	136,234,008	5,673,740	23,793,793	8,896,535	205,838	174,803,914
Additions	1,000,000	2,799,767	250,198	(1,540)	-	4,048,425
Right-of-use asset additions	741,448	-	145,737	-	-	887,185
Disposals	-	-	-	-	-	-
Transfers	15,181	(301,058)	19,351	266,526	-	-
At 28 February 2021	**137,990,637**	**8,172,449**	**24,209,079**	**9,161,521**	**205,838**	**179,739,524**
Depreciation:						
At 1 March 2020	18,943,502	-	7,870,323	4,266,855	157,550	31,238,230
Charge for the year	3,464,347	-	1,635,000	872,127	26,258	5,997,732
Charge for the year on right-of-use assets	107,389	-	116,333	-	-	223,722
Disposals	-	-	-	-	-	-
At 28 February 2021	**22,515,238**	**-**	**9,621,656**	**5,138,982**	**183,808**	**37,459,684**
Net book value:						
At 28 February 2021	**115,475,399**	**8,172,449**	**14,587,423**	**4,022,539**	**22,030**	**142,279,840**
At 1 March 2020	117,290,506	5,673,740	15,923,470	4,629,680	48,288	143,565,684

The Company's freehold land and buildings provide security against the Esken Group revolving credit facility (RCF).

Freehold land and buildings includes land at cost of £32,576 (2020: £32,576) that is not depreciated.

Included within land and buildings at a cost of £6,073,483 (2020: £6,073,483) are assets that are funded by grants from Southend Borough Council. Included within plant and machinery at a cost of £346,258 (2020: £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 (2020: £7,767,938) are finance costs which were capitalised at the prevailing group rate of LIBOR plus 4% and include directly related financing fees. During the year £nil (2020: £nil) of interest was capitalised.

Notes to the financial statements

for the year ended 28 February 2021

9. 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 2021	8,113,512	132,835	-	-	8,246,348
NBV at 29 February 2020	7,479,453	103,432	-	-	7,582,885

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

The London Southend Airport (LSA) 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 2021.

The Directors estimated the Fair Value Less Costs to Sell (FVLCS) of the CGU and determined that no charge for impairment was necessary. There has been a change in the basis for measuring recoverable amount in the current year, with FVLCS replacing value in use used in the prior year as the directors believe this better represents the value of the assets. During the year and post year end, the directors have been in discussion with parties interested in acquiring a stake in LSA which has provided further evidence towards the FVLCS recoverable amount. It is the view of the directors that the FVLCS is in excess of £400m and as such is more than sufficient to cover the carrying amount of the LSA CGU assets. The assumptions used to determine this recoverable amount include future forecast EBITDA and multiples achieved by London airports.

10. Fixed asset investments

	Shares in subsidiary undertakings	*Other investment*	*Total*
	£	£	£
Cost or valuation:			
At 1 March 2020	1	2,000	2,001
Disposals	-	-	-
At 28 February 2021	1	2,000	2,001
Net book value:			
At 28 February 2021	1	2,000	2,001
At 1 March 2020	1	2,000	2,001

The investment in subsidiary undertakings above represents the cost of investment in 100% of the ordinary share capital of Thames Gateway Airport Limited, a wholly-owned subsidiary incorporated in England and Wales.

Other investment represents the cost of investment in an unlisted entity incorporated in England and wales, 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 2021

11. Stocks

	2021	*2020*
	£	*£*
Finished goods and goods for resale	95,000	177,192

12. Debtors: amounts falling due within one year

	2021	*2020*
	£	*£*
Trade debtors	1,191,989	3,724,073
Amounts owed by fellow subsidiary undertakings	2,913,032	2,236,449
Other debtors	1,390,206	897,331
Prepayments and accrued income	428,396	878,124
Other taxes and social security	401,063	871,972
	6,324,686	8,607,949

The debtor balances above all fall due within one year.

Amounts owed by group undertakings are unsecured and repayable on demand.

13. Creditors: amounts falling due within one year

	2021	*2020*
	£	*£*
Net lease obligations	1,382,709	1,299,403
Trade creditors	5,631,760	4,617,995
Amounts owed to parent and fellow subsidiary undertakings	200,354,139	194,256,979
Provisions (note 15)	2,300,000	-
Other taxes and social security costs	113,117	304,219
Other creditors	407,594	431,261
Government grants	232,237	268,579
Accruals and deferred income	2,502,728	3,809,048
	212,924,284	204,987,484

Amounts owed to group undertakings are unsecured and repayable on demand.

Notes to the financial statements

for the year ended 28 February 2021

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

	2021	*2020*
	£	*£*
Net lease obligations	11,135,351	10,562,125
Government grants	2,504,242	2,704,037
	13,639,593	13,266,162

Government Grants:	*£*
Balance at 1 March 2020 – non-current liabilities	2,704,037
Balance at 1 March 2020 – current liabilities	268,579
Additions	-
Amortisation in the year	(236,137)
Included within current liabilities	(232,237)
Balance at 28 February 2021	2,504,242

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. The amount of the grant to be released after more than five years is £1,576,940 (2020: £1,808,776).

15. Provisions

	Property Claims
	£
Balance at 1 March 2020 – current liabilities	-
Additions	2,300,000
Utilised in the year	-
Reversed during the year	-
Balance at 28 February 2021	2,300,000

Following the initial conclusion of legal cases in relation to property related matters a provision of £2,300,000 was created in the year.

Notes to the financial statements

for the year ended 28 February 2021

16. Deferred taxation

	2021	2020
	£	£
Deferred tax liability at 1 March	4,663,253	4,806,394
Adjustments in respect of prior years	194,231	57,416
Charge for the year	(252,394)	(393,739)
Impact of rate change	-	-
Movement through other comprehensive income	(4,216)	193,182
Deferred tax liability at 28 February	4,600,874	4,663,253
The deferred tax liability is analysed as follows:		
Accelerated capital allowances	2,257,924	728,265
Capitalised interest	2,842,099	1,447,533
Other timing differences	(499,149)	2,487,455
	4,600,874	4,663,253

The deferred tax liability at 28 February 2021 has been calculated at the rate of 19% (2020: 17%) substantively enacted at the balance sheet date.

Deferred tax has not been recognised in respect of tax losses of £9,673,988 as at 28 February 2021 (2020: £1,114,312) 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.

17. Issued share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
24,000 Ordinary shares of £1 each	24,000	24,000

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 £221,879 (2020: £250,139). The outstanding contributions as at 28 February 2021 are £22,282 (2020: £42,269).

Notes to the financial statements

for the year ended 28 February 2021

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 9) 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:

	2021	*2020*
	£	*£*
Interest expenses on lease liabilities	624,008	566,191
Expenses relating to short-term leases	9,153	2,594
Expenses relating to leases of low-value assets	2,635	350
Expenses relating to variable lease payments	(85,797)	(16,399)

Company as lessor

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

During the year £660,671 (2020: £976,237) 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:

	2021	*2020*
	£	*£*
Less than one year	178,328	375,533
One to two years	172,170	276,698
Two to three years	172,170	276,698
Three to four years	172,170	276,698
Four to five years	161,162	272,690
More than five years	3,020,025	3,368315
	3,876,025	**4,846,632**

20. Contingent liabilities

At the balance sheet date, the Company was entered into a cross-guarantee arrangement in respect of the bank borrowings of Esken Limited, the ultimate parent undertaking. At 28 February 2021 the maximum potential liability amounted to £55,000,000 (2020: £75,000,000).

Notes to the financial statements

for the year ended 28 February 2021

21. 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 related party transactions took place during the year:

- Stobart Air UC Limited – Sales of aviation services in 2021 amounting to £nil (2020: £2,114,995). The balance owed to the Company at the end of 28 February 2021 was £nil (2020: £108,750).
- Stobart Air UC Limited – Purchases of aviation services in 2021 amounting to £nil (2020: £5,141,992). The balance owed by the Company at 28 February 2021 was £nil (2020: £nil).
- Flybe Limited – Sales of aviation services in 2021 amounting to £2,909 (2020: £76,414). The balance owed to the Company at the end of 28 February 2021 was £3,223 (2020: £314).
- Flybe Limited – Purchases of aviation services in 2021 amounting to £nil (2020: £1,200,000). The balance owed by the Company at the end of 28 February 2021 was £nil (2020: £nil).

The above parties are related by way of common ownership.

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 2021 was £37,693 (2020: £37,693).
- Apollo Air Services Limited – Sales of aviation services. The balance owed to the Company at 28 February 2021 was £43,036 (2020: £43,036).
- Apollo Air Services Limited – Purchases of aviation services. The balance owed by the Company at 28 February 2021 was £82,745 (2020: £82,745).

22. Ultimate parent undertaking and controlling party

The Company is a subsidiary of 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.

23. Post balance sheet events

In April 2021 the Company was awarded and received a financial assistance grant of £1,155,240 from the Airport and Ground Operations Support Scheme.

On 2 July 2021, the Company signed and exchanged contracts on a £125m senior loan facility which is convertible into 29.999% of the entire issued share capital of the Company. This transaction is subject to Esken Limited shareholder approval, being the shareholders of the listed ultimate parent company.