

Prior to publication the information communicated in this announcement was deemed by the Company to constitute inside information for the purposes of article 7 of the Market Abuse Regulations (EU) No 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations No 2019/310 ('MAR'). With the publication of this announcement, this information is now considered to be in the public domain.

29 November 2023

Esken Limited
("Esken" or the "Group")

Results for the six months ended 31 August 2023

Esken Limited, the aviation and renewables group, today announces its unaudited interim results for the six months ended 31 August 2023.

David Shearer, Executive Chairman of Esken, said

"The Board is pleased that shareholders have approved the disposal of Esken Renewables and this transaction is expected to complete on or around 1 December 2023. The sale will generate net proceeds of £78.5m after costs, which will be used to repay the term loan that was secured against certain Group assets, provide funding for a wind up of the legacy pension scheme and generate some additional liquidity in the short term. The disposal, in line with the results of the strategic review, has been completed despite a challenging market backdrop and will lead to a significant reduction in Group indebtedness at a time of high interest rates as well as removing a number of guarantees given on long-term contracts.

Following the disposal, the main operating business will be the Aviation division, primarily London Southend Airport (LSA). The airport has benefitted during the summer season from the industry's strong passenger demand, which has seen the other London airports return to pre-pandemic passenger levels with the associated capacity constraints. The partnership with easyJet has seen the schedule grow from three to eight destinations, with increasing frequency and strong load factors being experienced, resulting in a 17.8% increase in passengers on the same period last year. This has encouraged easyJet to add additional routes with Alicante, Amsterdam, Geneva, Paris and most recently Grenoble to operate through the winter this year. Against this positive backdrop, discussions continue on an expanded summer schedule for 2024 with a number of airlines who recognise the growing capacity constraints at other London airports and the strong offering from LSA in terms of operating cost and passenger experience.

The Board believes it now has a base from which to progress the process to seek a new owner for LSA, with a view to crystallising shareholder value through securing the right long-term partner, who both recognises the inherent strategic opportunity and is best placed to support future growth. The Board recognises that this process may take time to get the right deal and, as disclosed in the recent circular, are taking steps to further secure the Group's financial position to support the airport so that the Group can execute a sale of LSA without undue balance sheet pressure. As part of this work, the Board has received a term sheet and has entered into negotiations with a large majority holder of the exchangeable bond, which currently matures in May 2024, with a view to agreeing terms and an extension on the maturity to December 2025, along with removing the cash drag from interest payments at 2.75%, to be replaced with 10% PIK payable on redemption. These steps are being taken to ensure that the maturity profile of the Group funding matches and supports the sale process, allowing it to be conducted in an orderly manner to maximise the value realised for shareholders.

As disclosed on 26 September 2023, Esken received notification that documents filed by Carlyle Global Infrastructure Opportunity Fund (CGI) in the High Court had been served on LSA claiming certain technical breaches by LSA with respect to the Convertible Debt Facility. LSA does not agree with CGI's claimed interpretation and intends to defend the action vigorously. Meanwhile, Esken intends to continue with its sale process, as a successful sale and application of the proceeds to redeem the Convertible Debt Facility would in any case resolve the matter.

Since the period end, Esken has entered into non-binding heads of agreement for the sale of two of the non-core assets for a cash consideration of £8.5m. In addition, discussions are underway on the remaining non-core assets at Widnes and Carlisle Lake District Airport, with a view to completing transactions to dispose of these assets before the end of our financial year. These transactions will not only generate cash to improve the Groups

liquidity profile and support the wind down of the Group services, but also remove long-term lease liabilities from the balance sheet and allow a focus to be on the growth and sale of LSA. It is the intention of the Board that once these transactions have been completed the residual value will be returned to shareholders.”

Financial highlights during the period

- Group Adjusted EBITDA improved by 14.5% to a loss of £3.5m (2022: £4.1m). Note that Renewables is now presented within discontinued operations and that the comparator period is consequently restated.
- The aviation business reported an Adjusted EBITDA loss of £2.8m (2022: £0.5m). Passenger numbers improved by 17.8% to 71,557 (2022: 60,734) reflecting continued easyJet operations, following increased flight frequency and increased destinations. The prior period benefitted from a logistics contract which has terminated and one-off items.
- Star Handling Limited was sold for £3.9m, generating a £1.6m profit on disposal, with a further contingent consideration of up to £1.0m dependent upon revenue performance over the 12 months post sale.
- Propius handed back three aircraft in the period, leaving one aircraft still to return along with the overhaul of one landing gear set still outstanding. The maintenance reserve provision remains sufficient to settle all outstanding obligations and will be fully utilised in the second half of the year.
- The Group disposed of its investment in Mersey Bioenergy (MBE) for proceeds of £9.0m, generating a profit on disposal of £1.7m, following a write back of impairment of £7.3m at 28 February 2023.
- The Group has recalculated the amortised cost of the convertible debt liability leading to a one-off non-cash adjustment of £29.4m through finance costs in the profit or loss, driven by a change in estimated repayment date resulting from the decision to sell LSA.
- An impairment of £5.3m has been recognised on the non-core asset at Pollington, having accepted a non-binding proposal to dispose of the asset for £3.5m.
- The Group’s cash at the period end was £26.9m (Feb 2023: £50.3m), which includes £3.0m (Feb 2023: £5.3m) of ring-fenced cash in LSA and £6.9m in Renewables, presented as held for sale.
- Renewables contributed £5.0m (2022: £7.0m) of EBITDA now presented within discontinued operations. Performance was impacted by increased plant outages, lower gate fee rates and impacts of one-off settlements that have been agreed with specific plants in relation to contractual negotiations done in parallel with discussions to seek change of control consents in relation to the disposal process.

Financial highlights post period end

- Post period end, the Group agreed the disposal of Renewables for net proceeds of £78.5m. Completion is expected on or around 1 December 2023.
- On completion, the Group will repay its term loan of c.£71m (including costs), removing security over the remaining non-core assets.
- Following completion, the Group will make a one-off contribution of c.£3.6m into escrow for the benefit of the Ansa Logistics Pension Plan. This payment is expected to be sufficient to take the scheme through buy-in, buy-out and wind up removing any further liability for the Group.
- Residual cash from the disposal of Renewables will provide working capital in the short term for the continuing Group.
- As previously disclosed, the Group has initiated discussions in relation to a £20m funding facility from Esken’s larger shareholders into Esken Aviation, as holding company of LSA, of which an initial £5m has been committed plus indicative commitments for a further £7m. These discussions will be progressed following the settlement of the existing debt facilities when the Renewables transaction completes.

Strategic review and outlook

Following the disposal of Esken Renewables, the continuing Group will comprise of Esken Aviation, principally LSA, and non-core operating divisions.

The strategy of the continuing Group will be to:

- provide support for the ongoing recovery of passenger growth at LSA, whilst continuing the managed sale process to secure a new long term strategic owner for the airport;
- dispose of the remaining non-core assets;
- renegotiate the terms and maturity of the exchangeable bond beyond the current maturity date of 8 May 2024, and to subsequently repay and close out the exchangeable bond when it then becomes due;
- to settle all remaining outstanding liabilities;

- once sufficient assets have been realised, to seek a managed sale process of any of the remaining assets of the Group and return remaining value to shareholders; and
- implement the move to a Standard Listing on 22 December 2023.

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Publication on website

A copy of this announcement and associated presentation will be available for inspection on the Company's website at: www.esken.com. For the avoidance of doubt, the contents of this website are not incorporated into and do not form part of this announcement.

Financial Review

Summary of the period

In the Aviation division, passenger numbers in the period increased by 17.8% to 71,557, up from 60,734 in the prior period. During the summer 2023 season there was a 30% increase in the number of flights operated by easyJet out of LSA due to the new Amsterdam route in addition to increased frequency of flights to Faro. At LSA the increased number of flights and destinations has driven the period-on-period increase in passenger numbers.

During the period, the Group sold its wholly owned subsidiary Star Handling Limited, which provided ground handling services at Manchester and Stansted airports, to Skytanking UK Ltd for cash consideration of £3.9m generating a profit on disposal of £1.6m. There is further contingent consideration of up to £1.0m dependent on revenue performance over the 12 months post sale, for which there is no provision in the accounts. The remaining ground handling operation will provide dedicated in-house services at LSA.

During the period, the Renewables division was reclassified as a disposal group held for sale and its results are presented within discontinued operations on the Condensed Consolidated Income Statement. Continuing challenging market conditions have had an adverse effect on gate fee income, which has also been impacted due to unplanned plant shutdowns reducing the amount of waste wood that can be taken in by processing sites. Despite this, the division contributed a £0.7m profit before tax (2022: £2.3m).

The Group disposed of its investment in MBE for cash consideration of £9.0m, resulting in a profit on disposal of £1.7m. The Group's investment comprised a 39.6% shareholding and £7.3m of loan notes. Impairment of the loan notes was previously reversed from £nil to £7.3m in the year ended 28 February 2023.

At 31 August 2023, the Group has £4.7m of obligations relating to leases, maintenance and other costs of the ATR aircraft in Propius. At the period end, there was one remaining aircraft to be returned to the lessor and obligations on a further set of landing gear. All costs are expected to be settled before the year ending 29 February 2024.

The Group's headroom at 31 August 2023 is £26.9m (see note 16), which includes £20.0m of cash in the continuing Group, of which £3.0m is ring-fenced within LSA, and £6.9m of cash and restricted cash in the Renewables division, shown as part of assets held for sale on the Condensed Consolidated Statement of Financial Position. The Group has remaining non-core assets with book value of £30.3m.

The sale of Esken Renewables Limited has progressed significantly and is expected to complete on or around 1 December 2023 for net consideration of c.£78.5m, which will allow the Group to immediately repay the £55m term loan and associated costs which total c.£71m. The balance of the net proceeds will be used to further contribute £3.6m to the Group's defined benefit pension scheme and to provide additional working capital in the short term for the continuing Group.

Revenue

Revenue from continuing operations has decreased by 37.4% to £9.1m (2022: £14.6m) in the six months to 31 August 2023. This is due to the Aviation division, with the cargo operations from a global logistics partner ending in mid-September 2022, and only three months of revenue in the period for Star Handling Limited, following the sale of this business. There was also a period-on-period reduction in fuel sales at LSA due to a reduction in the global fuel price.

Profitability

Divisional Continuing Profit Summary

	Six months ended 31 August 2023 £m	Restated Six months ended 31 August 2022 £m
Aviation	(2.8)	(0.5)
Investments	-	-
Non-Strategic Infrastructure	2.0	(0.4)
Group central and eliminations	(2.7)	(3.2)
Adjusted EBITDA	(3.5)	(4.1)
Depreciation	(4.9)	(5.2)
Impairment	(5.3)	-
Finance costs (net)	(46.8)	(5.4)
Share of post-tax losses of associates and joint ventures	(0.3)	(0.3)
Loss before tax	(60.8)	(15.0)
Tax	0.4	2.5
Loss for the period from continuing operations	(60.4)	(12.5)
Profit from discontinued operations, net of tax	0.1	3.9
Loss for the period	(60.3)	(8.6)

The 31 August 2022 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 6 for more details.

EBITDA has improved by 14.5% to a loss of £3.5m (2022: £4.1m). In Aviation, EBITDA has decreased to a loss of £2.8m (2022: £0.5m). This is due to cargo operations from a global logistics partner ending in mid-September 2022, a £1.4m recovery of airline marketing costs in the prior period not being repeated, and increases in legal and staff costs. These decreases were partially offset by the £1.6m profit on disposal of Star Handling Limited. The Non-Strategic Infrastructure EBITDA improved from a loss of £0.4m to a profit of £2.0m in the period, due to the £1.7m profit on disposal of MBE and a reduction in the Widnes Regional Development Fund grant liability.

The loss before tax from continuing operations is £60.8m (2022: £15.0m). Land and buildings at Pollington were impaired by £5.3m following the decision to dispose of the site. Net finance costs of £46.8m (2022: £5.4m) have increased principally due to additional non-cash interest on the convertible debt due to a re-assessment of the expected repayment date of the loan (see note 7), in addition to foreign exchange losses from the revaluation of Esken Limited's US-Dollar denominated loan with Propius.

A summary of divisional profitability and further details of divisional performance are set out in the Divisional Reviews section.

Taxation

The tax credit of £0.4m (2022: £2.5m) has arisen predominantly due to a change in the amount of unrecognised tax losses following the disposal of Star Handling Limited in the period.

Loss per share

Loss per share from continuing operations was 5.92p (2022: 1.23p) (see note 10 for further details).

Balance sheet

	31 August 2023	28 February 2023
	£m	£m
Non-current assets	235.5	352.7
Current assets	162.1	86.2
Non-current liabilities	(282.0)	(272.7)
Current liabilities	(134.9)	(126.3)
Net (liabilities)/assets	(19.3)	39.9

Non-current assets have decreased in the period, largely due to the reclassification of goodwill and Property, Plant and Equipment within the Renewables division to assets held for sale, presented within current assets, in addition to impairment and depreciation in the period. Current assets have increased primarily due to the above reclassification of Renewables non-current assets, partly offset by the decrease in cash balance in the period, see the Cash flow section below for more detail.

There has been an increase in non-current liabilities driven by an increase in the convertible debt due to a re-assessment of the expected repayment date, partly offset by the reclassification of non-current leases within the Renewables division to liabilities held for sale, presented within current liabilities. Current liabilities have increased due to the above Renewables division reclassification, partially offset by repayment of the Propius maintenance provision.

Debt and gearing

	31 August 2023	28 February 2023
Loans and borrowings	£327.7m	£340.4m
Cash	(£20.0m)	(£50.3m)
Net debt	£307.7m	£290.1m
Adjusted EBITDA/interest	(0.1)	0.2
Net debt/total assets	77.4%	66.1%
Gearing	(1,591.1%)	726.8%

In the period, loans and borrowings have decreased by £12.7m, the main drivers of which are as follows. Lease liabilities have decreased by £56.5m due to the reclassification of leases in the Renewables division to liabilities held for sale, in addition to capital repayments across the Group. The convertible debt instrument has increased by £38.4m due to a re-assessment of the estimated repayment date, in light of the strategic review triggering the managed disposal of LSA. Due to make-whole provisions, the re-assessment of the expected repayment date does not alter the expected cash repayment amount.

Cash flow

	31 August 2023	Restated 31 August 2022
	£m	£m
Operating cash outflow	(11.5)	(12.6)
Investing activities	13.6	3.0
Financing activities	(4.9)	(3.8)
Decrease in the period	(2.8)	(13.4)
Discontinued operations	(20.6)	(7.4)
Cash at beginning of period	50.3	52.7
Cash at end of period	26.9	31.9

The cash outflow from discontinued operations has increased period-on-period due to higher maintenance and lease costs in Propius as aircraft are handed back in the current period. Costs for Propius remain in line with expectations. Investing inflows include £9.0m from the sale of MBE and £3.6m from the sale of Star Handling. In the prior period they included £3.5m from the sale of a portion of Widnes land. The principal financing outflows include £4.2m of lease payments and £3.9m interest paid on the term loan interest. There was an inflow of £4.0m from a further drawdown on the term loan. In the prior period the main financing outflow was from lease payments totalling £3.5m.

Key risks and uncertainties

As with any business, risk assessment and the implementation of mitigating actions and controls are vital to successfully achieving the Group's strategy. The Board has overall responsibility for risk management and internal control within the context of achieving the Group's objectives and has approved a Framework for the risk management process. This includes regular consideration of both existing and emerging risks, and the evaluation of the Group's exposure to key corporate risks.

During the year, the Board has added one new principal risk, relating to the Group's relationship with CGI, the issuer of the convertible debt instrument. Other than that addition, the principal risks set out in our statutory accounts for the year ended 28 February 2023 are still applicable.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of unaudited financial statements has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting'; and
- The interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the statutory accounts for the year ended 28 February 2023 that could do so.

The above statement of Directors' responsibilities was approved by the Board on 28 November 2023.

Nick Dilworth
Director
29 November 2023

Esken Limited

Condensed Consolidated Income Statement
For the six months ended 31 August 2023

		Six months ended 31 August 2023 Unaudited £'000	Restated ¹ Six months ended 31 August 2022 Unaudited £'000
Continuing operations	Notes		
Revenue	4	9,142	14,613
Other operating income	5	3,322	89
Operating expenses		(13,803)	(18,805)
Restructuring costs	13	(2,171)	-
Adjusted EBITDA		(3,510)	(4,103)
Depreciation		(4,965)	(5,234)
Impairments	8	(5,270)	-
Operating loss		(13,745)	(9,337)
Finance costs	7	(47,205)	(10,557)
Finance income	7	413	5,220
Share of post-tax losses of associates and joint ventures		(286)	(346)
Loss before tax		(60,823)	(15,020)
Tax	9	391	2,511
Loss for the period from continuing operations		(60,432)	(12,509)
Discontinued operations			
Profit from discontinued operations, net of tax	6	177	3,891
Loss for the period		(60,255)	(8,618)
Loss per share expressed in pence per share – continuing operations			
Basic	10	(5.92p)	(1.23p)
Diluted	10	(5.92p)	(1.23p)
Loss per share expressed in pence per share – total			
Basic	10	(5.90p)	(0.84p)
Diluted	10	(5.90p)	(0.84p)

¹The 2022 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 6 for further details.

Esken Limited

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 August 2023

	Six months ended 31 August 2023 Unaudited £'000	Six months ended 31 August 2022 Unaudited £'000
Loss for the period	(60,255)	(8,618)
Discontinued operations, net of tax, relating to exchange differences	3,318	(9,744)
Other comprehensive income/(expense) – items that may be reclassified in subsequent periods to profit or loss, net of tax	3,318	(9,744)
Re-measurement of defined benefit plan	(663)	178
Change in fair value of financial assets classified as FVOCI	(1,283)	(962)
Tax on items relating to components of other comprehensive income/(expense)	-	(200)
Other comprehensive expense - items that will not be reclassified to profit or loss, net of tax	(1,946)	(984)
Other comprehensive income/(expense) for the period, net of tax	1,372	(10,728)
Total comprehensive expense for the period	(58,883)	(19,346)

Esken Limited

Condensed Consolidated Statement of Financial Position
As at 31 August 2023

		31 August 2023 Unaudited £'000	28 February 2023 Audited £'000
	Notes		
Non-current assets			
Property, plant and equipment	11	203,146	263,412
Investment in associates and joint ventures		163	450
Other financial assets	12	14,040	15,324
Intangible assets		-	54,669
Net investment in lease		16,159	16,888
Defined benefit pension surplus		1,992	1,937
		235,500	352,680
Current assets			
Inventories		1,125	1,729
Trade and other receivables		10,194	34,195
Restricted cash		-	1,000
Cash and cash equivalents	12	19,958	49,264
Assets held for sale	6	130,824	-
		162,101	86,188
Total assets		397,601	438,868
Non-current liabilities			
Loans and borrowings	12	(264,707)	(259,841)
Other liabilities		(7,237)	(8,894)
Deferred tax	9	(6,133)	-
Provisions	13	(3,942)	(3,942)
		(282,019)	(272,677)
Current liabilities			
Trade and other payables		(9,445)	(27,611)
Loans and borrowings	12	(62,933)	(80,521)
Corporation tax	9	(1,000)	(583)
Provisions	13	(8,277)	(17,560)
Liabilities associated with the assets held for sale	6	(53,265)	-
		(134,920)	(126,275)
Total liabilities		(416,939)	(398,952)
Net (liabilities)/assets		(19,338)	39,916
Capital and reserves			
Issued share capital		102,534	102,534
Share premium		403,225	403,225
Foreign currency exchange reserve		(3,481)	(6,799)
Reserve for own shares held by employee benefit trust		(7,596)	(7,596)
Retained deficit		(514,020)	(451,448)
Shareholders' (deficit)/equity		(19,338)	39,916

Esken Limited

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2023

For the six months ended 31 August 2023

Unaudited

	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained deficit £'000	Total equity £'000
Balance at 1 March 2023	102,534	403,225	(6,799)	(7,596)	(451,448)	39,916
Loss for the period	-	-	-	-	(60,255)	(60,255)
Other comprehensive income/(expense) for the period	-	-	3,318	-	(1,946)	1,372
Total comprehensive income/(expense) for the period	-	-	3,318	-	(62,201)	(58,883)
Employee benefit trust	-	-	-	-	(539)	(539)
Share-based payment charge	-	-	-	-	168	168
Balance at 31 August 2023	102,534	403,225	(3,481)	(7,596)	(514,020)	(19,338)

For the six months ended 31 August 2022

Unaudited

	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained deficit £'000	Total equity £'000
Balance at 1 March 2022	102,534	403,225	218	(7,596)	(428,238)	70,143
Loss for the period	-	-	-	-	(8,618)	(8,618)
Other comprehensive expense for the period	-	-	(9,744)	-	(984)	(10,728)
Total comprehensive expense for the period	-	-	(9,744)	-	(9,602)	(19,346)
Share-based payment charge	-	-	-	-	250	250
Balance at 31 August 2022	102,534	403,225	(9,526)	(7,596)	(437,590)	51,047

Esken Limited

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 August 2023

		Six months ended 31 August 2023 Unaudited £'000	Restated Six months ended 31 August 2022 Unaudited £'000
	Notes		
Cash used in continuing operations	14	(10,991)	(11,586)
Cash (outflow)/inflow from discontinued operations		(6,233)	3,802
Income taxes paid		(526)	(1,030)
Net cash flow from operating activities		(17,750)	(8,814)
Purchase of property, plant and equipment		(85)	(1,597)
Proceeds from the sale of property inventory		-	3,538
Proceeds from the sale of property, plant and equipment		37	90
Receipt of capital element of net investment in lease		854	676
Proceeds from disposal of subsidiary undertaking, net of cash disposed		3,614	-
Proceeds from sale of associate		9,000	-
Interest received		211	323
Cash inflow from discontinued operations		4,859	1,307
Net cash flow from investing activities		18,490	4,337
Proceeds from new borrowings		4,010	-
Proceeds from grants		-	670
Principal element of lease payments		(3,176)	(2,425)
Net repayment of revolving credit facility (net of costs)		-	(50)
Interest paid		(5,743)	(1,967)
Cash outflow from discontinued operations		(19,165)	(12,558)
Net cash flow from financing activities		(24,074)	(16,330)
Decrease in cash and cash equivalents		(23,334)	(20,807)
Cash and cash equivalents at beginning of period		49,264	52,738
Cash and cash equivalents at end of period		25,930	31,931
Restricted cash			
Restricted cash at beginning of period		1,000	-
Restricted cash at end of period		1,000	-
Cash and cash equivalents including restricted cash at end of period		26,930	31,931

Included in cash and cash equivalents at end of period at 31 August 2023 is £5,972,000 classified as held for sale. The restricted cash balance of £1,000,000 at 31 August 2023 is also classified as held for sale. See note 6 for details on assets and associated liabilities held for sale.

**Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 August 2023**

1 Accounting policies

Corporate information

The Condensed Consolidated Financial Statements of the Group for the six months ended 31 August 2023 (interim financial statements) were authorised for issue in accordance with a resolution of the Directors on 29 November 2023. Esken Limited is a Guernsey registered company whose ordinary shares are publicly traded on the London Stock Exchange. The principal activities of the Group are described in note 3.

Basis of preparation

These condensed interim financial statements for the half year ended 31 August 2023 have been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. They do not include all the information required for the full annual financial statements and should be read in conjunction with the financial statements of the Group as at and for the year ended 28 February 2023.

Except for the 28 February 2023 statutory comparatives, the interim financial statements have not been audited or reviewed by the Group's auditors, Mazars LLP.

The audited comparative financial information set out in these interim financial statements does not constitute the Group's statutory accounts for the year ended 28 February 2023, but has been derived from those accounts. Statutory accounts for the year ended 28 February 2023 have been published and Mazars LLP has reported on those accounts. Their audit report was unqualified, however, it highlighted a material uncertainty regarding going concern in respect of sufficient liquidity for the Group's requirements being dependent on the successful completion of the proposed sale of the Group's renewables business by 31 December 2023, and the ability to raise an additional short-term facility of up to £5.0m to provide liquidity for LSA prior to 31 July 2023. The annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

As presented in the Group's annual financial statements, all percentage calculations are based on results rounded to the nearest £1,000, being the presentation used across the primary statements and accompanying notes.

Going concern

In adopting the going concern basis for preparing the interim financial statements, the Directors have considered the business activities including the Group's principal risks and uncertainties. The Directors also considered the Group's current cash position, the repayment profile of its existing debt structure and its 12-month cashflow forecasts. In addition, the resilience of the Group has been assessed by applying significant downside scenarios to the Group's cash flow projections.

However, the risks and uncertainties associated with the achievement of forecasts and the availability of sufficient funding indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

The sale of Esken Renewables Limited has progressed significantly and still expected by the Directors of the Group to complete on or around 1 December 2023. A material uncertainty exists in relation to the settlement of the exchangeable bond due in May 2024 being extended. The base case and significant downside forecasts both include an amend and extend of the exchangeable bond, extending the repayment to December 2025, or repayment will be made the month after the LSA disposal, if earlier.

The significant downside scenario includes a 2-month delay to the sale of LSA and the continuation of Group operations and costs to the end of February 2025. Both scenarios leave the Group with sufficient cash headroom to continue trading within the going concern review period.

**Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 August 2023**

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 November 2024 and therefore have prepared the interim financial statements on a going concern basis. However, as previously noted this is highly dependent upon the exchangeable bond amend and extend, which indicates 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 for the 6-month period ended 31 August 2023 do not include any adjustments that would result from the basis of preparation being inappropriate.

Significant accounting policies

The accounting policies applied in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 28 February 2023. These accounting policies are expected to be applied for the full year to 28 February 2024.

Key estimates and judgements

The estimates and judgements taken by the Directors in preparing these interim financial statements are comparable with those disclosed in the annual financial statements for the year ended 28 February 2023, with the exception of the IFRS 5 classification of Esken Renewables as held for sale as all the criteria has now been met in the current period.

Presentation of Condensed Consolidated Income Statement

Adjusted EBITDA, a non-GAAP measure, is the key profitability measure used by management for performance review in the day-to-day operations of the Group. Non-GAAP measures are used as they are considered to be both useful and necessary. They are used for internal performance analysis; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies.

In the current period the Renewables division has been reclassified as a disposal group held for sale and a discontinued operation. The post-tax results of discontinued operations are disclosed as a single amount in the Condensed Consolidated Income Statement and the prior period comparative results restated accordingly.

2 Seasonality of operations

There is a material effect of seasonality in the Aviation and Renewables divisions. In the Aviation division there are higher seasonal sales in summer, due to increased demand for overseas travel, and there are higher seasonal sales in summer in the Renewables division, due to higher gate fees.

3 Segmental information

The reporting segments are Aviation, Investments and Non-Strategic Infrastructure. The results of Propius and the Renewables division are presented as discontinued operations on the face of the Condensed Consolidated Income Statement, see note 6.

The Aviation segment specialises in the operation of a commercial airport and the provision of ground handling services. The Investments segment holds non-controlling interests in a logistics services investing business and a baggage handling business. The Non-Strategic Infrastructure segment specialises in management, development, and realisation of a portfolio of property assets, including Carlisle Lake District Airport.

The Executive Directors are regarded as the Chief Operating Decision Maker. The Directors monitor the results of each business unit separately for the purposes of making decisions about resource allocation and performance assessment. The main segmental profit measure is adjusted EBITDA, which is calculated as loss before interest, tax, depreciation and impairments. Income taxes and certain central costs are managed on a Group basis and are not allocated to operating segments. No segmental assets or liabilities information is disclosed because no such information is regularly provided to, or reviewed by, the Chief Operating Decision Maker.

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Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 August 2023

Six months ended 31 August 2023	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group central and eliminations £'000	Total £'000
Revenue					
External	8,427	-	509	206	9,142
Internal	15	-	50	(65)	-
Statutory revenue	8,442	-	559	141	9,142
Adjusted EBITDA	(2,837)	(34)	1,960	(2,599)	(3,510)
Depreciation	(4,530)	-	(194)	(241)	(4,965)
Impairments	-	-	(5,270)	-	(5,270)
Net interest	(39,063)	(842)	41	(6,928)	(46,792)
Share of post-tax losses of associates and joint ventures	-	(286)	-	-	(286)
Loss before tax	(46,430)	(1,162)	(3,463)	(9,768)	(60,823)

Restated Six months ended 31 August 2022	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group central and eliminations £'000	Total £'000
Revenue					
External	14,150	-	302	161	14,613
Internal	-	-	50	(50)	-
Statutory revenue	14,150	-	352	111	14,613
Adjusted EBITDA	(518)	(34)	(402)	(3,149)	(4,103)
Depreciation	(4,848)	-	(192)	(194)	(5,234)
Net interest	(7,080)	(821)	(12)	2,576	(5,337)
Share of post-tax losses of associates and joint ventures	-	(346)	-	-	(346)
Loss before tax	(12,446)	(1,201)	(606)	(767)	(15,020)

Internal revenue above relates to inter-segment revenues that are eliminated within Group central and eliminations. Intra-segment revenues are eliminated within each segment.

4 Revenue

Revenue is primarily from contracts with customers. Other sources of revenue are from owned and leased fixed assets. The following tables detail the split between revenue from contracts with customers and other revenue, and the disaggregation of revenue from contracts with customers.

Six months ended 31 August 2023	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group central and eliminations £'000	Total £'000
Revenue from contracts with customers	8,427	-	321	24	8,772
Other revenue – lease income	-	-	188	182	370
	8,427	-	509	206	9,142

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Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 August 2023

Six months ended 31 August 2023	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group central and eliminations £'000	Total £'000
Major product/service line					
Sale of goods	5,804	-	16	-	5,820
Rendering of services	2,623	-	305	24	2,952
	8,427	-	321	24	8,772
Primary geographical markets					
United Kingdom	8,241	-	198	24	8,463
Europe and Ireland	177	-	123	-	300
Rest of world	9	-	-	-	9
	8,427	-	321	24	8,772
Timing of revenue recognition					
Products and services transferred at a point in time	8,427	-	321	24	8,772
	8,427	-	321	24	8,772

Restated Six months ended 31 August 2022	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group central and eliminations £'000	Total £'000
Revenue from contracts with customers	14,045	-	78	-	14,123
Other revenue – lease income	105	-	224	161	490
	14,150	-	302	161	14,613

Restated Six months ended 31 August 2022	Aviation £'000	Investments £'000	Non-Strategic Infrastructure £'000	Group central and eliminations £'000	Total £'000
Major product/service line					
Sale of goods	2,944	-	-	-	2,944
Rendering of services	11,101	-	78	-	11,179
	14,045	-	78	-	14,123
Primary geographical markets					
United Kingdom	13,385	-	78	-	13,463
Europe and Ireland	573	-	-	-	573
Rest of world	87	-	-	-	87
	14,045	-	78	-	14,123
Timing of revenue recognition					
Products and services transferred at a point in time	14,045	-	78	-	14,123
	14,045	-	78	-	14,123

Esken Limited

Notes to the Condensed Consolidated Financial Statements For the six months ended 31 August 2023

Opening and closing receivables, contract assets and contract liabilities from contracts with customers are as follows:

	31 August 2023	28 February 2023
	Unaudited	Audited
	£'000	£'000
Receivables	2,456	8,911
Contract assets	-	3,327

Contract assets at 28 February 2023 relate to the Group's rights to consideration for work completed but not billed in the Renewables division. The balance is £nil at 31 August 2023 due to the reclassification of the Renewables division balances to held for sale.

5 Other income

	Six months ended	Restated
	31 August 2023	Six months ended
	Unaudited	31 August 2022
	£'000	Unaudited
	£'000	£'000
Profit on disposal of subsidiary	1,597	-
Profit on disposal of associate	1,698	-
Profit on disposal of property, plant and equipment	27	89
	3,322	89

On 15 May 2023, the Group disposed of its wholly owned subsidiary Star Handling Limited to Skytanking UK Ltd for cash consideration of £3,874,000 and deferred contingent consideration of £270,000. Net assets disposed of were £2,287,000 and there were costs of disposal of £260,000, leading to a profit on disposal of £1,597,000. Further contingent consideration, dependent upon the business achieving forecast customer revenue targets in the 12 months following completion, has not been recognised.

On 3 August 2023, the Group disposed of its investment in Mersey Bioenergy Holdings Limited and its wholly owned subsidiary to UK Waste Resources and Energy Investments L.P. for cash consideration of £9,000,000. The Group's investment comprised a 39.6% shareholding and £7,302,000 of loan notes. The disposal generated a profit on disposal of £1,698,000.

6 Discontinued operations and disposal group held for sale

Renewables

The results of the Renewables division are reported as part of the single line loss from discontinued operations, net of tax on the face of the Condensed Consolidated Income Statement. The prior year results have been restated on the same basis. The assets and liabilities of Renewables have been reclassified as a disposal group held for sale.

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A summary of the Renewables results included in discontinued operations is as follows:

	Six months ended 31 August 2023 Unaudited £'000	Six months ended 31 August 2022 Unaudited £'000
Revenue	48,883	43,534
Other income	358	466
Operating expenses	(44,272)	(37,050)
Depreciation	(3,406)	(3,879)
Net finance costs	(898)	(776)
Profit before tax	665	2,295
Tax	-	-
Profit for the period from discontinued operations, net of tax	665	2,295

The above profit from discontinued operations of £665,000 (2022: £2,295,000) is attributable to the owners of the Company.

The Renewables division disposal group comprises the following assets and liabilities:

	31 August 2023 Unaudited £'000
Goodwill	54,669
Property, plant and equipment	44,776
Inventory and work in Progress	725
Trade and other receivables	17,062
Deferred tax	6,133
Corporation tax	487
Cash	6,972
Assets held for sale	130,824
Lease obligations	35,896
Trade and other payables	17,369
Liabilities held for sale	53,265

The cash flows in relation to this operation are as follows:

	Six months ended 31 August 2023 Unaudited £'000	Six months ended 31 August 2022 Unaudited £'000
Net cash generated from operating activities	3,425	5,559
Net cash generated from investing activities	1,762	1,307
Net cash used in financing activities	(6,481)	(6,270)
Net cash (outflow)/inflow for the period	(1,294)	596

Propius

Propius is abandoned in line with the IFRS 5 definition of a discontinued operation. The results of Propius are reported on a single line, net of tax on the face of the Condensed Consolidated Income Statement.

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While the ongoing finance charges and cashflows in respect of aircraft leases and cashflows in respect of maintenance obligations of Propius are presented within discontinued operations in the Condensed Consolidated Income Statement, the corresponding liabilities are not presented within held for sale and remain on the Group's Condensed Consolidated Statement of Financial Position.

A summary of the Propius results included in discontinued operations is as follows:

	Six months ended 31 August 2023 Unaudited £'000	Six months ended 31 August 2022 Unaudited £'000
Net operating income	447	2,670
Net finance costs	(935)	(1,074)
(Loss)/profit before tax	(488)	1,596
Tax	-	-
(Loss)/profit for the period from discontinued operations, net of tax	(488)	1,596

The cash flows in relation to Propius are as follows:

	Six months ended 31 August 2023 Unaudited £'000	Six months ended 31 August 2022 Unaudited £'000
Net cash used in operating activities	(9,658)	(1,757)
Net cash generated from investing activities	3,097	-
Net cash used in financing activities	(12,684)	(6,288)
Net cash outflows for the period	(19,245)	(8,045)

7 Finance costs and income

	Six months ended 31 August 2023 Unaudited £'000	Restated Six months ended 31 August 2022 Unaudited £'000
Finance charges payable under leases	1,278	1,067
Convertible debt interest	38,372	7,591
Exchangeable bond interest	906	918
Term loan interest	4,685	-
Revolving credit facility interest	-	981
Foreign exchange losses	1,964	-
Total finance costs	47,205	10,557

	Six months ended 31 August 2023 Unaudited £'000	Six months ended 31 August 2022 Unaudited £'000
Interest received from net investment in lease	335	321
Interest received on defined benefit pension scheme	78	8
Foreign exchange gains	-	3,848
Revaluation of convertible debt derivative	-	1,043
Total finance income	413	5,220

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 August 2023

It was originally estimated that repayment date of the convertible debt would be during the year ended 28 February 2026. During the period, the Group re-assessed the repayment date and estimated that it is now going to be during the year ended 29 February 2024, in light of the strategic review triggering the managed sale of LSA. Due to make-whole provisions the re-assessment of the expected repayment date does not alter the expected cash repayment amount. This has driven an increased one-off non-cash interest charge in the period and is the main reason for the period-on-period increase in interest on the convertible debt.

The increase in foreign exchange losses, and decrease in foreign exchange gains, is due to adverse fluctuations in US Dollar and exchange rates impacting the Group's foreign currency denominated loan with Propius.

8 Impairment

During the six months ended 31 August 2023 land and buildings at Pollington were impaired by £5,270,000 following the decision to dispose of the site.

9 Taxation

Taxation on profit on ordinary activities

	Six months ended 31 August 2023 Unaudited £'000	Restated Six months ended 31 August 2022 Unaudited £'000
Total tax in the Condensed Consolidated Income Statement from continuing and discontinued operations		
Corporation tax:		
Current year corporation tax	-	1,000
Adjustments in respect of prior years	-	(3,311)
Total corporation tax	-	(2,311)
Deferred tax:		
Origination and reversal of temporary differences	(391)	(152)
Impact of change in rate	-	(48)
Total deferred tax	(391)	(200)
Total credit in the Condensed Consolidated Income Statement	(391)	(2,511)
Split between:		
Continuing	(391)	(2,511)
Discontinued	-	-

Included in the above tax charges are total current tax credit on continuing operations of £nil (2022: £2,311,000) and a total deferred tax credit on continuing operations of £391,000 (2022: £200,000) giving a total tax credit on continuing operations in the Condensed Consolidated Income Statement of £391,000 (2022: £2,511,000). The total tax credit on continuing and discontinued operations in the Condensed Consolidated Income Statement is £391,000 (2022: £2,511,000).

An increase in the main rate of corporation tax 25% effective from 1 April 2023 was substantively enacted as at the balance sheet date 31 August 2022. As such, the deferred tax assets/liabilities as at 31 August 2022 have been recognised/provided at 25%.

The total net deferred tax for the consolidated Group is £nil at 31 August 2023, with a £6.3m liability presented as deferred tax on the face of the Condensed Consolidation Statement of Financial Position and a £6.3m asset presented within assets held for sale, relating to the Renewables division.

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**Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 August 2023**

10 Loss per share

The following table reflects the income and share data used in the basic and diluted earnings per share calculations:

	Six months ended 31 August 2023 Unaudited £'000	Restated Six months ended 31 August 2022 Unaudited £'000
Numerator		
Continuing operations		
Loss for the period used for basic and diluted earnings	(60,432)	(12,509)
Discontinued operations		
Profit for the period used for basic and diluted earnings	177	3,891
Total		
Loss for the period used for basic and diluted earnings	(60,255)	(8,618)
Denominator	Number	Number
Weighted average number of shares used in basic and diluted EPS	1,020,735,977	1,020,735,977
Own shares held and therefore excluded from weighted average number	4,600,764	4,600,764

11 Property, plant and equipment

Additions and disposals

During the six months ended 31 August 2023, the Group acquired or developed property, plant and equipment (PPE) assets with a cost of £1,049,000 (2022: £3,725,000). This mainly consisted of plant and machinery equipment in the Renewables division.

PPE assets with a book value of £728,000 (2022: £617,000) were disposed of by the Group during the six months ended 31 August 2023, resulting in a profit on disposal of £376,000 (2022: £430,000), of which £350,000 is presented within discontinued operations.

PPE in the Renewables division, with a net book value of £44,776,000, was reclassified to assets held for sale. Land and buildings at Pollington were impaired by £5,270,000 following the decision to dispose of the site. The sale of Star Handling Limited led to the disposal of PPE with net book value of £1,798,000.

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12 Financial assets and liabilities

	31 August 2023 Unaudited £'000	28 February 2023 Audited £'000
Loans and borrowings		
Non-current		
Convertible debt	171,349	132,977
Term loan	46,212	43,969
Obligations under leases	47,146	82,895
	264,707	259,841
Current		
Exchangeable bonds	53,300	52,637
Term loan	3,750	1,250
Obligations under leases	5,883	26,634
	62,933	80,521
Total loans and borrowings	327,640	340,362
Cash	(19,958)	(49,264)
Restricted cash	-	(1,000)
Net debt	307,682	290,098

Esken Limited provides support to its subsidiaries where required. Examples of support include intercompany funding arrangements and the provision of guarantees in relation to financing lines provided by a number of lenders. In addition, one Renewables contract has a covenant relating to the market capital of Esken Limited, where a breach would be remedied by additional letters of credit or a security deposit.

The exchangeable bonds have a May 2024 maturity date, with repayment being the difference between the £53.3m gross bonds and the value of shares held in LDG plc into which the bonds are convertible. At 31 August 2023, the difference amounted to £44.4m.

There has been an increase in the convertible debt liability due to a re-assessment of the estimated repayment date, see note 7.

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Notes to the Condensed Consolidated Financial Statements
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A reconciliation of movements of liabilities to cash flows arising from financing is as follows:

	Exchangeable bond £'000	Convertible debt £'000	Term loan £'000	Obligations under leases £'000	Total £'000
Balance at 1 March 2023	52,637	132,977	45,219	109,529	340,362
Changes from financing cash flows:					
Additional loans	-	-	5,000	-	5,000
Cash outflow from debt issue costs	-	-	(990)	-	(990)
Principal elements of lease payments - continuing operations				(3,176)	(3,176)
Principal elements of lease payments - discontinued operations				(17,922)	(17,922)
Interest paid - continuing operations	(730)	-	(3,952)	(1,061)	(5,743)
Interest paid - discontinued operations	-	-	-	(1,243)	(1,243)
Total changes from financing cash flows	(730)	-	58	(23,402)	(24,074)
New leases entered into	-	-	-	1,279	1,279
Reclassification to held for sale	-	-	-	(35,896)	(35,896)
Disposal of subsidiary undertaking	-	-	-	(553)	(553)
The effect of changes in foreign exchange rates	-	-	-	(449)	(449)
Non-cash amortisation of loan and accrual of interest	1,393	38,372	4,685	2,521	46,971
Balance at 31 August 2023	53,300	171,349	49,962	53,029	327,640

	Exchangeable bond £'000	Convertible debt £'000	Revolving credit facility £'000	Obligations under leases £'000	Total £'000
Balance at 1 March 2022	52,385	118,862	-	123,391	294,638
Changes from financing cash flows:					
Cash outflow from debt issue costs	-	-	(50)	-	(50)
Principal elements of lease payments - continuing operations (Restated)	-	-	-	(2,425)	(2,425)
Principal elements of lease payments - discontinued operations (Restated)	-	-	-	(10,611)	(10,611)
Interest paid - continuing operations (Restated)	(730)	-	(179)	(1,058)	(1,967)
Interest paid - discontinued operations (Restated)	-	-	-	(1,947)	(1,947)
Total changes from financing cash flows	(730)	-	(229)	(16,041)	(17,000)
New leases entered into	-	-	-	3,395	3,395
Termination of lease	-	-	-	(11)	(11)
The effect of changes in foreign exchange rates	-	-	-	3,780	3,780
Revaluation of derivative	-	(1,043)	-	-	(1,043)
Non-cash amortisation of loan and accrual of interest	918	7,592	229	2,991	11,730
Balance at 31 August 2022	52,573	125,411	-	117,505	295,489

The book value and fair values of financial assets and financial liabilities are as follows:

	Book Value 31 August 2023 Unaudited £'000	Fair Value 31 August 2023 Unaudited £'000
Financial assets		
Other investments	14,040	14,040
Financial liabilities		
Exchangeable bonds – host element	53,300	48,436
Convertible debt – host element	171,304	85,213
Embedded derivatives	45	45
	Book Value 28 February 2023 Audited £'000	Fair Value 28 February 2023 Audited £'000
Financial assets		
Other investments	15,324	15,324
Financial liabilities		
Exchangeable bonds – host element	52,637	42,413
Convertible debt – host element	132,932	85,213
Embedded derivatives	45	45

The Directors reasonably consider the fair value of other financial assets and liabilities (such as trade and other receivables, trade and other payables, and lease liabilities) approximate their book value.

Fair Value Hierarchy

The fair value hierarchy is explained in the statutory accounts for the year ended 28 February 2023. The fair values in the table below reflect financial assets and liabilities measured at fair value in Condensed Consolidated Statement of Financial Position.

As at 31 August 2023 Unaudited	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets				
Other financial assets	14,040	8,884	5,156	-
Financial liabilities				
Other financial liabilities	45	-	-	45
As at 28 February 2023 Audited	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets				
Other financial assets	15,324	10,168	5,156	-
Financial liabilities				
Other financial liabilities	45	-	-	45

Level 1 other financial assets relates to the Group's investment in LDG plc. The £5,156,000 other financial assets presented within level 2 at 31 August 2023 has been fair valued by reference to cash held within the bank account of the captive insurance cell.

The other financial liabilities are recognised within the convertible debt and exchangeable bonds within loans and borrowings on the face of the Condensed Consolidated Statement of Financial Position.

There were no transfers between Levels 1, 2 and 3 fair value measurements.

13 Provisions

	Onerous contracts £'000	Litigation and claims £'000	Remediation provision £'000	Restructuring £'000	Maintenance reserves £'000	Total £'000
At 1 March 2023	875	1,573	3,942	-	15,112	21,502
Provisions used	(422)	(656)	-	-	(9,117)	(10,195)
Provisions made	15	14	-	2,171	-	2,200
Provisions reversed	-	(26)	-	-	(683)	(709)
Currency retranslation	-	-	-	-	(579)	(579)
At 31 August 2023	468	905	3,942	2,171	4,733	12,219

Analysis of provisions

Current	468	905	-	2,171	4,733	8,277
Non-current	-	-	3,942	-	-	3,942

During the period £656,000 was paid to settle part 1 claims relating to LSA.

The Group made payments totalling £9,117,000 for required maintenance on the remaining four ATR aircraft leased by Propius. The required maintenance provision was recalculated as at 31 August 2023, based on the latest estimates and assumptions, which led to a release of provision of £683,000. Fluctuations in the exchange rate between the US Dollar and GB Pound led to a £579,000 decrease in maintenance reserves.

A restructuring provision of £2,171,000 was made to cover employee exit costs as part of the Group restructure. The exit cost provision is expected to be utilised in phases and within 12 months of the balance sheet date.

14 Cash used in continuing operations

	Six months ended 31 August 2023 Unaudited £'000	Restated Six months ended 31 August 2022 Unaudited £'000
Loss before tax	(60,823)	(15,020)
<i>Adjustments to reconcile loss before tax to net cash flows:</i>		
Realised profit on sale of property, plant and equipment	(27)	(89)
Profit on disposal of subsidiary undertaking	(1,597)	-
Profit on disposal of associate	(1,698)	-
Share of post-tax losses of associate accounted for using the equity method	286	346
Depreciation of property, plant and equipment	4,965	5,234
Finance income	(413)	(1,364)
Finance costs	45,241	10,549
Release of grant income	(876)	(772)
Impairment	5,270	-
Charge for share-based payments	167	250
Foreign exchange retranslation	1,959	(3,843)
<i>Working capital adjustments:</i>		
Decrease/(increase) in inventories	3	(43)
Increase in trade and other receivables	(2,874)	(3,122)
Decrease in trade and other payables	(1,437)	(1,468)
Increase/(decrease) in retirement benefits and other provisions	863	(2,244)
Cash used in continuing operations	(10,991)	(11,586)

15 Related parties

On 3 August 2023 the Group disposed of its investment in Mersey Bioenergy Holdings Limited (MBHL), at which point it ceased to be a related party. During the period up to 3 August 2023, the Group made sales of £3,669,000 (2022: £2,928,000) to its former associate Mersey Bioenergy Limited, a subsidiary of MBHL, relating to the sale of biomass material. At 31 August 2023, £563,000 (28 February 2023: £549,000) of the sales, made during the time MBHL was a related party, was owed to the Group.

16 Glossary - Alternative performance measures (APMs)

In the reporting of financial information, the Directors have adopted various APMs. These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' APMs.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements. Non-GAAP APMs are used as they are considered to be both useful and necessary as well as enhancing the comparability of information between reporting periods, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for internal performance analysis, planning, reporting and incentive-setting purposes. The presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies.

Adjusted EBITDA

Adjusted EBITDA is the key profitability measure used by management for performance review in the day-to-day operations of the Group. Adjusted EBITDA represents loss before interest, tax, depreciation and impairments. Refer to note 3 for reconciliation to statutory loss before tax.

Net debt

Net debt is defined as the sum of obligations under leases, term loan, exchangeable bonds and convertible debt, less cash and cash equivalents. See note 12 for reconciliations of this measure.

Gearing

Gearing is defined as net debt, as defined above, divided by Group shareholders' equity per the Condensed Consolidated Statement of Financial Position.

Headroom

Headroom is the sum of cash per the Condensed Consolidated Statement of Financial Position of £19,958,000, plus £5,972,000 of cash and £1,000,000 of restricted cash in the Renewables division, which is presented within assets held for sale.