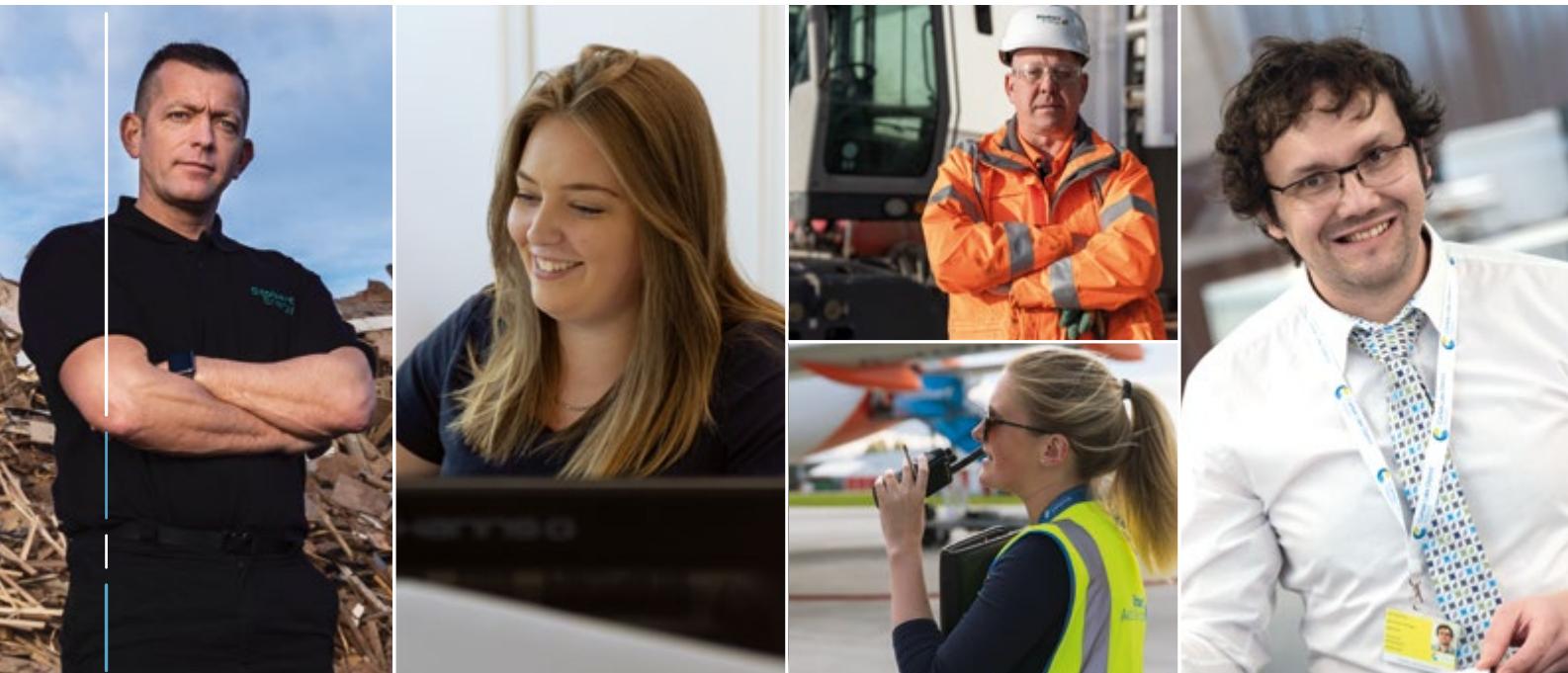
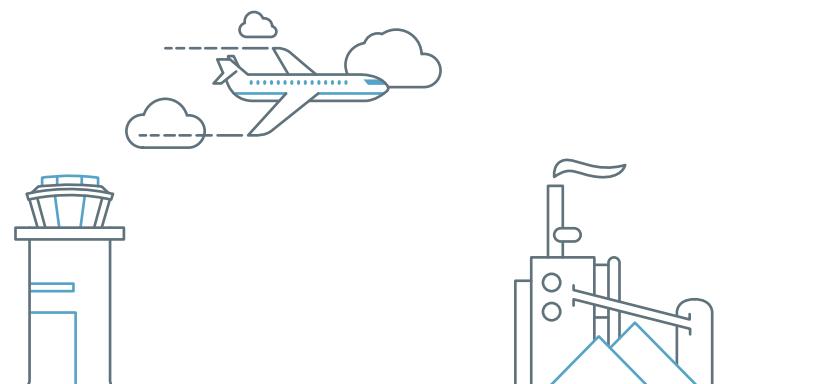


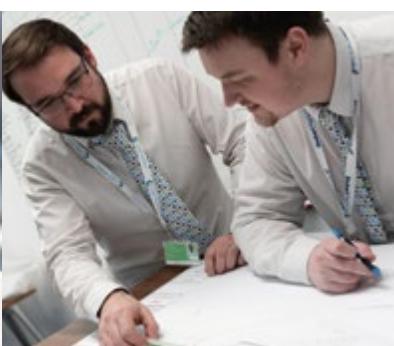
# Strong commercial progress



**Stobart Group Limited**  
Annual Report and Accounts 2019



**Stobart Group** is a highly recognised brand with operations across the UK. It is focused on delivering growth in Aviation and Energy. The Company also has a Civil Engineering division and holds a portfolio of infrastructure assets and investments.



# Stobart at a glance

## Our core operating divisions



**Stobart Aviation** is rapidly building a strong reputation for developing airports and delivering aviation services with customer service at its core.

- The division's principal asset is London Southend Airport, which serves a capacity constrained capital. It has an immediate catchment area of over eight million people living within one hour's travel from the airport. Passengers can now fly to over 40 destinations with airlines including easyJet, Ryanair, Flybe, Air Malta and Loganair. The airport also includes Stobart Jet Centre, a private jet facility.
- Stobart Aviation was appointed strategic partner to Durham Tees Valley Airport in February 2019 following its return to public ownership.
- Stobart Aviation Services provides front of house, ground handling and other time-critical logistical requirements for today's busy airports. We operate across London Stansted, London Southend, Edinburgh and Glasgow airports, and are growing rapidly.

For more on Stobart Aviation  
See pages 14 to 17



**Stobart Energy** is the UK's number one supplier of biomass fuel, with long-term contracts in place to supply two million tonnes per annum of biomass fuel to renewable energy plants.

- The division offers a range of solutions from municipal and commercial waste collection through to delivering fuel to renewable energy plants.
- The division comprises over 300 people delivering a full supply chain solution to renewable energy plants.
- Our goal is to maximise all opportunities to use waste for other purposes including processing end of life waste into renewable fuel.

For more on Stobart Energy  
See pages 18 to 21



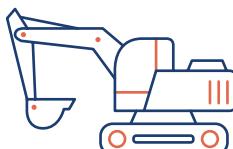


**Stobart Rail & Civils** is an established provider of innovative and efficient rail and non-rail civil engineering projects.

- The division is focused on providing civil engineering services to third parties and delivering an unbeatable support service for its clients.
- Stobart Rail & Civils delivers design, construction, maintenance and enhancement projects for both the rail and non-rail sectors, offering complete packages encompassing structures, earthworks and geotechnical, lineside infrastructure, drainage and permanent way works.
- The division also manages specialist industrial and commercial schemes from multi-modal distribution warehouses, terminal and office buildings to racecourses and airport aprons, stands and taxiways.



For more on Stobart Rail & Civils  
See pages 22 to 23



For more on Stobart Infrastructure and Stobart Investments  
See page 29

# Highlights

## GROUP HIGHLIGHTS

(Loss)/profit before tax  
(£ m)

**(42.1)M**

2019	109.3
2018	(8.0)
2017	(42.1)

(Loss)/earnings per share  
(pence)

**(16.6)p**

2019	28.7
2018	(2.7)
2017	(16.6)

## DIVISIONAL HIGHLIGHTS

Aviation underlying EBITDA<sup>1</sup>  
(£ m)

**4.9M**

2019	4.9
2018	5.8
2017	0.1

Aviation profit before tax  
(£ m)

**(5.6)M**

2019	(5.6)
2018	(1.1)
2017	(4.6)

Underlying EBITDA<sup>1</sup>  
(£ m)

**10.8M**

2019	10.8
2018	14.2 <sup>2</sup>
2017	34.4

Underlying EBITDA<sup>1</sup> from two main  
operating divisions<sup>3</sup> (£ m)

**24.1M**

2019	24.1
2018	17.9
2017	10.3

Energy underlying EBITDA<sup>1</sup>  
(£ m)

**19.2M**

2019	19.2
2018	12.1
2017	10.2

Energy profit before tax  
(£ m)

**5.3M**

2019	5.3
2018	2.3
2017	1.3

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<sup>1</sup> Underlying EBITDA represents (loss)/profit before tax and before swaps, foreign exchange, interest, depreciation and non-underlying items.

<sup>2</sup> 2018 excludes £123.9m profit on disposal of Eddie Stobart.

<sup>3</sup> Underlying EBITDA from two main operating divisions comprises the underlying EBITDA of Stobart Aviation and Stobart Energy.

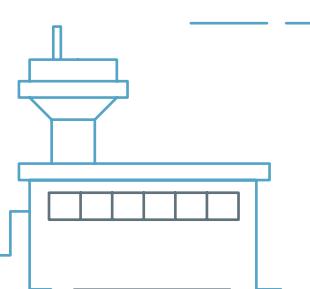
<sup>4</sup> Includes £4.1m profit on disposal of hotel.

2017 figures have not been restated.

## Year in review

### February to May

- Stobart Aviation Services secured a contract with easyJet at London Stansted Airport, which began on 1 March.



### September to February

- On 24 October, Stobart Energy reached a key milestone with all the plants that it supplies operational (except Port Clarence).
- In February, Connect Airways Limited, a consortium made up of Stobart Group, Virgin Atlantic and Cyrus Capital, announced a recommended cash offer to acquire Flybe Group plc.
- In February, Stobart Rail & Civils signed a significant new contract with Nexus Limited, the Tyne and Wear Passenger Transport Executive.



- Stobart Group appointed Nick Dilworth to the Board as an Executive Director and promoted him from Group Commercial Director to Chief Operating Officer on 1 September.
- Ginny Pulbrook joined the Board as a Non-Executive Director from 1 October.



- Air Malta commenced three new routes from London Southend Airport on 4 May, flying to Malta, Sardinia and Sicily.
- In May, we signed a new agreement with The Restaurant Group (TRG) to introduce six new food and beverage brands to the airport. So far, we have opened Giraffe STOP, Costa Coffee and a new gastro pub, The Navigator, in the airside terminal and a Costa Coffee and WH Smith outlet landside.

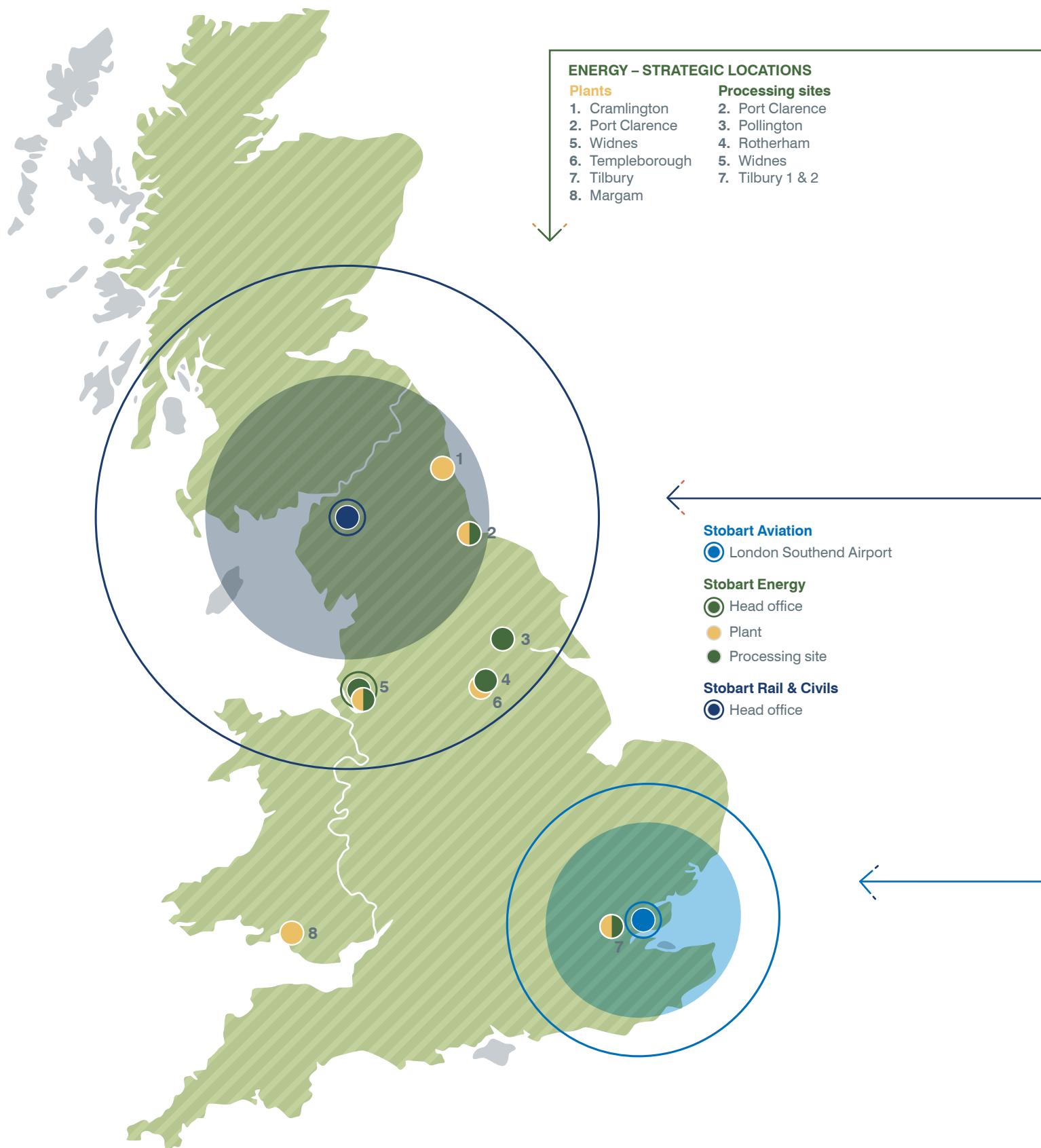


## June to August

- Stobart Rail & Civils completed construction of the new terminal at Carlisle Lake District Airport in June.
- In June we also announced a new five-year agreement with Ryanair that will see the leading low-cost airline open a new base at London Southend Airport that is expected to deliver an additional one million-plus passengers per year. Ryanair is now operating 13 routes to eight European countries.
- In July, easyJet added three new routes; it now flies to over 20 destinations from the airport.
- Stobart Rail & Civils secured two framework agreements with Manchester's Metrolink in August and achieved delivery partner status for Transpire, the TransPennine route upgrade.



## Market Review



## NATIONWIDE



**Stobart Energy is the UK's leading supplier of biomass fuel.**

**It has the infrastructure in place to source and supply fuel across the entire UK.**

**#1**

Market position



## Trends

The energy recovery market is focused on Refuse Derived Fuel driven by the end of the Renewables Obligation Certificate (ROC) subsidies and the supply of general waste outstripping demand from Energy from Waste plants.

The growth of the circular economy is accelerating in response to the increasing demand of consumers and businesses.

Perceptions of waste are changing from something to dispose of as cheaply as possible to a commodity with inherent value.

## Opportunity

Opportunity for transformational move to develop and manage energy recovery plants.

Opportunity for Stobart Energy to take a holistic view of the use of resources and how to extract social, financial and environmental value.

Opportunity for innovative organisations to help communities and businesses maximise the value extracted from waste through energy recovery and the conversion of waste to products such as road fuel. Sustainable energy model.

## THE NORTH AND SCOTLAND



**Stobart Rail & Civils is a key partner to Network Rail.**

**We support Network Rail through framework contracts in three of the five regions it operates.**

**75%**

The three regions cover 75% of the UK



## Trends

Engineering businesses need a diverse range of customers to ensure they are not reliant on any one client.

Designing, managing, operating and delivering contracts in highly regulated environments are now the norm for civil engineering teams.

A shortage of people with the right skills to support a growing range of requirements in remote areas.

## Opportunity

Investing in innovation, specialist plant and good people to ensure we attract a significant pipeline.

A team in place with the knowhow to comply with legislation and standards, and a structure with clear roles and responsibilities.

Appointed a Commercial Director, Regional Director and Engineering Director to support key projects.

## SOUTH EAST



**London Southend is the capital's fastest growing airport.**

**It has a catchment area of 8.2 million people living within one hour's travel time from the airport.**

**8.2M**

Catchment within one hour's travel

## Trends

Capacity remains constrained in London airports.

External cost pressures such as fuel pricing place a premium on low-cost operations.

Management quality is more important than ever in order to meet growth aspirations.



## Opportunity

London Southend Airport is developing capacity for ten million-plus passengers per year and is located outside London's congested airspace.

London Southend Airport's low-capital cost base and highly efficient operation makes it attractive for airlines looking to grow.

Recent recruits in key areas demonstrate London Southend Airport's ability to attract the best talent.

## Business model

Stobart Group invests in and develops assets and services in its two core operating divisions: Aviation and Energy. Stobart Rail & Civils has historically supported the infrastructure growth of those divisions. Stobart Group also holds a portfolio of infrastructure assets and investments.

### OUR KEY STRENGTHS

**A trusted partner**

**Focused on customer experience**

**Delivering operating growth**

**Commercial expertise throughout the team**

### WHAT WE DO

**Build commercial relationships**



**Stobart Aviation**

We have airline relationships with:

**flybe**

**airmalta**

**easyJet**

**Loganair**

**RYANAIR**

**Invest in our people**



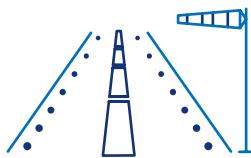
Appointed Willie McGillivray as Chief Operating Officer at London Southend Airport. He joined from Gatwick Airport and has supported the runway upgrade programme, amongst other key projects.



**Invest in our infrastructure**



Upgraded the durability and performance of London Southend Airport's runway.



**Develop our proposition**



**London Southend Airport voted London's best airport by Which? readers five years in a row.**

- Quick and easy
- 40+ destinations
- Capacity for growth

**Stobart Energy**

Contracts in place to supply 2m tpa of biomass fuel, including:

**Cramlington**  
**Port Clarence**  
**Widnes**  
**Templeborough**  
**Tilbury**  
**Margam**

Steve Potter appointed as Supply Chain Director, helping to maintain the integrity of the supply chain.



Invested in a major replacement programme for our specialist transport fleet and cutting edge supply chain IT systems.



**UK's leading provider of biomass.**

- Specialist equipment
- Highly trained team
- Nationwide coverage

## MANAGE OUR INFRASTRUCTURE AND INVESTMENTS



**£82.6M**

of non-operating assets on the balance sheet

**£38.4M**

of cash realised from asset disposals in the year



**11.8%**

holding in Eddie Stobart Logistics plc

**30%**

holding in Connect Airways

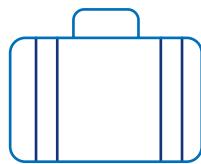
## VALUE CREATION

By 28 February 2023 we aim to deliver



**5M**

target number of passengers



Progress in the year to 28 February 2019



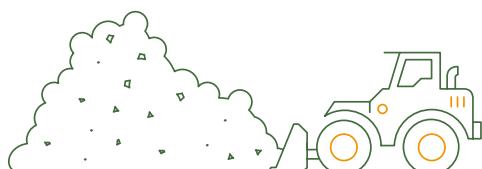
**1.5M**

passengers welcomed in the year, up 33%



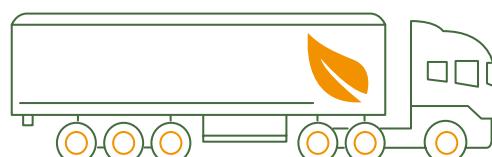
**£12**

target EBITDA per tonne



**£14.31**

EBITDA per tonne in the year, ahead of our strategic target



## Key performance indicators

# Measuring our performance

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

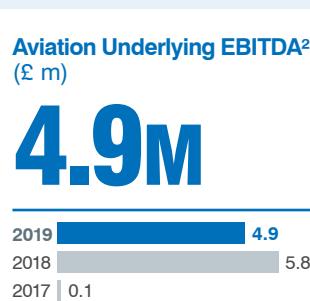
### Aviation



Aviation revenue represents a combination of contributions from London Southend Airport, Stobart Jet Centre and Stobart Aviation Services. Revenue increased as a result of a 33% improvement in the number of passengers travelling through London Southend Airport and new contracts within Stobart Aviation Services.

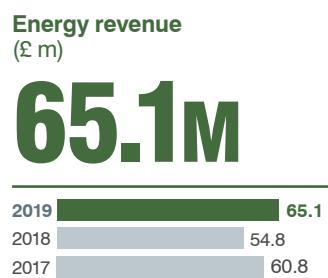


Passenger numbers are the total arriving and departing passengers at London Southend Airport. Growth in passenger numbers reflects the increased capacity from easyJet and new airlines operating from the airport.

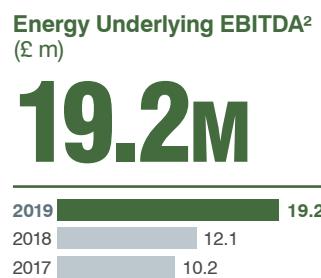


Aviation EBITDA for 2018 and 2017 has been restated with Stobart Air and Propius treated as discontinued operations. Aviation EBITDA increased significantly when excluding the sale of the hotel for £4.1m in the prior year.

### Energy



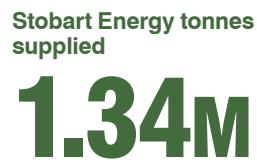
The improvement in Energy revenue reflects the increase in tonnages supplied during the year.



Energy EBITDA improved during the year despite the cost of maintaining a supply chain built to service contracted volumes during the delayed commissioning of third-party biomass plants.



Underlying EBITDA per passenger is the total underlying EBITDA generated by London Southend Airport divided by the total number of passengers. Underlying EBITDA per passenger in 2018 includes the profit on disposal of the hotel.



Tonnes supplied is the total tonnes of renewable fuel supplied to third-party energy plants. The increase in tonnes supplied was driven by the start of commissioning at the Margam and Templeborough plants and the full year effect of strong operating performance at the Tilbury plant.



Underlying EBITDA per tonne is the total underlying EBITDA divided by the total tonnes of renewable fuel supplied to plants. The reported £14.31 underlying EBITDA per tonne is ahead of the strategic target of £12-14.

## Group: Safety and environmental

## Accident/incident rate

**0.11**

2019	0.11
2018	0.09
2017	0.16

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

## Environmental impact

(tonnes CO<sub>2</sub> per £ m of revenue)**466**

2019	466
2018	466

These figures for CO<sub>2</sub> represent the equivalent amounts of CO<sub>2</sub> for greenhouse gases.

 For more on Safety and Environmental information  
See pages 34 to 40

## Group: Financial

## Revenue (£ m)

**146.9M**

2019	146.9
2018	105.4
2017	129.4

The increase in revenue across the year reflects third-party revenue increases across all our core operating divisions.

Underlying EBITDA<sup>2</sup> (£ m)**10.8M**

2019	10.8
2018	14.2 <sup>2</sup>
2017	34.4

An increase in underlying Energy EBITDA was offset by a further decline in the performance of Stobart Rail & Civils. The performance of the Rail & Civils division was impacted by the decision to downgrade the performance of contracts. That division has been reset with a strengthened management team and new strategic plan.

## (Loss)/profit before tax (£ m)

**(42.1)M**

2019	(42.1)
2018	109.3
2017	(8.0)

The loss before tax is a result of the loss in the Rail & Civils division, and non-underlying costs including legal costs, marketing and support costs associated with airlines, and impairment charges and revaluations of infrastructure assets.

## Underlying (loss)/profit per share (p)

**(4.7)p**

2019	(4.7)
2018	34.3
2017	8.0

The underlying loss per share is based on the underlying loss after tax before non-underlying items. Refer to the consolidated income statement on page 86.

## Net debt (£ m)

**83.1M**

2019	83.1
2018	36.6
2017	120.7

Net debt increased following trading losses in operating divisions and payment of 2019 dividends, which have subsequently been rebased.

## (Loss)/earnings per share (p)

**(16.6)p**

2019	(16.6)
2018	28.7
2017	(2.7)

The loss per share reflects the loss after tax including non-underlying items. Refer to the consolidated income statement on page 86 for further details.

Underlying EBITDA<sup>2</sup> from two main operating divisions (£ m)**24.1M**

2019	24.1
2018	17.9
2017	10.3

Underlying EBITDA from our two main operating divisions: Energy and Aviation. The increase in the year is principally driven by the contribution of the Energy division resulting from increased revenues and EBITDA per tonne.

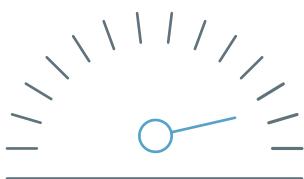
 For more on our financial performance  
See pages 86-124

1 Includes £4.1m profit on disposal of hotel.

2 Underlying EBITDA represents (loss)/profit before tax and before swaps, foreign exchange, interest, depreciation and non-underlying items.

3 2018 excludes £123.9m profit on disposal of Eddie Stobart.

2017 figures have not been restated.



## Chairman's Statement

# Strong commercial progress

I am pleased to report significant commercial progress in our two principal operating divisions, Stobart Aviation and Stobart Energy.



**“This progress has been delivered by an outstanding management team, with considerable commercial experience, who I believe, can deliver our ambitious targets.”**

### Overview

In Aviation, London Southend Airport welcomed 1.5 million passengers during the year, up 33% from 1.1 million last year. We secured a landmark agreement with Ryanair, which will bring more than one million additional passengers per annum through the airport from Spring 2019 onwards.

It is not just London Southend Airport where we can report progress. In July 2019, the first commercial flight for over 25 years will take off from Carlisle Lake District Airport, and we have become the operators for Durham Tees Valley Airport.

We have also seen commercial progress in Stobart Energy. During the year, the division delivered a 51% increase in the volume of biomass fuel supplied to renewable energy plants, equivalent to 1.3 million tonnes. This increase is a result of more renewable energy plants reaching full contractual operational volumes.

Furthermore, as announced at the time of our interims, we have taken action to improve performance within Stobart Rail & Civils. The division reported an underlying EBITDA loss of £4.8m. This division has played an important role in supporting the infrastructure growth of our Aviation and Energy divisions to date. To ensure the division is better positioned going forward, we have refocused the business to secure contracts with external tier-one customers. To support this, we have strengthened the

management team. The team has already secured significant new contracts, such as the project with Nexus to deliver a full track renewal for the Tyne and Wear Metro.

### Financial performance

We have seen a marked improvement in the financial performance of our two core operating businesses. Our Aviation division increased underlying EBITDA by 177% once the £4.1m profit from the sale and leaseback of our hotel in the prior year is adjusted for. Our Energy division saw underlying EBITDA increased by 60% from £12.1m to £19.2m. Total revenues from continuing operations across the Group increased by 39%.

The loss for the year reflects a combination of investment in our Aviation and Energy divisions, one-off legal costs and non-cash items resulting from the intention to ensure a de-risked balance sheet. Non-cash items included £16.3m of depreciation from continuing operations, £7.8m of impairment charges related to infrastructure assets and £3.2m related to loan notes.

In addition, the Group made an overall loss from discontinued operations of £15.5m, including the profit on disposal of Everdeal (Stobart Air) of £25.9m, which was then reduced by the impact of the UKFFO losses of £31.7m. Operating profits in Stobart Air and Propius totalling £3.0m were then reduced by a one-off onerous lease provision of £12.3m associated with Propius.

To support the funding of our planned growth, post the year end the Board took the decision to rebase its dividend and move to twice-yearly equal payments of 3p per share, as announced on 13 March 2019. The Board recognises the importance of dividends to shareholders. However, the rebased dividend will remove £44m of cash requirements from the business over the next 12 months.

#### **Boardroom challenges**

The increase in underlying EBITDA from our two main operating divisions has been achieved against a challenging backdrop. Sadly, it was necessary for the Board to devote significant time to the dispute with former CEO Andrew Tinkler, which gathered pace ahead of the Company's AGM in July 2018.

The dispute was especially difficult for the hard-working employees of Stobart Group. I want to thank them for remaining focused during this time. Despite our disagreement, the Board and I want to recognise how much Stobart Group has benefited from Andrew Tinkler's entrepreneurial flair in the past and thank him for his contribution to the business. However, it is now time to move on and focus on building value for all of our shareholders.

#### **Boardroom changes**

The appointment of Chairman-elect David Shearer, was announced earlier this month. He brings a lot of valuable experience as an independent director and corporate financier. He is currently the Non-Executive Chairman of Speedy Hire Plc, Aberdeen New Dawn Investment Trust plc and the Scottish Edge Fund, a role from which he will step down at its September 2019 AGM. He has considerable know how, which will help Warwick and the management team to implement the Group's strategy and deliver our ambitious growth targets.

During the year, we made further changes to the Board. Nick Dilworth joined as Chief Operating Officer in August 2018. Nick originally joined Stobart Group in December 2017 as Group Commercial Director. In a short time, he has had a significant impact on improving performance across our divisions as well as taking a leading role in the consortium's offer for Flybe. We also added two new Non-Executive Directors, Ginny Pulbrook and David Blackwood. They have already brought their extensive public company experience to bear and made significant contributions.

Post the year end we also appointed a new Chief Financial Officer, Lewis Girdwood. Lewis previously served as Chief Financial Officer to IAG Cargo, which provides global cargo services to IAG airlines. Before that, he was Head of Financial Planning and Analysis at easyJet, responsible for financial business partnering across the airline.

Andrew Wood will retire as a Non-Executive Director at the AGM following six years on the Board. I want to thank him for his advice and support over this time, and his contribution to the success of the Group. Of course, Andrew is not the only Board member to be stepping down. This statement is my last as Chairman before I hand over to David Shearer.

#### **The right commercial team in place**

It has been an honour to serve as your Chairman over the last six years. I hand over a much-transformed business which is well positioned for the future. The Company is investing in the infrastructure and capabilities that we need to enable the Group to fulfil its ambitions. We have a rapidly-growing London airport set to serve millions of passengers per year and a 30% share in the newly formed Connect Airways. An Energy division that is now well positioned to deliver its contracted commercial volumes and already achieving planned margins. Also, our reoriented Rail & Civils Division is successfully securing high-value external contracts.

This progress has been delivered by an outstanding management team, with considerable commercial experience who, I believe, can deliver our ambitious targets. Achieving these will generate significant value for shareholders. I will be enthusiastically following Stobart Group's progress.



**Iain Ferguson CBE**  
Chairman

## Chief Executive's Review

# A focused growth business

**On taking over the role of Chief Executive in July 2017, I agreed with the Board a clear, ambitious plan for the future of Stobart Group.**



**“Stobart Group now intends to invest in developing a ten million-plus passenger airport and the infrastructure required to maintain a supply chain to deliver 2m tpa of biomass fuel.”**

### Simplifying the business

Along with management across the Group, we have worked hard to reposition Stobart as a high quality, growth business. We intend to focus on establishing a major London airport and creating a high margin renewable energy business.

### Active participation in a major, connected airline

In February 2019, Stobart Group was part of the consortium that successfully bid for Flybe, simultaneously selling Stobart Air and entering an agreement to sell aircraft leasing business, Propius. Following this transaction, Stobart Group has a 30% shareholding in Connect Airways, alongside consortium partners, Virgin Atlantic (30%) and Cyrus Capital (40%). Stobart Group will share in any future profits of Connect Airways.

The creation of Connect Airways is the first step towards further regional airline consolidation. Stobart Air will continue to provide high-quality franchise operations to Aer Lingus and other key partners. The transaction will also see Flybe change its name over time under the Virgin brand and benefit from a more integrated commercial co-operation with Virgin Atlantic's long-haul operations from London and Manchester. It will identify cost synergies between Stobart Air and Flybe, reset the cost base and develop a London regional connectivity strategy that will incorporate London Southend Airport as a key to unlocking capacity for London.

### A focused Aviation division

Following this transaction, Stobart Aviation is now focused solely on airports and aviation services. Its principal asset, London Southend Airport, reported a 33% increase in passenger numbers to 1.5 million, with easyJet reporting circa one million passengers flying from the airport in the year. Post-period, Ryanair commenced flying from the airport in April 2019 and is expected to welcome more than one million passengers per annum. Loganair started operations in May 2019.

London Southend Airport now has aircraft from Ryanair, easyJet and Flybe based at the airport, with each aircraft expected to deliver 300,000 passengers per annum on average. Non-aeronautical revenues grew by 15% per passenger with increased contributions from our train station and car parks. We have also extended our food and beverage offering and installed two Costa Coffee outlets, a landside WH Smith, a Giraffe STOP, and our bespoke pub, The Navigator.

Our growth in passenger numbers and revenues reflects a continued investment in the airport over ten years, having taken it from circa 47,000 passengers to 1.5 million passengers during that time. We have spent over £150m to date developing the airport, attracting tier one airlines and building a new terminal, control tower, jet centre, hotel, car parks and train station. During the year we also spent circa £10m on a runway improvement programme.

As a result of this investment, we have a valuable London asset and differentiated earnings profile, with revenue contributions from rail passengers, car parking, hotel visitors and executive jet handling.

London Southend Airport is now well placed to realise the value of that investment to date and benefit from capacity constraints elsewhere in the Capital. This opportunity is only likely to increase with the aviation sector growing at 1.5-2x GDP.

#### **Stobart Energy coming of age**

97% of the renewable energy plants that Stobart Energy supplies have now started commissioning and 90% have reached commercial operations. As a result of the improved and more consistent plant performance, Stobart Energy reached a year-end run rate of 1.7m tonnes per annum. The Mersey Bioenergy and Margam plants are expected to reach commercial operations in the near term. Port Clarence is yet to start commissioning.

Stobart Energy is increasingly demonstrating the potential of the business model. More of the plants we supply to are now operating consistently, and this will relieve the cost pressures associated with maintaining the supply chain. Stobart Energy benefits from high-quality earnings given the long-term nature of its supply contracts and is now positioned to generate significant operating cash flow going forward.

#### **Clear targets**

The sale of Stobart Air provides an opportunity to give greater clarity to the medium-term EBITDA per passenger target for London Southend Airport. The February 2023 target has been updated as a result of this to £8 EBITDA per passenger, made up entirely of income arising from the airport's estate. We remain confident of welcoming 5 million passengers in the year to February 2023.

Stobart Energy is benefiting from more consistent operations at the renewable energy plants it supplies and has a February 2023 target to maintain EBITDA per tonne of £12.

Stobart Rail & Civils has set a five-year strategic plan to increase contracts with existing partners and external customers. It has a revised target to return to profitability over the medium term.

#### **Outlook**

We have entered the new financial year with increased confidence. We have a clear aim to develop a London airport that will benefit from the capacity constraints within the capital's other airports and a highly cash generative Energy business with long-term contracts to supply 2m tonnes per annum.

London Southend Airport has visibility on passenger growth following the arrival of Ryanair and Loganair flights, and an enhanced customer proposition that will allow non-aeronautical revenues to mature over time. Stobart Energy is now better positioned to maintain attractive margins and generate cash. We also have a plan in place to improve the performance of the Rail & Civils division through an increased focus on securing external contracts.

We now have a more de-risked balance sheet having decided to impair non-core assets. We intend to now grow the value of our core Aviation and Energy assets and have in place an experienced commercial team with a clear plan to execute our strategy and deliver our targets.

Stobart Group now intends to invest in developing a ten million-plus passenger airport and the infrastructure required to maintain a supply chain to deliver 2m tonnes per annum of biomass fuel. The Group will also invest in core IT and central services, including our people while retaining an appropriate Group cost base. The majority of our investment will be focused on London Southend Airport and will be partly funded by the receipt of over £50m raised through the issuance of an exchangeable bond secured over our shares in Eddie Stobart Logistics plc, further asset sales and cash generated from operating businesses.

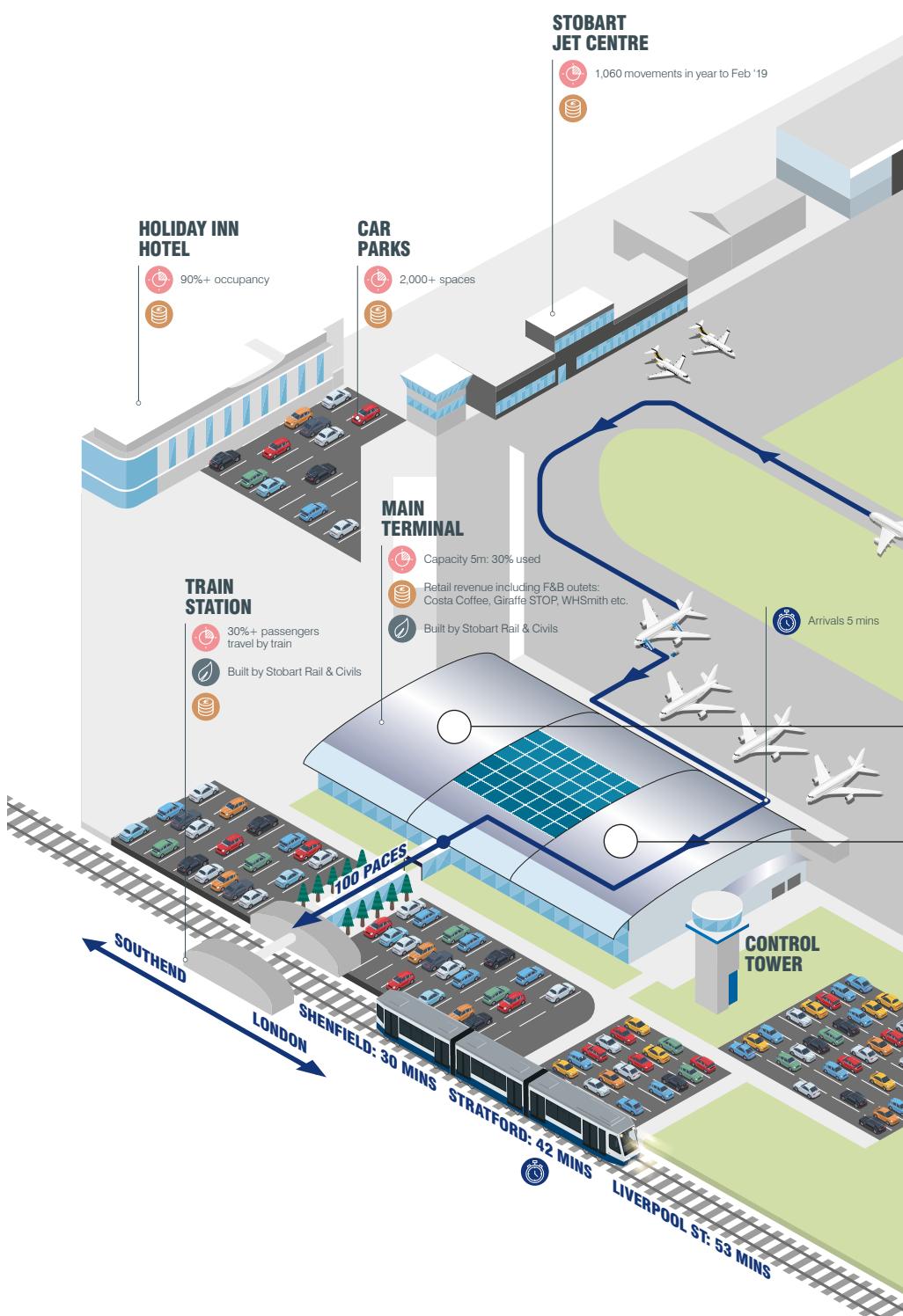
By undertaking this investment in our infrastructure assets, we can generate strong and sustainable operating cash flows and significant long-term value for shareholders.

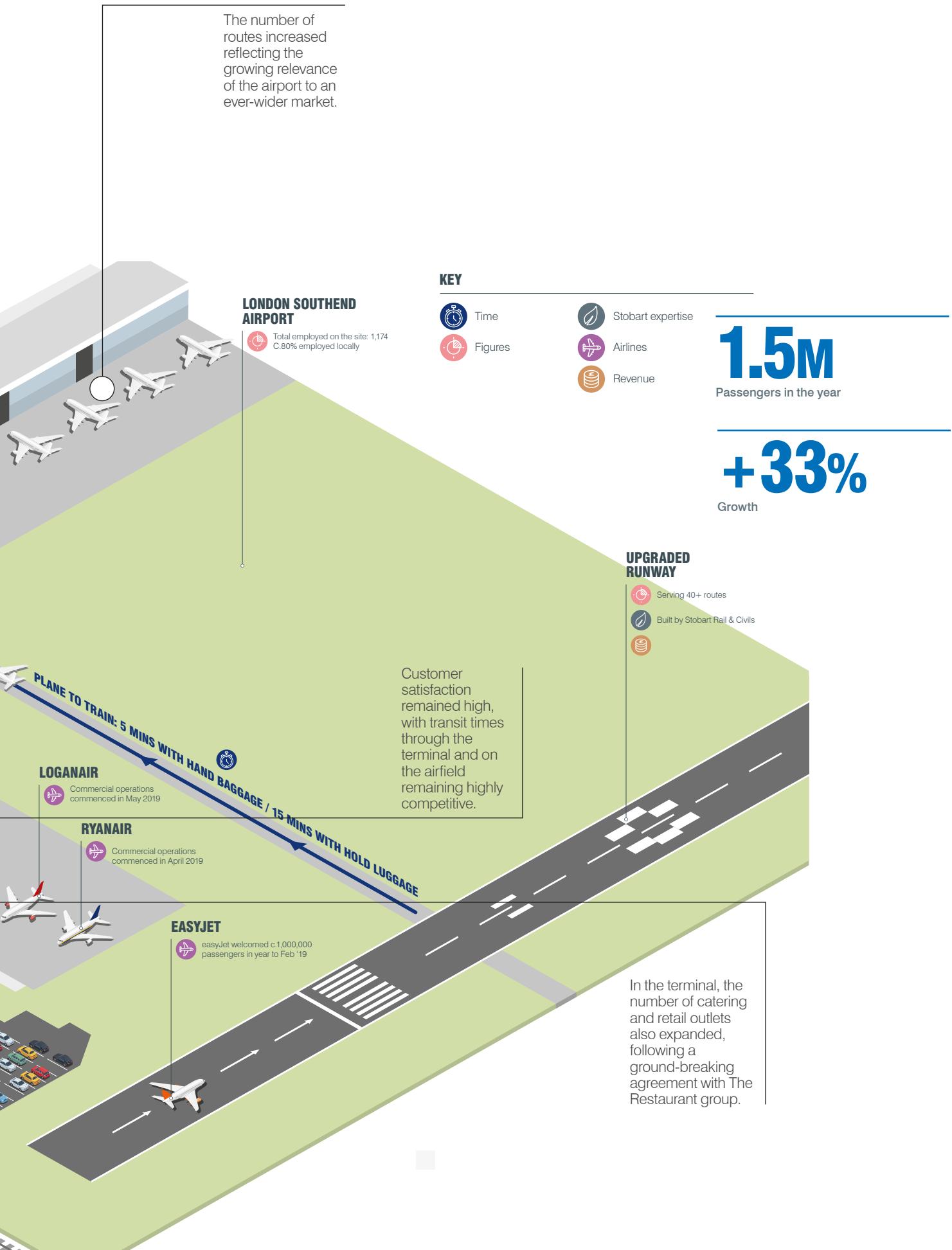


**Warwick Brady**  
Chief Executive

# Developing London's favourite airport

2018 was another year of continued growth at London Southend Airport. Passenger numbers grew by 33%, driven by a combination of a fourth based A320 aircraft from easyJet, three new Mediterranean routes from Air Malta and additional services with FlyBe.







## Operational Review continued

# Welcoming new airlines and more passengers



### Highlights of the year

- London Southend Airport increased annual passenger numbers by 33% to 1.5 million (2018: 1.1 million)
- easyJet flew over 1 million passengers in 2018
- We announced the launch of Ryanair flights which started in April 2019, and Loganair flights in May 2019
- The first commercial passenger flight from Carlisle Lake District Airport for over 25 years will take off on 4 July with Loganair
- Stobart Aviation was announced as the new strategic partner for Durham Tees Valley Airport
- Stobart Aviation Services commenced ground handling and check-in services for Loganair at Edinburgh and Glasgow airports

**“London Southend’s proposition to airlines and passengers of an easy journey and a quality customer experience is gaining traction.”**

Passenger numbers (million) LSA

**+33%**

2019	1.50
2018	1.13
2017	0.87



### London's favourite airport

London Southend Airport maintained its momentum, building on its reputation as London's favourite airport. In 2018, Which? readers once again confirmed the airport as the capital's best for the fifth year running. This reputation for customer satisfaction has helped establish London Southend as the fastest-growing airport in the capacity constrained capital. Passenger numbers increased by 33% to 1.5 million.

Recognition by Which? readers and airlines reflects a clear and compelling customer proposition. London Southend Airport is easy to get to, easy to get through and easy to use. There are direct trains from London with travel time of under an hour. The airport has easy road access and car parking is immediately next to the terminal. Once inside, passengers experience quicker check-in and security journeys compared to other airports.

After security, passengers can relax with an expanded choice of quality food and beverage outlets, as a result of our relationship with The Restaurant Group. This relationship started in June 2018. Since then, a Giraffe STOP, Costa Coffee, and our bespoke pub, The Navigator, have all opened airside. Landside, we extended our retail offering with the opening of a second Costa Coffee and a WH Smith outlet.

### Airline growth

London Southend's proposition to airlines and passengers of an easy journey and a quality customer experience is gaining traction. easyJet served circa one million passengers in the year. Ryanair has opened a new base at the airport, flying 14 routes from April 2019, and is expected to deliver an additional one

million-plus passengers per year. London Southend Airport will also become a new gateway to Scotland in 2019 with routes to Glasgow, Aberdeen and Stornoway having started in May 2019. We also see further opportunities for short-term growth with Flybe. This follows the successful bid for the airline by Connect Airways, in which Stobart Group is a 30% shareholder.

Having expanded our relationship with the airlines, we are confident that we will welcome circa 2.5 million passengers in the year ending 28 February 2020. This sets us well on our path to five million passengers by the end of February 2023.

The main obstacle to delivering this growth is the recent downturn in the performance of airlines, leading to the collapse of a number of operators. The industry is facing cost pressures brought about by increases in fuel prices and fleet maintenance costs. This is combining with some weakness in forward passenger bookings ahead of Brexit, as passengers put spending on hold. Whilst this is likely to be temporary, the airport would welcome clarity on the likely impact of Brexit on air travel within the Eurozone.

### Airport expansion

Given the current visibility over future passenger numbers, this is the right time for further expansion. We have quickly got to work. In March 2019, we completed a circa £10m runway upgrade programme. This gives us the capability to land larger aircraft including 737s and A320s. Plans to extend the terminal and car parking capacity have been advanced as well as the work to develop further hotel capacity.

We also have the right team in place to support this expansion. Willie McGillivray joined from Gatwick Airport as Chief Operating Officer, bringing expertise in terms of delivering airport expansion projects. We also appointed a Commercial Manager to ensure that the airport maximises its car parking and ancillary service revenues.

#### Community relations

Rapid airport growth often raises concerns in some neighbouring communities about aspects of environmental impact. Although it can be difficult to address all community concerns whilst continuing to grow, London Southend Airport has always complied in full with all of the requirements placed upon it by its planning authorities. Moreover, the airport has a well-established programme not only of engagement with its neighbours but also of contribution to its communities.

#### New airport operations

We were also delighted to be appointed operator for Durham Tees Valley Airport in March 2019 by its owner, Tees Valley Combined Authority. Durham Tees Valley has an in-house team of airport professionals. However, Stobart Aviation will provide strategic oversight.

We are also pleased to confirm progress at Carlisle Lake District Airport. The first commercial passenger flight for over 25 years will take off from the airport in July 2019, operated by Loganair. This flight, and the many others that will follow, has been made possible after the successful completion of runway improvements and the training of a new Air Traffic Control team.

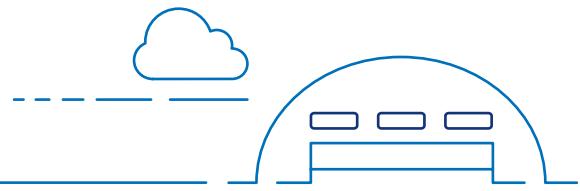
#### Aviation businesses taking off

The other aviation businesses that we launched in the last financial year have also grown.

The Stobart Jet Centre at London Southend Airport has increased its share of the private aviation market with reported movements of 1,660 in the year – up 83%. In March 2019 we appointed a new Managing Director for Stobart Jet Centre to exploit further opportunities in the valuable London private jet market.

Our check-in and ground handling business, Stobart Aviation Services, also grew in 2018. The business built on its service agreements with Flybe and easyJet at London Southend Airport and London Stansted Airport by signing a new contract to support Loganair at both Edinburgh and Glasgow airports.

## CASE STUDY



# Runway improvement project

#### What was the runway improvement project?

At the beginning of the year we started a project to upgrade the runway at London Southend Airport. The project was designed to enable us to land aircraft such as the Boeing 737-800 and A321s in wet conditions.

#### What did it entail?

We worked with Stobart Rail & Civils and Lagans. The project involved tarmac 77,000m<sup>2</sup> of runway, which meant laying 40,000 tonnes of tarmac. The project also included replacing 374 aircraft ground lights.

All of this was undertaken across 75 shifts with an average of 100 people working on each shift between 11pm and 5am.

#### What was the result?

The runway improvement project was completed on time and meant we were ready to welcome the first commercial Ryanair flight, which arrived on 2 April 2019.

**Willie McGillivray**  
Chief Operating Officer  
at London Southend Airport



We entered the new financial year with increased confidence. Stobart Aviation now represents a substantial and inter-connected business, focused on airports and airport services, following the disposal of Stobart Air and decision to enter into an agreement to sell Propius within the Connect Airways transaction. The arrival of Ryanair and

Loganair flights at the airport has resulted in a significant uplift in passengers since April 2019, and London Southend Airport is increasingly viewed as the natural solution to capacity constraints at London's other airports.

**Glyn Jones**  
Chief Executive, Stobart Aviation

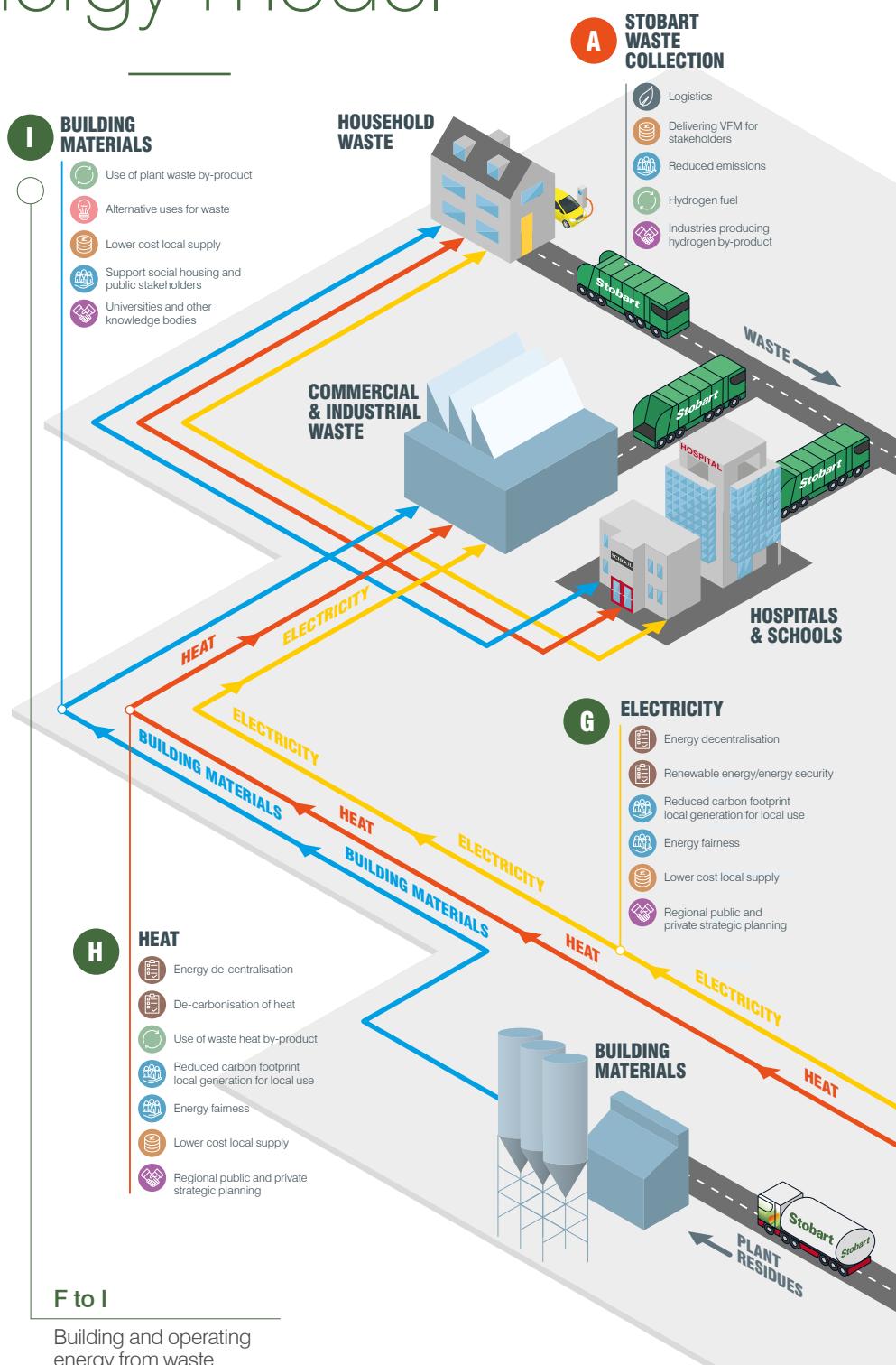
# Building a sustainable energy model

**At the heart of the Stobart Sustainable Energy Model are three key principles:**

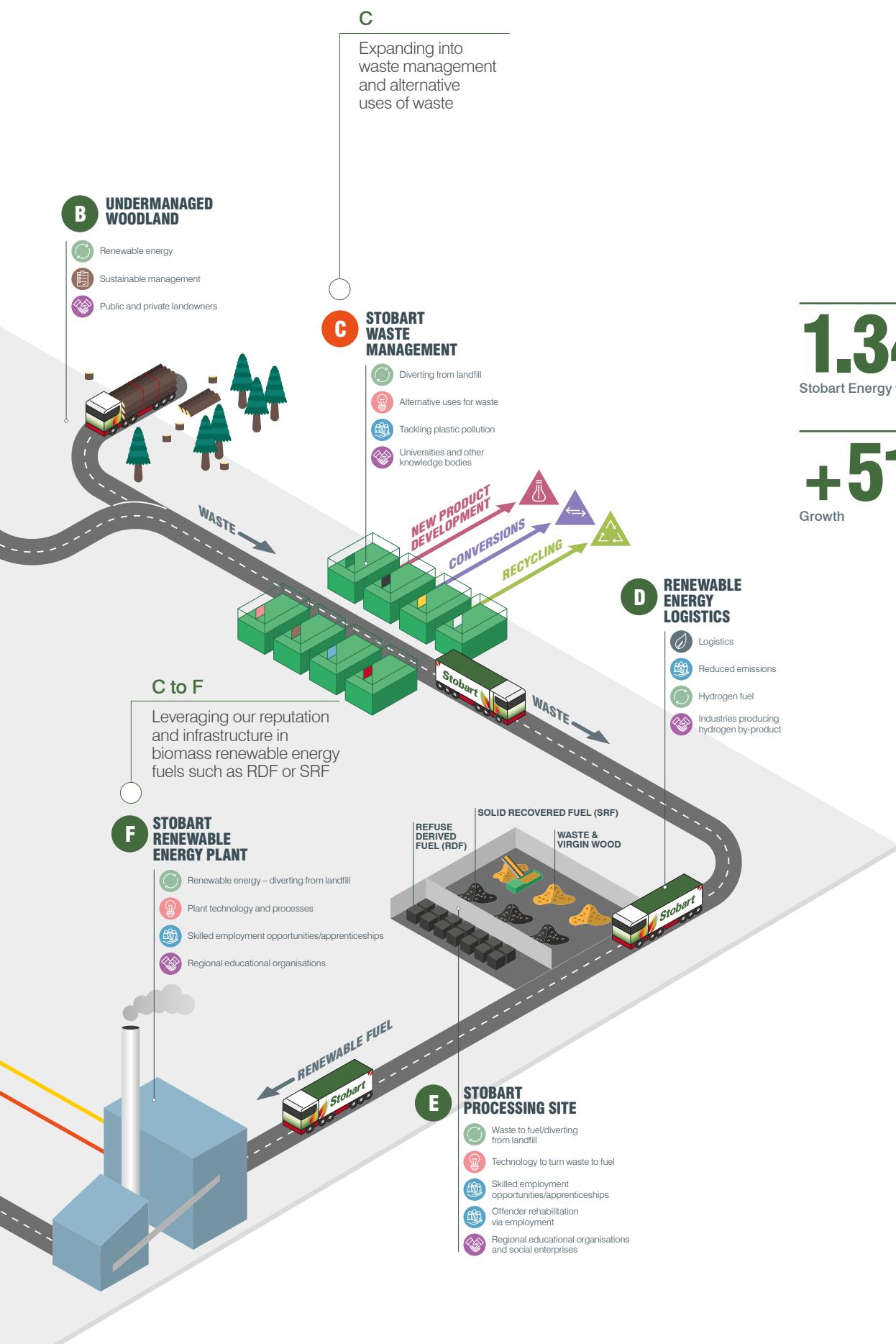
- (i) Stobart Energy helping stakeholders use local resources to generate and retain social, financial and environmental value for their communities and businesses;
- (ii) treating waste as an opportunity to recover value, (recycling, alternative fuels and energy), rather than as a problem to dispose at the lowest possible cost; and
- (iii) a holistic, joined-up approach to waste management to maximise the amount of value recovered.

The combination of our track record in biomass, the quality and passion of our people and our reputation for doing things differently mean that we are uniquely placed to develop and deliver the opportunities from the Stobart Sustainable Energy Model.

The response from stakeholders we have engaged with to date has been uniformly positive, reflecting the way that business and society more generally now approach the issue of waste management. As a result, we have a number of live opportunities across the Stobart Sustainable Energy Model which we are developing and that are forecast to bear fruit over the next 12 to 24 months.



Note: Circles A and C are early stage opportunities.  
All other circles are representative of existing operations.



# Milestone performance



## Highlights of the year

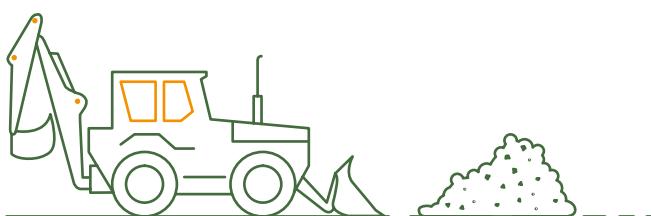
- Tonnes supplied was up 51% to 1.3m tonnes
- 97% of the 30 renewable energy plants that Stobart Energy supplies to have now started commissioning
- 90% have reached commercial operations
- Stobart Energy achieved a year end run rate of 1.7m tpa as a result of more consistent plant performance

**“As the plants complete commissioning and we enter full contractual supply the quantum of the non-underlying costs should reduce significantly.”**

## Stobart Energy tonnes supplied

# 1.34M

2019	1.34
2018	0.89
2017	0.87



## Milestone performance

On 24 October 2018, Stobart Energy reached a key milestone when all the renewable energy plants we supply, other than Port Clarence, were running at operational capacity.

Everyone in the business should feel rightly proud of this achievement. It is the culmination of nearly five years of work. Further good news followed this with both the Tilbury and Templeborough plants completing the commissioning phase in January 2019, and these plants are now in full contractual operations.

As a result, only three of the 30 renewable energy plants we supply to are yet to complete the commissioning phase. Of these three plants, the Mersey Bioenergy and Margam plants are expected to complete the commissioning by the end of the first half of 2019, while the Port Clarence plant has yet to start commissioning as it awaits confirmation from OFGEM.

## Financial performance

Both tonnes of biomass fuel supplied and underlying profit grew year-on-year. Tonnes supplied was up 51% to 1.3m tonnes, and underlying EBITDA was up 60% to £19.2m. This was driven by the start of the commissioning of the Margam and Templeborough plants, and the full year effect of the Tilbury plant. Although the tonnes of biomass fuel supplied in the year was lower than the strategic target of 2m tonnes, the run rate at the end of the year reached 1.7m tonnes with the key variance being the Port Clarence plant. The financial impact of the shortfall in tonnes of biomass fuel supplied against the strategic target was partially offset by underlying EBITDA per tonne of £14.31.

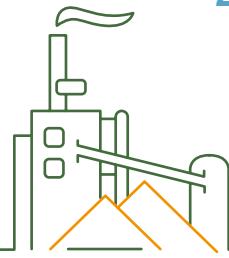
## Continued challenges

We experienced continued challenges with the new renewable energy plants. The commissioning of the Margam and Templeborough plants began later and took longer than forecast whilst the Port Clarence plant is yet to start. In addition, the Tilbury and Mersey Bioenergy plants experienced several unplanned outages during commissioning. However, 97% of the plants we supply to have now started commissioning and 90% have reached commercial operations.

Because of the commissioning delays we incurred non-underlying costs of £5.9m (2018: £3.8m, excluding £1.3m for the recovery of a historic bad debt). These costs were incurred as a result of carrying the cost of an infrastructure built to service the volume forecasts given to us by the plants, as well as the cost of diverting wood around the country to partially mitigate the impact on the integrity of the plants' supply chains. As the plants complete commissioning, and we enter full contractual supply, the quantum of the non-underlying costs should reduce significantly.

The prolonged and inconsistent commissioning of the renewable energy plants over the last two years has impacted on the supply chains. These are built specifically for each plant, and suppliers need to have confidence in the plants as a reliable offtake for their wood. During this period, we have ensured that the plants are made aware of the impact on the supply chain.

Stobart Energy has considered the potential impact of Brexit. The vast majority of our waste and virgin wood is UK sourced.



Therefore, it is unlikely to create a significant impact in terms of any export or import restrictions which may be brought in following Brexit.

#### Investing in people and infrastructure

We have continued to invest in both our people and infrastructure. We restructured our team to ensure we deliver a best in class, full supply chain solution for our customers. The business created several new roles, including Supply Chain Director with responsibility for all areas of the supply chain. In January 2019, we also appointed our first Head of People for the Energy business, underlining our commitment to invest in our people. Furthermore, we strengthened the Contract Management team with a senior appointment. These new appointments are already delivering benefits across the division.

Recognising the importance of our business being able to manage seasonal imbalances in the supply and demand of waste wood we have focused on increasing our storage capacity across the country. The completion of our Port Clarence processing site in August 2018 means we now have eight sites strategically located around the country giving storage capacity for 100,000 tonnes. We have also secured approval from the Environment Agency for increased wood pile sizes at our Widnes, Tilbury and Port Clarence processing sites, giving us greater supply chain flexibility. In addition to the development of our site portfolio, we also started a major replacement programme for our specialist transport fleet and continued to invest in technology to drive operational efficiencies as well as customer experience.

#### Resilient business model

Without our investment this year and in prior years we would not have been able to manage the commissioning challenges of the last two years. Nor would we be confident that we are set up to deliver for our customers over the length of our contracts with them.

#### Next phase of growth

We have made good progress putting in place the foundations for our next phase of growth, driven by the Stobart Sustainable Energy Model.

The combination of our track record in biomass, the quality and passion of our people and our reputation for doing things differently means that we are uniquely placed to develop and deliver opportunities.

**Ben Whawell**  
Chief Executive, Stobart Energy

## CASE STUDY



# One Team approach

#### What is the One Team approach?

It's about ensuring colleagues across all functions have aligned objectives and a joined-up approach to delivery.

#### Why is this important?

Our supply chain involves many moving parts, and we need to consider everything from plant demand to fuel availability and all the supporting operations. Successful delivery means collaborating across all teams – including procurement, transport, contracts, operations, quality management and finance.

#### So how does it work in practice?

A good example of this approach arose over the Christmas period. This year Christmas fell over two weeks with multiple Bank Holidays rolling in to weekdays. Our teams co-ordinated to construct a day-by-day plan of all inbound and outbound movements and operational requirements, and worked with the plants and suppliers to ensure they were fully integrated into the plan. Then they continued to work together throughout Christmas to execute it, using daily conference calls and planning tools to monitor the status and inform our plan for the following day.

By working as One Team we were successful in meeting our customers' requirements, delivering all fuel orders on every day of the festive period including Christmas Day itself and New Year's Day, with a total of over 1500 deliveries On Time In Full during the fortnight.

**Steve Potter**  
Supply Chain Director for  
Stobart Energy





## Operational Review continued

# Focusing on external contracts



### Highlights of the year

- Stobart Rail & Civils undertook a review of ongoing contracts and took the decision to realign recorded performance of legacy contracts committed to in both the previous and current financial year
- We strengthened the management team and set a three to five-year strategic plan to increase contracts with existing partners and secure new projects
- We have secured a number of major new contracts including with Nexus, Arriva Rail North and Southwell Racecourse

**"The strengthened team is already having an impact, with a number of contract wins in the first two months of 2019. There is now an encouraging pipeline of new work."**

External revenue (£ m)

**+96.1%**

	2019	2018	2017
External revenue (£ m)	31.9	16.3	30.5

### Review of ongoing contracts

A detailed review of the division's commercial operations, all open contracts and forecast outturns has been completed. The impact of the review has been to downgrade the recorded performance of contracts in the current financial year. Consequently, the February 2019 results for Stobart Rail & Civils materially underperform against expectations.

Management has implemented a series of measures to ensure that losses are minimised and has implemented a clear plan to ensure the future growth of the business can be achieved in line with the strategic plan.

### Strengthened management team

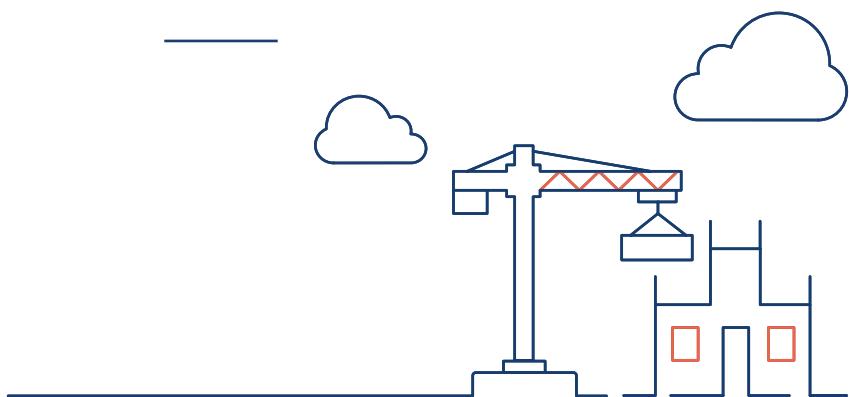
We strengthened the senior management team with several new hires including a new Finance Director as well as Commercial Engineering and Regional Directors. Concentration and emphasis are placed squarely on targeting and delivering on contracts and projects in Scotland and Northern and Central England, safely and profitably.

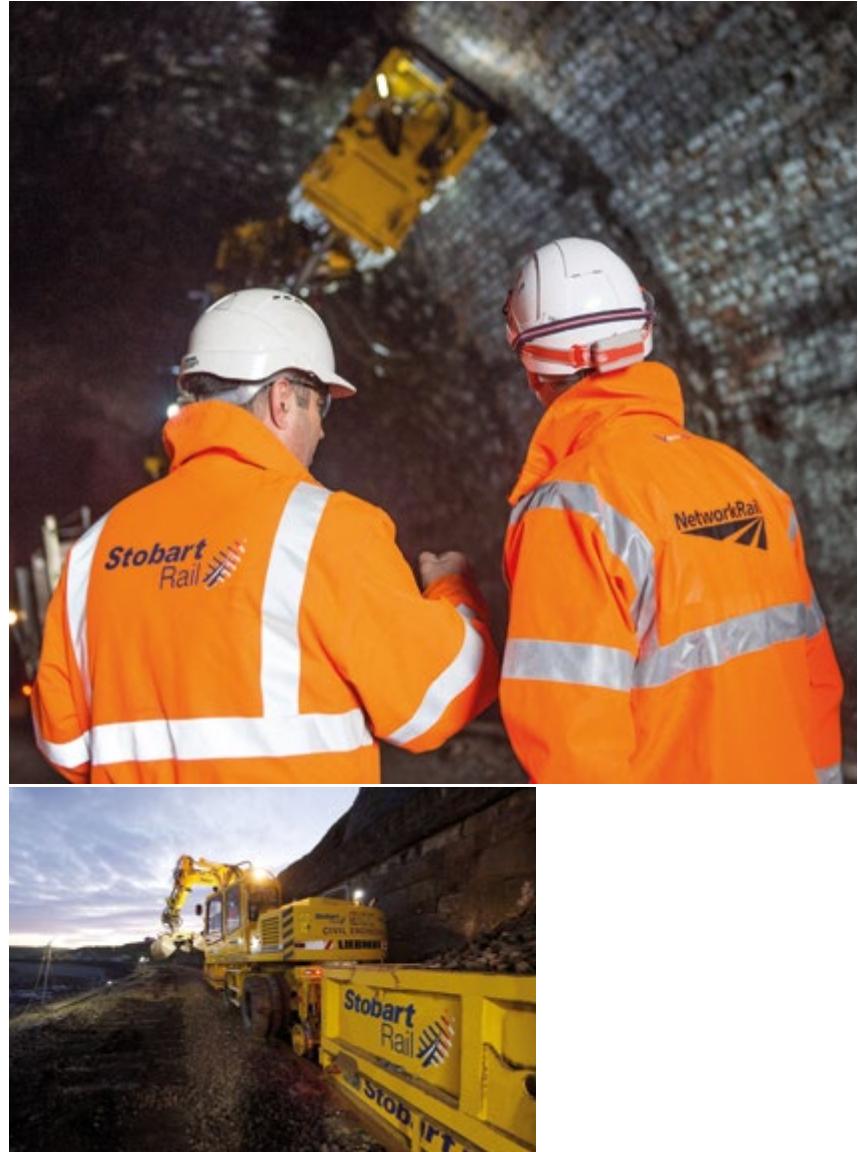
### Focus on new external contracts

These new additions to the team will support Stobart Rail & Civils' three to five-year strategic plan. This plan is aimed at both increasing the work we do with our existing partners and securing new contracts. The team are pursuing new opportunities, including Frameworks and Contracts within Network Rail's Control Period 6 Programme. The Programme encompasses a £7.7bn budget for maintaining and £16.6bn for renewing our railways. Additionally, we are targeting infrastructure investment contracts arising from Northern Powerhouse schemes such as the TransPennine upgrade between Manchester and York.

Stobart Rail & Civils has considered the potential key risk areas and impact of Brexit, as well as the impact of the current delays in finalising the deal.

There is uncertainty in the market place currently, which is causing business to be cautious on committing to funding major contracts. However, the division has a significant focus on rail associated contracts and projects. Budgets are already in place for Network Rail's Control Period 6 programme. Stobart Rail & Civils therefore considers that it has a strong position in relation to secured funding and work.





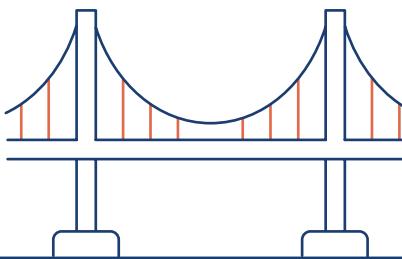
### Strong start to 2019

The strengthened team is already having an impact, with a number of contract wins in the first two months of 2019. There is now an encouraging pipeline of new work. In February 2019, Stobart Rail & Civils secured a milestone £4.7m contract with Nexus, the public body which delivers public transport services, following a competitive bid process. As a result, Stobart Rail & Civils will work alongside Nexus and other key partners to complete full track renewals across four sites on the Tyne and Wear Metro. These sites run from South Hylton, through Newcastle Central Station to Newcastle Airport and North Shields Ferry Port.

### Further contracts

Additional contracts secured in the period include the £10m+ project for Arriva Rail North to build a maintenance facility at Newton Heath to accommodate the new fleet of trains for 2019. We are the Civils Partner for the Northern Alliance Track Renewals won by Babcock; this is a five-year £500m Framework. We're also delivering off-track fencing and de-vegetation for the Fusion JV which forms part of the enabling works for HS2.

**Kirk Taylor**  
Managing Director, Stobart Rail & Civils



## Risk management

# Overview of risk identification and management

### Effective management of risk is an essential part of Stobart Group's activities and is critical to the successful delivery of our business plan.

#### Strategy

The Group has a Risk Management Framework (shown in the schematic opposite), approved by the Board, which sets out our approach to the identification, evaluation, communication and management of significant and emerging risks. The Framework applies to the whole Group, with responsibility for oversight of the process resting with the Audit Committee.

Consideration of our appetite for, and tolerance of, risk forms part of the risk management process, in particular when deciding how best to manage the risks that are identified. Having a robust system of internal control, with a combination of people, process and technology controls, helps us to mitigate risk.

#### Risk appetite

The level of risk considered appropriate to achieving our business objectives is determined by the Board. The Group has no appetite for risk relating to the health, safety and welfare of employees, customers and the wider community.

We do, however, have an appetite for risk in relation to activities which are directed towards creating additional demand for our services to drive revenues and increase financial returns for the Group.

#### Risk identification and management

The Risk Management Framework, as part of the wider governance framework, provides assurance and confidence to stakeholders about the Group's ability to deliver its objectives and manage key risks.

During the year, a series of structured risk workshops were held with each of the divisions and Group functions, to assist in the review and refinement of business risk registers. These risk registers are subject to continuous review and challenge, with regular reports on any significant changes in risk or new risks arising being provided to

the Stobart Group Management Board, Audit Committee and Board. In particular, the review process facilitates the escalation of any significant risks arising in the Divisional or Group Function Risk Registers to the Corporate Risk Register, where that is appropriate.

In addition, the Audit Committee has received and reviewed information relating to corporate risks and principal risks, together with details of actions taken and relevant mitigating controls, prior to advising the Board in this regard.

A risk workshop was also held with the Board to discuss the Group's corporate risks in more depth. The Board then carried out a robust assessment and gave its approval to the list of those risks which were considered to be principal risks (set out on pages 26 and 27).

Within divisions and Group functions, significant business risks are measured and reviewed at Director level, with results reported at divisional board meetings as a standing agenda item. Business managers across the Group own and manage these risks, with regular reports designed to keep the Board fully appraised of all current and emerging risks within the business, ensuring a consistent and controlled approach to risk management.

The risk registers encompass health and safety, environmental, strategic, operational, brand and financial risks across the business and operate on a defined scoring matrix. Mitigation measures in place are evaluated and, where appropriate, additional mitigations are identified for implementation.

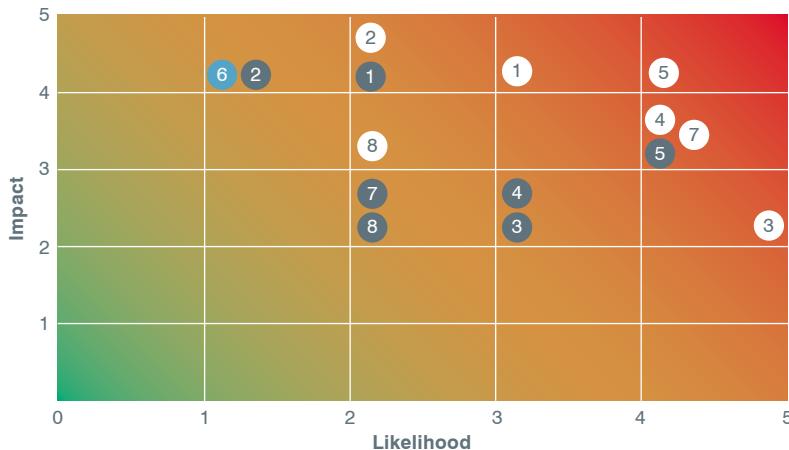
Information from the risk process is used to prioritise and plan focus areas for the completion of assurance work, which is also reported to the Audit Committee.

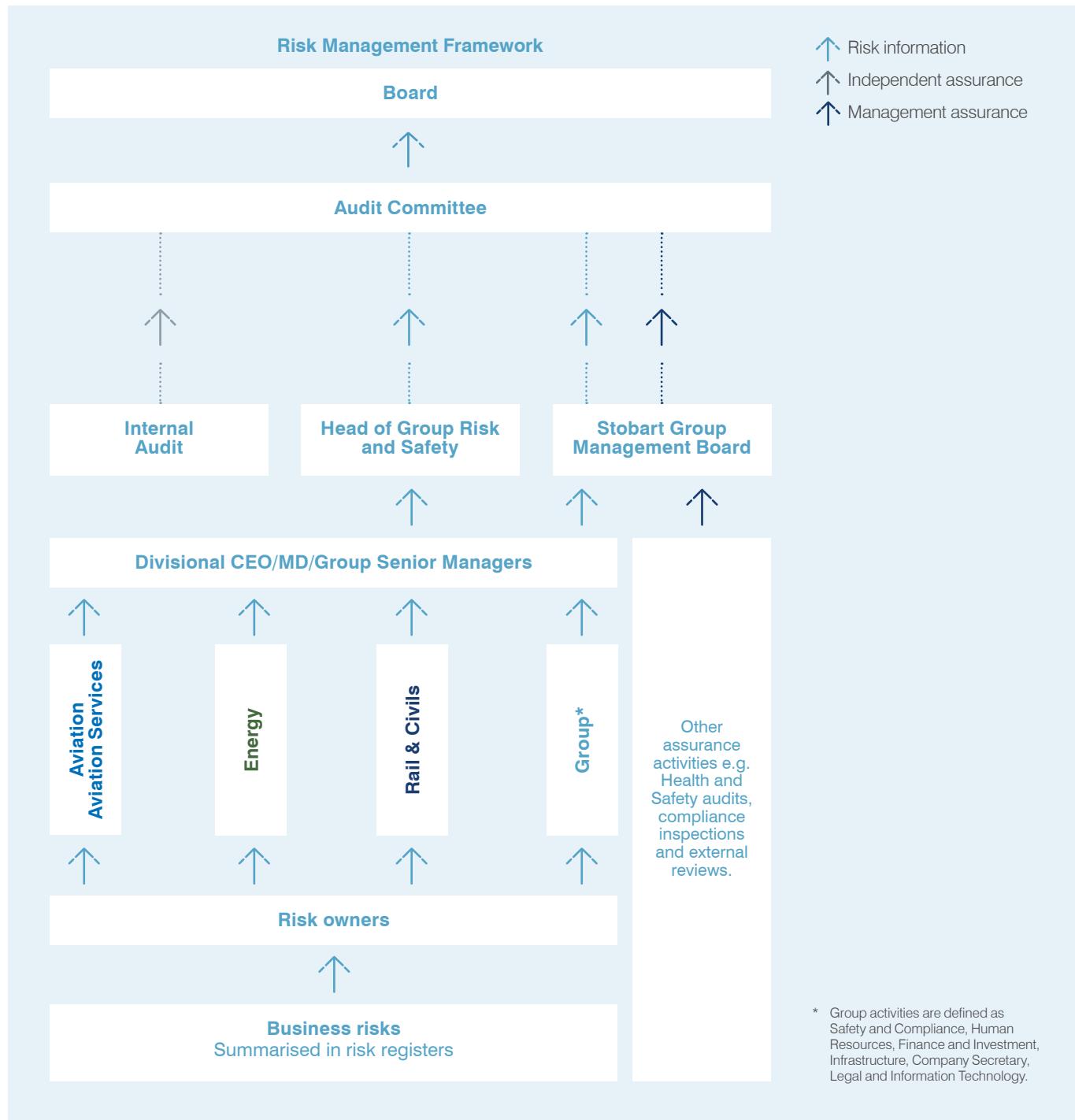
#### Principal risk heat map as at 28 February 2019

The principal risks are assessed within the Risk Management Framework. We consider the probability of a risk crystallising and the potential impact if the risk crystallised. These are scored and placed on the risk heat map below, which is a matrix of likelihood and impact. Our model evaluates both inherent exposure (i.e. before any mitigating controls or actions) and residual, or current, exposure (i.e. after controls and mitigations). This assessment allows us to see the positive impact of control on the underlying inherent risk.

The risk heat map shows the bandings of risk in different shades of colour which represent the level of risk: High (red), medium (amber) and low (green). The risks are numbered and correspond to the list of principal risks overleaf.

○ Inherent risk   ● Current mitigated risk   ● Inherent and current mitigated risk





## VIABILITY STATEMENT

The Directors have assessed the viability of the Group over a three-year period to February 2022, considering the Group's current position and the potential impact of the principal risks documented in the principal risks and mitigation controls section. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but reasonable scenarios and the effectiveness of any mitigating actions. This robust assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

The Directors have determined that the three-year period to February 2022 is an appropriate period over which to provide its Viability Statement as this period in the business plan presents a reasonable degree of confidence whilst still providing an appropriate long-term outlook. The Directors have no reason to believe the Group will not be viable over a longer period.

## Risk management continued

### Principal risks and mitigation controls

Detailed below are the risks that the Board considers to be the principal risks to the business.

The Head of Group Risk and Safety is responsible for the oversight of a programme of audits across the business which are designed to give management assurance over compliance with procedures and controls included in the risk registers. This programme is supplemented by internal audits in financial areas, undertaken by an external organisation, AuditR.

#### Business area – Group wide

Potential impact	Risk mitigations	Direction of risk
<b>1. Loss of significant customer/customer concentration risk</b>		
In some areas of the Group there is reliance on a small number of customers. Loss of a significant customer would impact revenues and profits, and challenge cost models.	<p>There are strategies in place to secure additional customers in key areas to dilute the share of business represented.</p> <p>Relationship management of significant customers remains a priority, with the senior management in each division closely involved.</p>	 Unchanged – relationship management with significant customers has continued. Securing additional customers in the key areas is part of the strategic direction of the business.
<b>2. Significant breach of licence or regulation conditions</b>		
<p>A significant breach to the conditions of licence, regulatory or operating requirements which could lead to the loss of our operating licences or approvals.</p> <p>This would have a significant impact on the Group's revenues and profits, as activities could be curtailed whilst remedial actions were taken.</p>	<p>We have experienced management teams and integrated business systems in place which are designed to ensure that licence and regulatory requirements are recognised and fully addressed.</p> <p>There is a comprehensive internal operational audit programme to provide management with independent assurance that requirements are being met.</p>	 Unchanged – the Group and divisional areas maintain appropriate training and supervision arrangements, which are supplemented by the internal audit programme to ensure compliance with regulatory and licence requirements.
<b>3. Cyber crime attack, data loss or breach</b>		
<p>We rely on technology solutions and strong information security to support the delivery of services across the Group.</p> <p>A significant cyber crime attack, including such actions as denial of service attacks or incidents which prevent key systems from operating, could present a significant risk, impacting on our ability to deliver services safely and consistently.</p> <p>Similarly, a data loss or significant data breach could have a significant impact on the Group's reputation, activities, and financial performance.</p>	<p>We have strengthened our information security arrangements significantly, and are continuing to enhance controls in this area.</p> <p>In addition to mitigations that have been in place previously, such as anti-virus controls, patching policies, perimeter security monitoring, network management processes, and the implementation of appropriate policies within the Group, a significant programme of security enhancements will be rolled out in 2019.</p>	 Unchanged – although risks from external sources are increasing, we consider that the Group's investment in modern technology solutions and enhanced security is sufficient to mitigate risk to a reasonable level.
<b>4. Significant breach of health and safety or environmental legislation</b>		
<p>A significant breach of health and safety or environmental legislation could lead to prosecution, fines, costly remediation and reputation damage for the Group.</p> <p>In addition, in some circumstances, operational activities could be suspended where remedial actions are needed to address a breach or reduce the likelihood of future breaches arising.</p>	<p>The Group and divisions have documented systems in place in key areas, which include procedures designed to ensure legal compliance.</p> <p>Documentation is supported by detailed training for staff, monitoring and reporting routines, key risk analysis and regular internal and external inspections and audits.</p>	 Unchanged – although regulatory frameworks and requirements are increasingly challenging, we have an experienced team, with good knowledge of the legal requirements.

Potential impact	Risk mitigations	Direction of risk
<b>5. Negative impact of Brexit</b>  There is potential for impact across the Group's operations because of the general economic uncertainty impacting on markets.  More specifically, we consider there may be operational and commercial challenges for the airports, as new arrangements are put in place; and also there is additional risk around our investment in the airline business, as transitional arrangements are developed.	Planning and preparation work has been under way for some time within the Group. We have worked through a range of different scenarios, and taken action where we consider it to be appropriate.  Brexit implications are considered at divisional board meetings and at the Group Board, and close review is maintained of announcements made by both the UK government and EU leaders.  We have closely followed the work being undertaken by the UK Government and the EU in relation to the ongoing operation of international air traffic. Announcements from both the EU and the UK in March 2019 have confirmed measures which ensure that flights between the UK and the EU will be able to continue in a 'no-deal' scenario, without restrictions on capacity.  Our airline partners have scheduled flights for the financial year ending February 2020 which have been on sale for some time, and we consider that the risk of widespread cancellations or restrictions in air traffic from Brexit to be minimal.	 Given the level of uncertainty around Brexit, we have assessed this as an increasing risk, although we are as confident as we can be that the most significant potential impacts for the Group (in relation to the aviation businesses) are now appropriately mitigated.
<b>Business area – Aviation</b>  <b>6. Major incident at one of our airports, including loss of aircraft and/or passengers</b>  An incident resulting in the loss of an aircraft and/or passengers at one of our airports could severely impact on the Group's reputation, finances and future operations.	The airports operate in compliance with the requirements of the Civil Aviation Authority and European Union Aviation Safety Agency regulations, with comprehensive operational arrangements in place to ensure activities are carried out appropriately and to a consistently high standard.  We have experienced and appropriately trained and qualified management teams in place, who monitor compliance with standard operating procedures.  We are also subject to external reviews by the relevant regulators.	 Unchanged – continued compliance with the Civil Aviation Authority requirements. This is verified via the internal and external auditing regime. Emergency response plans have been tested and deemed effective.
<b>7. Airlines unable to deliver scheduled flights from London Southend Airport</b>  Loss of access to or use of airport facilities, for example, through significant fire or flood on site or at a nearby location, from activist demonstrations, drones or significant system failure, all of which have the potential to disrupt flight schedules.  This could have an impact on our reputation and revenues.	Contingency plans have been developed and agreed with the Civil Aviation Authority, police, Border Force and other relevant organisations.  We work closely with local businesses sharing information, resources and planning, and similarly with other airports. For example, we are working currently to test technology to track and disable drones, following incidents at other locations.  Resilience is built into key systems and equipment where this is possible.	 Unchanged – our response and contingency plans are regularly both internally and externally reviewed, and are considered appropriate.
<b>Business area – Investments</b>  <b>8. Market dynamics change</b>  The Group's investments are subject to external changes in the market and market confidence, which can have a significant impact on asset values and revenues.	The Group monitors the performance and position of its investments.	 Unchanged – mitigation measures continue to be effective.

## Financial Review

# Refocusing the business

**Aviation and Energy, our key growth divisions, have performed well this year and underlying profitability across these businesses has increased by 35% from last year.**



### Revenue

	2019 £m	Restated 2018 £m	Movement
Aviation	39.4	25.8	+53%
Energy	65.1	54.8	+19%
Rail & Civils	52.3	41.0	+28%
Investments	2.7	0.6	+324%
Infrastructure	2.2	3.1	-30%
Eliminations	(14.8)	(19.9)	26%
<b>146.9</b>	<b>105.4</b>	<b>+39%</b>	

Revenue from continuing operations has grown by 39% to £146.9m, driven by increased revenue in our operating divisions, following an increase in passenger numbers in Aviation and tonnages in Energy.

### Profitability

	2019 £m	Restated 2018 £m	Movement
<b>Underlying EBITDA<sup>1</sup></b>			
Aviation	4.9	5.8 <sup>2</sup>	-15%
Energy	19.2	12.1	+60%
<b>Underlying EBITDA<sup>1</sup> from two main operating divisions</b>			
Rail & Civils	(4.8)	4.4	-209%
Investments	2.4	125.2 <sup>3</sup>	-98%
Infrastructure	(3.0)	3.9	-178%
Central function and eliminations	(7.9)	(13.3)	41%
<b>Underlying EBITDA<sup>1</sup></b>	<b>10.8</b>	<b>138.1</b>	<b>+35%</b>
Non-underlying items	(28.8)	(13.3)	
Impact of swaps	(0.4)	1.0	
Depreciation	(16.3)	(13.4)	
Impairment of loans	(3.2)	—	
Finance costs (net)	(4.2)	(3.1)	
Tax	(0.5)	0.3	
<b>(Loss)/profit for the year</b>	<b>(42.6)</b>	<b>109.6</b>	<b>+92%</b>

<sup>1</sup> Underlying EBITDA represents (loss)/profit before tax and before swaps, interest, depreciation and non-underlying items. Refer to note 3 on page 99 for reconciliation of divisional underlying EBITDA to profit/(loss) before tax.

<sup>2</sup> Includes £4.1m profit on disposal of hotel. Excluding this, the underlying EBITDA of the Aviation division for 2018 would be £1.7m.

<sup>3</sup> Includes £123.9m relating to the profit on disposal of associate, Eddie Stobart Logistics. Excluding this and the £4.1m profit on disposal of the hotel, the underlying EBITDA of the Investments division for 2018 would be £1.3m and the total underlying EBITDA would be £10.1m.

2018 figures in the tables above are restated for discontinued operations.

### Restatement of 2018 results

Following the disposal of Everdeal Holdings Limited on 22 February 2019 and the agreement to sell Propius Holdings Limited, (see note 5) the results of both entities have been presented within discontinued operations, net of tax below the (loss)/profit for the year in the consolidated income statement, for the current and prior year. Accordingly, the 2018 results have been restated, explaining why the revenue and profitability within the Aviation segment for 2018 is lower than reported last year.

### Underlying EBITDA<sup>1</sup>

Underlying EBITDA is the Group's key measure of profitability and has reduced by 24% to £10.8m, when excluding the £123.9m profit on disposal of our associate, Eddie Stobart Logistics, from the prior year.

The Aviation division has welcomed a record number of passengers to London Southend Airport this year. However, overall underlying EBITDA in the division has reduced from £5.8m to £4.9m reflecting the profit on disposal of £4.1m for the hotel at London Southend Airport (LSA) in the prior year. The Energy division continues to deliver a strong underlying performance through increased revenue and tight cost control, increasing underlying EBITDA by 60% to £19.2m (2018: £12.1m). The Rail & Civils division has overcome some operational challenges during the year, resulting in an underlying EBITDA loss of £4.8m (2018: £4.4m profit). However, the management team has been strengthened and we remain positive about the future of this business.

Central functions and eliminations costs have decreased, principally due to a reduced share-based payment charge following LTIP share options that lapsed during the year.

### Business segments

The business segments reported in the financial statements are Aviation, Energy, Rail & Civils, Investments and Infrastructure, which represent the operational and reporting structure of the Group.

The Operational Review on pages 14 to 23 contains further details about the performance of our operating divisions, Aviation, Energy and Rail & Civils.

The Investments division contains our investment in AIM-listed Eddie Stobart Logistics plc (ESL), our 30% investment in Connect Airways and the investment in luggage transportation company, AirportR. We received dividends of £2.7m (2018: £0.6m) during the year and underlying EBITDA was £2.4m (2018: £125.2m). The prior year results included underlying EBITDA of £123.9m from the profit on partial disposal of our holding in ESL. The fair value of our remaining holding in ESL reduced by £18.8m as a direct result of the reduction in the ESL share price. This loss is presented in the consolidated statement of comprehensive income.

The Infrastructure division continues to realise value from property assets and generated £38.4m of net proceeds from four property sales during the year. The disposals included the sale and leaseback of the terminal building and office at Carlisle Lake District Airport, the sale and leaseback of a site in Widnes and the disposal of an asset held for sale in Lillyhall. At 28 February 2019, the book value of Infrastructure assets held was £82.6m (2018: £127.2m) and underlying EBITDA reduced to a £3.0m loss (2018: £3.9m profit).

### Swaps

The impact of mark-to-market (MTM) valuations of swaps is £0.4m adverse in the year compared to £1.0m favourable in the prior year, mainly due to a downturn in fuel prices and currency exchange rates.

### Depreciation

Depreciation has increased to £16.3m, mainly due to additional plant and machinery and fixtures and fittings in the Aviation and Rail & Civils divisions.

### Finance costs

Finance costs (net) increased from £3.1m to £4.2m, as foreign exchange improvements of £2.9m were offset by increased interest payable, following an increased level of borrowing on the revolving credit facility (RCF) throughout the year.

### Non-underlying items

	2019 £m	Restated 2018 £m
New business and contract set-up costs	11.6	5.6
Litigation and claims	5.2	4.1
Amortisation of brand	3.9	3.9
Impairments	7.8	–
Other	0.4	(0.3)
<b>28.9</b>	<b>13.3</b>	

2018 figures in the table above are restated for discontinued operations.

The Energy division incurred £5.9m of contract set-up costs in connection with delayed commissioning of third-party biomass plants, and the Aviation division incurred £4.3m in relation to new route development and marketing. The charge for litigation and claims includes costs in relation to a High Court dispute with a former Director. Contingent assets relating to any outstanding claims are not recognised unless recovery is considered virtually certain, in accordance with accounting standards. The charges in relation to the non-cash amortisation of the brands are expected to continue in future periods. Impairments relates to a decrease in value of property, plant and equipment (PPE) and property inventory.

### Taxation

The tax charge on continuing operations of £0.5m (2018: £0.3m credit) reflects an effective tax rate of -2.8% (2018: 0.6%). The effective rate is lower than the standard rate of 19.08%, mainly due to deferred tax assets not recognised in respect of certain losses and other temporary differences in the year.

### Discontinued operations

On 22 February 2019, the Group disposed of subsidiaries headed by Everdeal Holdings Limited and entered into an agreement to dispose of Propius Holdings Limited to Connect Airways Limited. As a result of this transaction, the financial effect of the accelerated investment in growth at LSA, previously described as UK Flybe Franchise Operation (UKFFO) has been presented as discontinued, including a provision for the estimated investment in the year ending February 2020 of £7.0m.

The results of the disposed business for the period up to disposal, and the profit on disposal of £25.9m, are included within discontinued operations. The prior year results have been restated accordingly.

### Loss per share

Loss per share from underlying continuing operations was 4.74p (2018: 34.33p earnings per share). Total basic loss per share was 16.64p (2018: 28.66p earnings per share).

## Financial Review continued

### Share movements and dividends

	2019	2018
Interim per share	6.0p	13.5p
Final per share	3.0p	4.5p
<b>Total dividend per share</b>	<b>9.0p</b>	<b>18.0p</b>

The Board has proposed a final dividend of 3.0p per share which, subject to the approval of shareholders at the AGM, will be payable to investors on the record date of 21 June 2019, with an ex-dividend date of 20 June 2019, and will be paid on 31 July 2019.

On 18 January 2019, the Group issued 16,492,884 shares at a price of 150p per share to Cyrus Capital Partners LP, raising £24.7m.

During the year, the Group purchased 1.5 million treasury shares for net consideration of £3.4m. Subsequently, 7.0 million treasury shares were transferred to the employee benefit trust and no shares were held in treasury at the year end.

### Balance sheet

	2019 £m	2018 £m
Non-current assets	467.4	486.9
Current assets	79.7	167.3
Non-current liabilities	(137.7)	(141.5)
Current liabilities	(112.4)	(106.8)
<b>Net assets</b>	<b>297.0</b>	<b>405.9</b>

The net asset position has decreased by £108.9m in the year to £297.0m at 28 February 2019, due to the losses for the year and dividends paid in the year.

### Non-current assets

PPE and investment property of £266.9m (2018: £305.8m) have decreased following the disposal of Stobart Air and assets in Propius, partly offset by additions of £12.8m in the Aviation division and £11.2m in the Energy division.

During the year, £23.7m (2018: £31.1m) of asset investment has been made including development works of £9.7m at Carlisle Lake District Airport and £11.1m at LSA.

Investment in associates and joint ventures of £10.5m (2018: £0.3m) has increased due to the investment in Connect Airways and the conversion of a loan to equity in AirportR. Other financial assets of £44.9m (2018: £63.7m) represent the 11.8% shareholding in the AIM-listed business Eddie Stobart Logistics plc.

Amounts owed by associates and joint ventures of £44.6m (2018: £12.6m) represent amounts owed by our joint venture Connect Airways Limited and interest-bearing loans to renewable energy plant investments in which we also hold equity interests.

Intangible assets of £100.5m (2018: £104.4m) include the Stobart and Eddie Stobart brands, and goodwill which principally relates to the Energy division.

### Current assets and current liabilities

Current assets include £21.5m (2018: £46.2m) of property inventories. Excluding these assets, the net current liabilities at the year end total £54.2m (2018: £14.2m net current assets).

### Debt and gearing

	2019	2018
Asset-backed finance	£97.5m	£79.7m
Cash	(£14.4m)	(£43.1m)
<b>Net debt</b>	<b>£83.1m</b>	<b>£36.6m</b>
Underlying EBITDA/underlying interest	2.1	122.3
Gearing	28.0%	9.0%
Operating lease commitments as lessee	£139.7m	£237.5m
Operating lease rentals receivable as lessor	£26.8m	£44.8m

See note 25 on page 112 for more details on net debt.

At the year end, the Group held a variable rate committed revolving credit facility with Lloyds Bank plc and Allied Irish Bank. During the year, this facility was extended to January 2022 and amended from £65m to £80m. At the year end, the Group has drawn £58m (2018: £40m) of the £80m facility.

On May 2019, the Group placed £53.1m of secured guaranteed exchangeable bonds (Bonds) issued out of its wholly owned subsidiary Stobart Finance plc. The Bonds will have a five-year maturity and will be unconditionally and irrevocably guaranteed by the Company and will be exchangeable into ordinary shares of one penny each in the capital of Eddie Stobart Logistics plc.

Operating lease commitments as lessee and lessor have both decreased in the year primarily due to the agreement to sell Propius Holdings Limited (see note 31).

### Cash flow

	2019 £m	Restated 2018 £m
Operating cash flow	(1.7)	8.1
Investing activities	14.4	105.9
Financing activities	(25.7)	(91.5)
(Decrease)/increase in the year	(13.0)	22.5
Discontinued operations	(15.7)	(10.0)
At beginning of year	43.1	30.6
<b>Cash at end of year</b>	<b>14.4</b>	<b>43.1</b>

2018 figures in the table above are restated for discontinued operations.

Operating cash flow in the year was adversely impacted by the cash outflows relating to litigation and claims and other non-underlying items.

Net cash inflow from investing activities included £30.0m of proceeds from the sale and leaseback of the terminal and office at Carlisle Lake District Airport and the sale and leaseback of the site in Widnes. These inflows were offset by net cash outflows relating to purchase of PPE and property inventories of £25.0m. The prior year included proceeds from the disposal of Eddie Stobart Logistics of £111.9m, net of cash disposed.

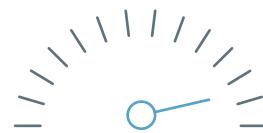
Net cash outflow from financing activities includes dividends paid of £52.5m, the net drawdown of borrowings on the RCF and repayment of finance leases (£3.2m) and proceeds from the issue of 16.5 million new shares (£24.7m).

**Lewis Girdwood**  
**Chief Financial Officer**

## Our brand

# A highly recognised brand

Stobart Group is a well-respected and highly recognised brand with operations across the UK.



### OUR BRANDS



#### Products

Stobart Aviation includes London Southend Airport and Stobart Jet Centre, which launched at the airport in 2018 offering executive jet services. The division also encompasses Carlisle Lake District Airport, which is due to open in July 2019 to commercial flights for the first time in over two decades, and Stobart Aviation Services, which provides ground handling and check-in services for airlines including easyJet and Loganair.

Stobart Energy is the UK's leading provider of biomass. It has contracts to supply biomass fuel to generate clean energy equivalent to the annual electricity needs of 2% of the UK population.

Stobart Rail & Civils provides innovative and efficient rail and non-rail civil engineering projects. It delivers specialist rail, civil and infrastructure engineering and management services to third-party customers including Network Rail.

#### Achievements

London Southend Airport has been rated London's favourite by Which? readers five years in a row and is the capital's fastest growing airport.

Stobart Group was recognised as one of 52 UK leading brands in the 2019 Superbrands Annual.

#### Recent developments

Stobart Group was in the news at the beginning of 2019 as part of a consortium with Virgin Atlantic and Cyrus Capital that made a successful recommended cash offer to acquire regional airline Flybe.

In 2018, Stobart Group also announced a landmark agreement with Ryanair to operate from London Southend Airport from April 2019, with the aim of welcoming over one million passengers a year. Ryanair joins easyJet who welcomed circa one million passengers through London Southend Airport in the year to 28 February 2019.

#### Promotion

In 2019 Stobart Group intends to review new ways to promote its brand and its values, such as greater community engagement close to the areas in which it operates. For example, at the beginning of 2019, it announced a sponsorship agreement between its London airport and Southend United Community and Education Trust, with a focus on participating in future community engagement activities.

## Non-financial information

# Non-financial information

### People

We are investing significantly in our People Strategy this year and there will be particular focus on diversity, equality and inclusion. Further information about people can be found:

- In the business model section on page 6
- In the KPIs section on page 8
- In the corporate social responsibility section on page 33

### Ethics and human rights

Stobart Group respects and is committed to protecting all human rights. The Group has an Ethics and Business Integrity Policy together with other policies in place which support recognised principles on human rights, including health and safety and anti-corruption. The Group's employment policies and procedures also reflect principles of non-discrimination and equal treatment. The Group's Modern Slavery Statement, published on our website, sets

out the steps being taken by the Group to ensure that slavery and human trafficking do not exist in our business or its supply chains. In line with the requirements of the Modern Slavery Act 2015, our next annual Modern Slavery Statement will be published on our website during 2019.

### Anti-bribery and corruption

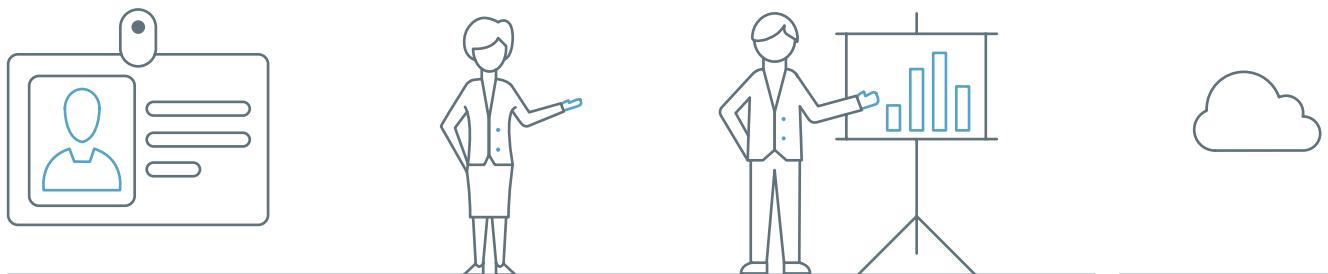
Our Anti-Bribery and Corruption Code of Conduct underpins the Group's commitment to a zero tolerance approach to bribery and corruption and sets out the standards of conduct we require from all Directors and employees and those related to the Group. The policy includes relevant procedures which must be adhered to concerning gifts, hospitality and entertainment, and training is provided to all relevant employees.

### Whistleblowing

The Group's Whistleblowing Policy is designed to enable and encourage staff to report suspected wrongdoing at any level of the business, in the knowledge that their concerns will be taken seriously and investigated as appropriate. To support this commitment to conduct our business in the right way and an open culture, all employees across the Group have access to a free of charge, independent whistleblowing hotline, through which they can report any concerns they have at all regarding malpractice in the workplace and business.

### Environmental and social matters

The corporate social responsibility section of this report on pages 33 to 41 provides further information regarding social, community and environmental matters. Further information can also be found within our KPIs section on page 8.



## Corporate social responsibility

# A responsible business

**Stobart Group is committed to being a responsible business, working with all our stakeholders to understand their expectations in all areas of corporate social responsibility.**

Corporate social responsibility (CSR) sits at the heart of the Stobart Group culture. As a policy, it is owned and celebrated across the business and forms a key part of employee engagement, social and environmental responsibility and our brand. This year, we have commenced a process to review and refresh our existing CSR Policy to deliver a new strategy. The process we are embarking on embraces the following elements:

- A celebration of our CSR achievements and work to date.
- Appointment of new divisional and site-specific CSR champions, nominated through our Employee Forums.
- Refreshing the existing CSR Committee with a review of its terms of reference and accountability.
- Review of existing CSR strategy and development of new strategy.
- Presentation of new strategy to the Board.
- Implementation, reporting, monitoring and continuous improvement.

Stobart Group aims to be at the forefront of CSR best practice and will innovate in the development of this new strategy. We look forward to reporting the results of this process and new strategy next year.



### Responsible to our people

Our people are our most important asset; we aim to attract the right people for the right roles and ensure they are fully supported to grow and develop within our business to reach their full potential.

### Responsible safety

The safety of our people is vital to being a responsible business. We actively aim to ensure that all Stobart employees remain safe whilst carrying out their day-to-day activities. This is reinforced by our 'Just Culture' ethos.

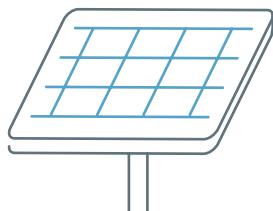
### Responsible environmental efficiency

We aim to continuously review and investigate initiatives to reduce our consumption of energy, waste and water and, where possible, report our actual and target levels.

### Responsible to our communities

We aim to actively engage with stakeholders and local communities within all areas of our business to provide ongoing support with community development initiatives and to make a positive contribution to the areas in which we operate.

The Group's approach is overseen on behalf of the Board by our corporate social responsibility Committee, which comprises a number of senior employees from across the Group.



## Corporate social responsibility continued

### Safety and compliance

#### Safety strategy

The strategic objective for enhancing safety is:

To manage our risks throughout each of the divisions by providing support, information, training and appropriate resources, through continuous performance review and by encouraging open and honest reporting. We ensure a Just and Fair Culture is in place and operates effectively across the Group.

#### Our achievements in 2018/19

- Appointed a new Head of Group Risk and Safety and put in place a new structure for the Group Safety and Compliance team, enabling enhanced divisional oversight and greater independent assurance, and information for senior management and the Board.
- Divisional safety and compliance functions have clearly allocated responsibility and accountability for advising on and monitoring health and safety risks at a divisional level. This enables the Group Safety and Compliance team to provide independent oversight, and a 'second line of defence'.
- Divisional monthly safety meetings have been implemented to enable better identification of risks and trends, and to facilitate sharing of best practice across the Group.

#### Our next steps and priorities for 2019/20

- Implementation of an innovative internal event reporting system across each of the divisions which allows each unit to report independently within their business area, whilst allowing oversight from the Group Safety and Compliance team.
- Introducing a SharePoint document management system to each of the divisions, giving a more robust and resilient platform, whilst allowing divisions to have full control of their divisional internal documents and aesthetics.

**310**

Internal health and safety, environmental and quality audits within all divisions

**38%**

Reduction in employee incidents since the year ended 28 February 2018

- The completion of divisional audits and oversight audits, to provide ongoing assurance about the effectiveness of and compliance with appropriate processes.
- Driving a fresh Safety Culture campaign to align with Company growth, specific to each of the divisions and to Group activities.

#### Performance in the year

The ongoing promotion of a positive safety culture throughout the divisions has contributed to the reduction of non-RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) employee accidents by 8% and a 38% reduction in employee incidents across all divisions in the year ending 28 February 2019, compared with prior year. We will continue to strive for improved accident and incident performance throughout the business and increase hazard awareness with employees through training. With the implementation of a new reporting system, users will be able to report unplanned events with ease whilst ensuring relevant management are notified in real time.

In addition, a full review of Group Safety and Compliance internal documentation has been completed, to ensure it is concise, relevant and useful for the business. Each division has also implemented its own processes, specific to the business needs and associated legal requirements, with support from the Group Safety and Compliance team.

#### Governance of the safety strategy

The Group Safety and Compliance team oversees, steers and challenges the progress of our safety performance, and ensures that we continue to deliver.

Divisional senior managers are directly responsible for their risks and manage the actions to mitigate or remove risks within their division. They also identify, through continuous monitoring and review, where potential new hazards could emerge within the business. There are regular audits of compliance at all levels within the business.

#### Making safety risks clearer

Throughout the last 12 months we have implemented safety improvement plans within each of the divisions to gauge a better understanding of where the key risk areas of the business lie, and where enhancements can be made to proactively manage and achieve improvement. The improvement plans are reviewed regularly with senior staff within each division and are reported upon at each meeting of the Board. The Head of Group Risk and Safety attends the Board meetings to provide additional information and context.

#### Innovative action being taken – Accident/Incident Reporting System

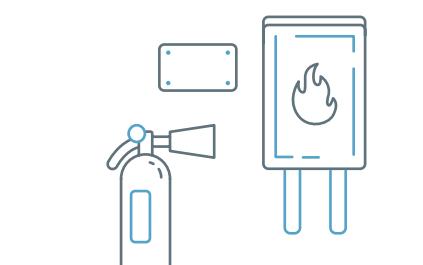
A new event reporting system will be rolled out across the Group in 2019.

The system will make it easier for our staff to report unplanned events, including giving them the ability to report events via an application on a mobile device. This will help us to ensure that we can gather information as quickly and comprehensively as possible.

The system will manage bespoke divisional requirements and will be set up with the appropriate lead from each division, to ensure that compliance and legal obligations are addressed.

#### Group site RIDDOR statistics

	Accident frequency rate <sup>1</sup>		Number of Group site RIDDOR accidents	
	Year ended 28 February 2019	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 28 February 2018
Energy	0.13	0.00	1	0
Rail	0.14	0.14	1	1
Aviation <sup>2</sup>	0.44	0.36	2	2
Aviation Services <sup>3</sup>	0.00	–	0	–
Airline	0.00	0.00	0	0
<b>Group total</b>	<b>0.11</b>	<b>0.09</b>	<b>4</b>	<b>3</b>



<sup>1</sup> The above table is measured by the Accident Frequency Rate (AFR) for Group site RIDDORs. The AFR is the way of measuring the accidents, based on the category of accident which is reported to the Health and Safety Executive (HSE). The AFR is calculated by the number of RIDDORs multiplied by 100,000, divided by the number of hours worked.

<sup>2</sup> 'Aviation' means London Southend Airport and Carlisle Lake District Airport.

<sup>3</sup> There is no data available for Aviation Services for the year ended 28 February 2018 as its operations commenced in the year ending 28 February 2019.

## CASE STUDY



## Drones and drone detection systems

The Air Traffic Control (ATC) team at London Southend Airport (LSA) has been at the forefront of the industry's understanding of the increased use of drones and, well before the incidents at Gatwick and Heathrow, had developed an in-depth assessment of the capabilities of drone detection systems. We have used this knowledge to help brief and educate other airport operators and air traffic service providers, as well as to assess our own actions to counter the malicious use of drones.

A summary of our learning:

- Drone usage for commercial applications will continue to grow. There are considerable advantages for us as a business to continue building connections with the drone operator sector in addition to working to achieve effective and safe integration of these new airspace users.
- Drone detection systems continue to have limitations to their effectiveness. The systems we have trialled at LSA can only target drones that communicate using radio/wi-fi signals. From our trial, we ascertained that the cost of combined sensors (including, radar/cameras) to provide the ultimate solution would be hugely disproportionate to risk. We have therefore undertaken the following actions:
  - Vulnerability assessments to ascertain from where a malicious attack could be launched.
  - Developed our procedures with the LSA security teams and the local police on how we would react during an attack. We also have good links to drone detection system providers to be able to call on their help if we had an enduring attack.
  - Developing a known 'drone traffic' environment, by encouraging local users to talk to ATC/airport prior to operating. The ATC team have appropriate guidelines for giving quick and appropriate permissions for drone users.



# Corporate social responsibility continued

## Our people

It is our people who continue to deliver the strategy for the business. Our aim is to make Stobart Group a better place for our people to work and an employer of choice.

### Our achievements in 2018/19

- Restructure of HR (People) team.
- Appointment of Angela Smith, Group People Director, to develop and deliver the People Strategy.
- Employee Survey carried out across all divisions in the Group, resulting in a 70% engagement score.
- Gender diverse appointments to the senior management team.
- New appointments to the Board.

### Our next steps and priorities for 2019/20

#### People Strategy

- Investment in the People team to support divisions in delivery of the People Strategy.
- Final stages of our rollout plan for HR and the payroll system across the Group.
- Full employee benefits review and creation of a Rewards Strategy.
- Improvements to our workforce data to measure and manage data and therefore achieve better outcomes.
- Developing our people by improving our training and development opportunities.
- Design and delivery of a Talent Management Programme and full review of succession planning.
- Improvement of our Performance Review Process.
- Review of recruitment processes to support a digital platform investment.
- Investment in people by the introduction of a newly created Group People Director role.

#### Employee engagement

- Creation and delivery of engagement action plans across all divisions in the Group.
- Investment in engagement and wellbeing initiatives.
- Increase our overall Employee Survey engagement score above 70%.
- Relaunching the Employee Forums including training of employees' representatives.
- Improving our communications internally and externally.
- A new CSR strategy to have a positive impact in the wider community and to inspire our employees.
- Investing in how we can look at new ways of working and developing simpler, more efficient and transparent processes that are user friendly.

### Equality, diversity and inclusion

- Improve our focus on equality, diversity and inclusion with a new strategy and initiatives.
- Establish equality, diversity and inclusion focus groups.

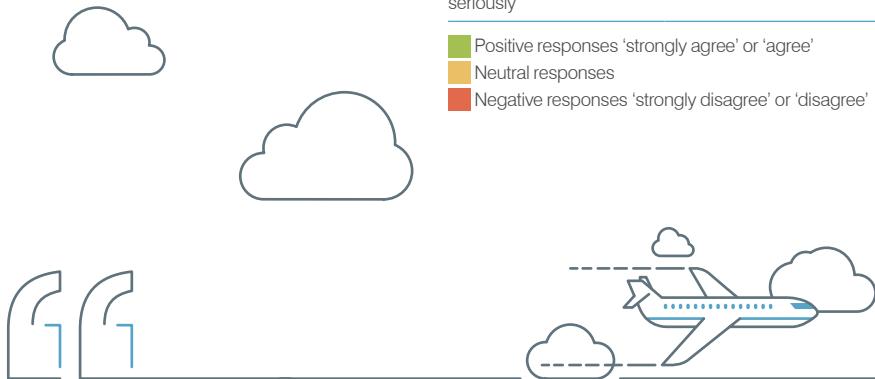
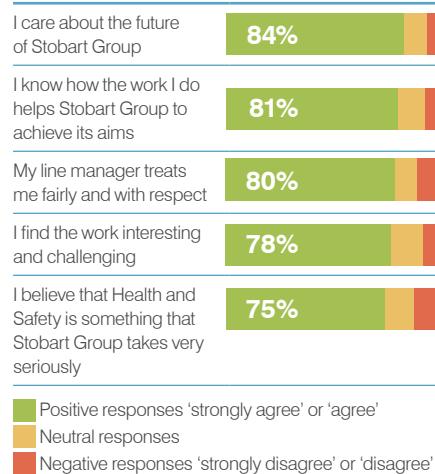
### Employee engagement

As a Company, we are committed to ensuring that our employees have a healthy work-life balance. To assist with this, we will launch an Engagement and Wellbeing Strategy as part of our wider People Strategy and utilise the results of our recent Engagement Survey to make improvements.

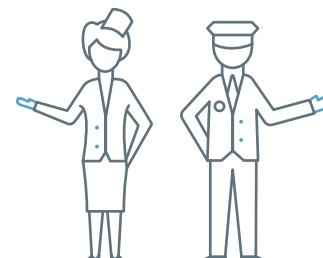
Stobart Group is dedicated to improving employee engagement and being an employer of choice. In January 2019 we conducted a Group-wide Employee Survey, in partnership with external consultants People Insight, to measure employee satisfaction and engagement in their employment. The overall response rate was 59%, with the results of the survey showing we have an engagement score of 70%.

The HR (People) team will be working closely with each division to present the results and gain further feedback into areas of improvement across the Group and for each division. We are dedicated to creating action plans that will use a targeted approach to explore opportunities to improve engagement across the Group, with the intention of making Stobart Group a great place to work for our employees.

Below we set out the questions which received the most positive responses:



**Our recent employee survey for Stobart Group indicated a good level of engagement, with 84% of our respondents agreeing 'I care about the future of Stobart Group'.**



## Implementation of new HR and payroll system

In 2018, we began the implementation of our new integrated HR and payroll system, Cascade. The benefits of this data-driven solution will be felt by both the business and employees alike. As reported in our last Annual Report, through the system employees are now able to request holidays, report absences, view payslips and amend their own personal details. We continue to work closely with Cascade to ensure we are utilising the most efficient functionalities within the system whilst we proceed with the final stages of implementation. We are confident that the system will be fully integrated across all divisions by August 2019.

## CASE STUDY



## YOUR SAY!

As at 28 February 2019<sup>1</sup>

# 1,189

Total number of employees

# 46,224

Total number of training hours invested

# 26%

Employees with more than five years' service

<sup>1</sup> The above figures exclude our operating airline, Stobart Air which was disposed of on 22 February 2019.

## Pride in what we do



**Rebecca Kielly**  
Safety and Compliance Manager  
Stobart Aviation



I joined Stobart back in early 2011 as a receptionist having relocated back home north from the south. I was then given a great opportunity to take up a role in Safety and Compliance and train as an auditor and complete my NEBOSH certificate. Whilst in this role, I completed the internal audits and process writing for Carlisle Lake District Airport and (coming from a family of air traffic controllers and engineers!) I jumped at the chance to be part of the airport development project team. This work at the airport was a steep learning curve and involved

significant airport redevelopment, licensing, redesignation for Air Traffic Control and preparation for European Union Aviation Safety Agency transition. During this project I have learned so much and benefited from investment in me by the Company through a number of training courses and been supported by some amazingly experienced and lovely people. It is incredibly exciting and challenging to be part of such a project, and will be worth every minute to see the airport open for scheduled services and successful!

## Corporate social responsibility continued

### Equality, diversity and inclusion

#### Employee policies

Stobart Group recognises that our people are key to the continued success of our business. Through the continued work on our People Strategy, underpinned by our Stobart Values, we aim for our employees to feel motivated and engaged in their job roles and with the continued growth of our business.

We pride ourselves on nurturing and growing our own talent within the business by ensuring that all employees are given equal opportunities to reach their full potential and freedom from unlawful discrimination on the grounds of race, sex, religion or beliefs, age, sexual orientation, pregnancy and maternity, marital or civil partnership status, gender reassignment or disability.

We are committed to our responsibilities to meet the general equality duty and improve outcomes for the protected groups defined in the Equality Act 2010. We are committed to supporting our employees so that everyone at Stobart Group has the opportunity to be the best they can be.

#### Equality, Diversity and Inclusion Strategy

Stobart Group recognises that in order to build a sustainable business we need to ensure that we are working towards becoming a truly inclusive and diverse organisation. We also know that by celebrating diversity and building an inclusive working environment, we will attract and retain the best talent for our business. We believe that by embracing diversity in all forms we encourage original and collaborative thinking with multiple and differing perspectives which positions us to deliver the best results.

During 2019 we will see the launch of our Equality, Diversity and Inclusion Strategy and will introduce an internal Diversity Network to help us understand the challenges that exist within our organisation. Through clear objectives, reporting annually on our progress and our commitment to diversity and inclusion at all levels, we will assess and monitor the success of any campaigns and our strategy over time.

Regarding gender diversity specifically and following publication of the Hampton-Alexander Review, we are aiming for a minimum of 33% female representation in senior management roles by 2020. In 2018 we reported that our Board consisted of 100% male representation, however, we are pleased to report positive progress with 14% female representation. We will continue to focus on broadening and strengthening the diversity of the Board and across the Group in the years to come.

#### Gender split

As at 28 February 2019, the Group employed 1,189 people. Of the total number of employees, 347 (29%) are female.

We set out below a breakdown of the gender split within our Group, comprising the Board, the Stobart Group Management Board, senior managers below the Management Board and all other employees, as at 28 February 2019.

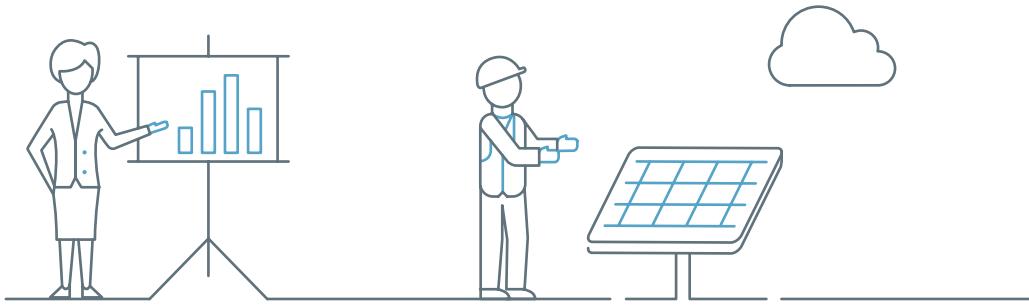
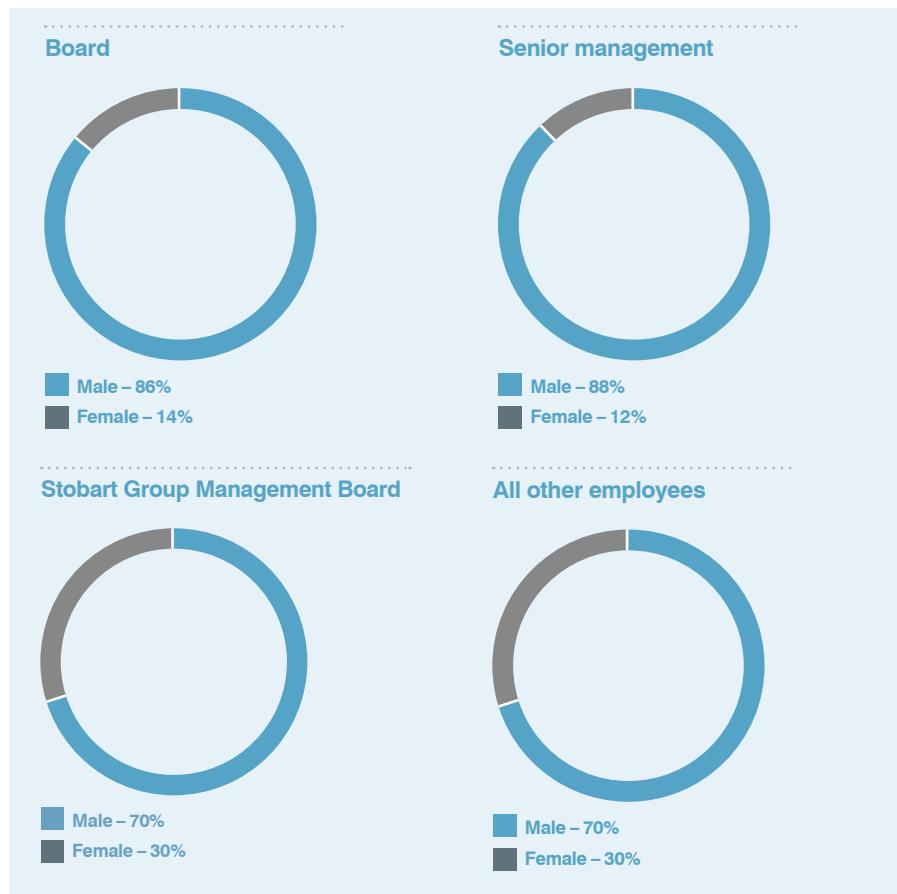
The Board overlaps in membership with the Stobart Group Management Board as both include the three Executive Directors.

We define senior managers as those at divisional Board level. This group is the most senior management population below the Board and the Stobart Group Management Board.

Further information in relation to diversity can be found in the Corporate Governance Report on page 45 and the Nomination Committee Report on page 53.

#### Gender pay gap reporting

We have published our Gender Pay Report on our website [www.stobartgroup.com](http://www.stobartgroup.com) in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.



## Responsible environmental efficiency

Whilst it is not compulsory for Stobart Group to report on emissions of greenhouse gases (GHG), we follow guidance detailed within the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 as we are committed to reducing the environmental impact of our operations. We regularly review and investigate ways to reduce our energy, waste and water usage.

### Our achievements in 2018/19

- Reduction of 0.2% in CO<sub>2</sub> emissions per £m revenue (including airline) against our 2017/18 revised GHG base year.
- Revised our GHG base year due to developments within the business.
- Extended affiliation with the Environment Agency.
- Increased our tonnes of waste converted to energy.

### Our next steps and priorities for 2019/20

- Continue to explore further opportunities for reduction of energy and water usage, and for reduction of general waste.
- Continue to monitor overall CO<sub>2</sub> emissions vs target.
- Continue with preparations for reporting phase two of the government-led Energy Saving Opportunity Scheme (ESOS) programme.
- Monitor newly introduced initiatives to reduce the environmental impact at our energy processing and storage sites.
- Continue to review our approach to environmental impacts to align with our business strategy and consider stakeholder requirements.

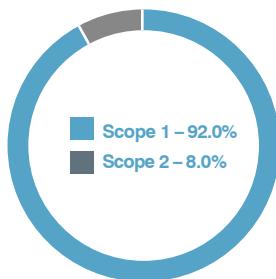
### Our CO<sub>2</sub> emissions base year

Last year we reported on our revised operational base year following the acquisition of our operating airline, Stobart Air. This year we have again revised our operational base year due to the following reasons and which have had a significant impact on our reported GHG emissions:

- On 22 February 2018, we announced that following the formation of the aviation joint venture, Connect Airways Limited, the Group disposed of its operating airline, Stobart Air.
- The increase in online Energy plants.

### Revised base year Scope 1 and 2 CO<sub>2</sub> emissions Tonnes of CO<sub>2</sub>e in total

# 31,683



The above shows our revised base year. Our emissions reported for the financial year 2020 will be measured against this revised base year.

### Stobart Group carbon emissions Our total CO<sub>2</sub> emissions: tonnes of CO<sub>2</sub> per £m of revenue

# 0.2% REDUCTION

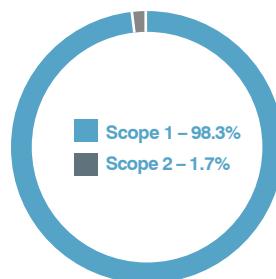
2019	466
2018	466

For the year 2018/19, the Group has seen minimal fluctuation in tonnes of CO<sub>2</sub>e per £m of revenue compared to the previous year and revised base year set in 2018/19. Although we have made reductions in gas oil and gas, this has been offset by increases in jet fuel, diesel oil for road vehicles (DERV), domestic oil and electricity. This was due to the commissioning of new sites by our Energy division which in turn increased productivity, building our new office at Widnes and the terminal and office at Carlisle Lake District Airport and an increase in usage of jet fuel over the Summer period.

### For Scope 1 and 2 CO<sub>2</sub> emissions Tonnes of CO<sub>2</sub>e in total

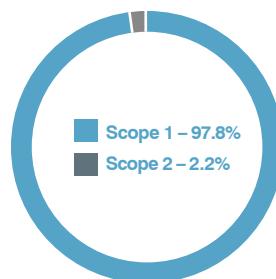
#### 2019 total

# 147,895

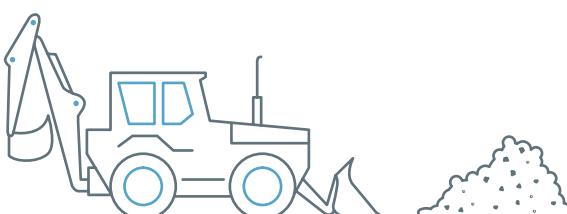


#### 2018 total

# 124,356



- The Group emissions data has been adopted and prepared using an operational control approach following voluntary and mandatory guidance issued by both Defra and the Greenhouse Gas Protocol. Under this guidance, the Company is considered responsible for the day-to-day operations of the assets and resource consumption over which the business has effective operational control. The data presented represents the businesses consistent with those which are included in the Group revenue in the consolidated financial statements. The revenue amount used for the 'CO<sub>2</sub> per £m of revenue' is before the elimination of intercompany revenue capitalised.
- The CO<sub>2</sub> figures above are for CO<sub>2</sub>e, being the equivalent amounts of CO<sub>2</sub> for greenhouse gases.
- A carbon dioxide equivalent figure is displayed (CO<sub>2</sub>e) to represent the six Kyoto-defined GHGs.
- The CO<sub>2</sub> figures above include the emissions of our operating airline, Stobart Air, which was acquired on 8 February 2017.



## Corporate social responsibility continued

Following the decision to revise the base year, we have re-established our target of reducing our tonnes of CO<sub>2</sub> per £m of revenue by 25% by 2022/23, from our base year. The following page outlines some of the emission reduction initiatives that the Group has implemented during the year.

### 25%

target reduction in tonnes of CO<sub>2</sub> per £m of revenue by 2022/23

#### Waste recycling

Our divisions continuously evaluate waste management and act on initiatives to reduce their landfill waste.

### 98.1%

of our waste was recycled or converted to energy

### 94.8%

recycled

### 3.3%

converted to energy

#### Our well-managed and up-to-date vehicle fleet

Stobart Energy operates a fleet of 134 trucks to transport biomass fuel to customers.

Our Energy division has in place a vehicle replacement programme which means that nearly all vehicles are less than three years old. Euro VI vehicles come with the additional benefit of the AdBlue engine treatment which further reduces the emission of harmful exhaust gases.

#### Sustainable biomass – contributing to the UK's renewable energy

Stobart Energy has fully established all its processing and storage sites as planned, supporting biomass power plants throughout the country. The division continues to play a vital role in the UK's renewable energy effort, diverting a total of

#### Stobart Energy – increased nationwide storage

During 2018, Stobart Energy worked closely with the Environment Agency to successfully gain a series of bespoke permit variations for its processing and storage sites, allowing storage of material in larger stockpiles and longer periods for finished fuel. This strategically important measure ensures the Company can capitalise on seasonal availability of recovered wood whilst also guaranteeing continued fuel supply during peak demand for its customers. Stobart Energy's national network of processing and storage sites are critical to the operation of many of the UK's largest renewable biomass power plants under long-term supply contracts, which are not always able to store large volumes of processed material at their own sites. Stobart's increased storage capabilities are in recognition of our sector-leading fire prevention measures. These enable the most efficient use of the site, whilst at the same time managing risk to the environment.

1.3m tonnes of waste wood and refuse derived fuel from landfill in 2018/19 alone. Stobart Energy's recovery of this material for use as fuel is an objective under the waste hierarchy with long-term contracts supplying the annual electricity needs of 2% of the population.

Our Energy division is committed to its sustainable energy model which aims to create a circular, all-encompassing waste management solution ensuring that waste is only turned into fuel as a last resort, and that all by-products of the waste management process are recycled where possible. The sustainable model looks to 'keep things local' with a view to minimising unnecessary movement of waste and providing energy solutions back to the areas producing the waste, delivering both environmental and commercial benefits to all.

Innovation is at the heart of the Energy division strategy and involves research and development into alternative fuels, new products and technological advances. This underpins our culture of challenging the status quo to deliver sustainable energy solutions for the future.

#### Environmental protection and resource use

This year Stobart Energy has reinforced its position as a key player in the UK's drive for sustainability. The addition of a large new processing and storage site in Port Clarence, Teesside further enhances the Company's contribution in the recovery of end-of-life wood from the waste stream. The Port Clarence site, covering an area of 85 hectares, will accept approximately 350,000 tonnes of non-hazardous mixed waste wood per annum, diverting this resource towards a beneficial use. The site is the first within our network of owned sites that operates a port facility.

Stobart Energy's increasing capabilities year-on-year are supporting a wider range of organisations involved in biomass recovery, including waste management companies, local councils, distribution and transport firms and those involved in land redevelopment. Despite recent uncertainties regarding the exact nature of the UK's future relationship with the EU, the Company has fostered new trading partnerships with European waste management companies, thereby playing its own independent, proactive part in the wider circular economy.

#### Producing our own solar energy

Our 2016 Annual Report and Accounts reported the development of a £2m and 3.2 hectare solar farm at London Southend Airport. Since the installation, the solar array has supported London Southend Airport's objectives of reducing its carbon footprint and electricity requirement from the National Grid network. During the period, the solar farm and terminal roof solar panels supplied 21.4% of the total Kwh to the airport.

#### Solar farm

### 9,500

Solar panels

### 2.3m/Kwh

#### Terminal roof

### 496

Solar panels

### 112k/Kwh

Vehicle Emissions Standards	2018/19 %	2017/18 %	2016/17 %	2015/16 %	2014/15 %
Euro VI compliant	100	100	86	83	45
Euro V compliant	0	0	14	17	55

## Responsible to our communities

Our businesses are part of their communities and our workforces are drawn from these local environments. We actively engage with these communities to ensure that we support skill and enterprise development to promote employment, we enhance local community growth and we positively contribute to community initiatives and fundraising.

### CASE STUDY



## London Southend Airport kicks off partnership with Southend United Community and Educational Trust

**Dale Spiby**  
**Chief Executive Officer**  
 Southend United Community and Educational Trust

**What does Southend United Community and Education Trust do?**  
 Our goal is to teach young people to do more than score goals. Football is where our passion starts, not where it ends, so whether they're sporty or not, every child and young person in our community deserves the chance to be part of a team. Because when you are part of a team, you discover great qualities about yourself. Qualities like respect, determination and friendship. Kicking a ball is not the be all and end all. It's about building up the courage to take a shot. That courage stays with you. And once you have it, anything is possible.

### Why did you partner with Stobart Group and London Southend Airport?

It made sense to us that two of the strongest local brands, London Southend Airport and Southend United Football Club, would work together to have a bigger impact on, firstly, the community and, secondly, our shared objectives.

### What projects will we be working on together?

In terms of upcoming projects, we are running our London Southend Airport Soccer Stars Primary Schools Football Competition. This event will give local schoolchildren the chance to win an all-expenses paid trip to Barcelona for them and their family by getting active. In the long term, we will run projects that challenge young people's skills and look to generate jobs in the local area.

The divisions and employees of Stobart Group contributed towards a number of local community causes and national fundraising events such as 'Christmas Jumper Day' in aid of Save the Children.

The Group did not make any political donations or incur any political expenditure during the year ended 28 February 2019.

### How will you use the sponsorship money you received?

The money will help us achieve our charitable objectives and create impact amongst the community. We've not put designated funding towards particular projects but rather towards the charity's available funds. This money will then enable us to identify key areas that aren't currently being supported and deliver against our charitable targets.

### How will you work alongside Stobart Group and London Southend Airport?

As part of the agreement, London Southend Airport branding will appear on our staff kits, website and matchday programmes. The increased exposure for Southend United Community and Educational Trust will help raise awareness of the great work we do.

## Board of Directors

**The Board provides entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed.**  
**On these pages, we set out the tenure and biographical details of each Board member and the Company Secretary.**



**Iain Ferguson**  
Non-Executive Chairman



**Warwick Brady**  
Chief Executive



**Lewis Girdwood**  
Chief Financial Officer



**Nick Dilworth**  
Chief Operating Officer



**Andrew Wood**  
Senior Independent Director

Appointed to the Board 1 October 2013	Appointed to the Board 1 July 2017	Appointed to the Board 1 April 2019	Appointed to the Board 1 September 2018	Appointed to the Board 1 November 2013
<b>Background/experience</b> Iain is also Chairman of Hallmarq Ltd and a Non-Executive Director of Balfour Beatty plc and of Personal Assets Trust plc. He is also a Deputy Chair of Council of Cranfield University and Governor Emeritus of the British Nutrition Foundation.  Iain was Chief Executive of Tate & Lyle from 2003 until 2009 and had previously been with Unilever for 26 years following graduation from St Andrews University. He has previously served on the boards of Sygen plc, Gregg's plc, Berendsen plc, Companies House, Defra and Wilton Park. He was awarded a CBE for services to the food industry in 2003.	<b>Background/experience</b> Warwick was appointed Chief Executive in June 2017, having worked closely with the Group since 2011, whilst he was Chief Operating Officer for easyJet, as part of unlocking capacity constraints at London's several airports including London Southend Airport. Warwick played a key part in easyJet's growth to a FTSE 100 business.  Warwick has significant experience in the aviation sector, having worked in senior executive roles at easyJet, Ryanair and Kingfisher/Air Deccan in India. He also has a background in private equity in manufacturing and technology and holds an MBA.  He has held board positions at Airline Group and NATS (National Air Traffic Services), the UK's airspace provider, and is currently a Non-Executive Director of FirstGroup plc, a leading transport operator in the UK and North America.	<b>Background/experience</b> Lewis was appointed Chief Financial Officer on 1 April 2019.  Lewis previously served as Chief Financial Officer to IAG Cargo Limited, which provides global cargo services to British Airways, Iberia, Aer Lingus and other IAG airlines. Prior to that, he was Head of Financial Planning and Analysis at easyJet, responsible for financial business partnering across the airline.  Lewis has also held senior finance roles at Premier Foods PLC, British Bakeries Ltd and Racal Electronics Group International.	<b>Background/experience</b> Nick was appointed Chief Operating Officer in September 2018, having worked as Group Commercial Director since October 2017.  Nick previously worked for BES Utilities, where he was Managing Director. He has also previously occupied a number of leadership roles at Practice Plan Limited and Medenta Finance and has a strong commercial background.  Nick qualified as a Chartered Accountant with BDO LLP before joining Grant Thornton as a Corporate Financier.	<b>Background/experience</b> Andrew was previously on the boards of Berendsen plc, Lavendon plc and Air Partner plc as a Non-Executive Director. In 2001 he was appointed Group Finance Director of BBA Aviation plc, a position he held until 2011 when he retired from the role.  Throughout his career Andrew has held numerous Finance Director and Financial Controller positions across the electronics and aviation sectors and he has been a member of the Chartered Institute of Management Accountants since 1975.

**Committee membership**  
Chairman of the Nomination Committee and member of the Remuneration Committee.

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



**John Coombs**  
Non-Executive Director



**Ginny Pulbrook**  
Non-Executive Director



**David Blackwood**  
Non-Executive Director



**Louise Brace**  
Company Secretary

**Appointed to the Board**  
1 July 2014

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

He has sat on the boards of 20 companies, five as Chairman. Currently he is also Non-Executive Chairman of The Co-op's Federal Retail and Trading Services Limited, which coordinates purchasing for Co-operative retailers in the UK.

**Appointed to the Board**  
1 October 2018

**Background/experience**  
With a background in financial public relations and investment banking, Ginny brings more than 30 years' experience as a board-level adviser to quoted companies in the infrastructure, industrial and support services sectors.

Ginny is a Partner at Capital Market Communications (Camarco). Prior to joining Camarco in 2014, Ginny co-founded and spent 26 years at one of the UK's leading financial public relations firms, Citigate Dewe Rogerson. Her specific areas of expertise include high-profile capital markets transactions and change management. A former Development Council Member of the Natural History Museum, she is currently a Trustee for Carers (UK), the UK's leading charity for unpaid carers.

**Appointed to the Board**  
1 March 2019

**Background/experience**  
David has significant experience at senior levels of finance, audit and risk. He holds Non-Executive Director positions at Dignity plc and Scapa Group plc, where he is also Chairman of the Audit Committee.

Previous positions include Chief Financial Officer of Synthomer plc where he was employed for seven years. Prior to this he held a number of senior roles with ICI plc. David has also previously served as a member of the Cabinet Office Audit and Risk Committee and the Board for Actuarial Standards. He is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Association of Corporate Treasurers.

**Appointed**  
23 October 2017

**Background/experience**  
Louise joined the Group as Company Secretary in October 2017. She is a qualified solicitor and was previously Group Legal Manager and Company Secretary of a UK manufacturing company listed on the London Stock Exchange.

Prior to moving into industry, Louise was in private practice for 14 years with leading law firms in London and Manchester.

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

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

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

## Corporate Governance Report

# Ensuring a framework for sustainable growth

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



I am pleased to present the Corporate Governance Report for the year ended 28 February 2019 on behalf of the Board. In what has been a challenging year, we have continued to follow and maintain the highest standards of corporate governance. It is my fundamental belief, and that of the Board, that good and effective corporate governance is critical to business success and must underpin everything we do.

In this report, we explain the Group's approach to corporate governance and provide the information required of us by the 2016 UK Corporate Governance Code (the Code), which is applicable to the Company for this reporting period and sets out guidance to companies with a premium listing in the form of principles and provisions for good governance. Next year, the Group will be reporting against the 2018 UK Corporate Governance Code<sup>1</sup> which applies to reporting periods beginning on or after 1 January 2019. The Board is fully apprised of the changes that have been made to the Code and the new reporting requirements.

### PRINCIPAL RISKS

The Group's principal risks and uncertainties are described in the Strategic Report on pages 26 and 27 and this section of the Annual Report also forms part of the Corporate Governance Report.

The Board considers that the Company was in full compliance with all relevant provisions of the Code throughout the financial year ended 28 February 2019, except where highlighted in this report. Shareholders are also referred to the disclosures set out in the Remuneration Committee Chairman's statement on page 59 concerning the Stobart Aviation Incentive Plan.

Since the 2018 AGM, we have constituted a new and strengthened Board, welcoming two new Executive Directors, two Non-Executive Directors, and most recently we have announced the appointment of my successor, David Shearer. The changes that have taken place and the current membership of the Board are set out in detail on page 45.

I am confident in handing over to David Shearer and the refreshed Board that the Group will continue to deliver upon the agreed strategy and go from strength to strength. Further information in relation to the key areas of focus for the Board this year and expected areas of focus for next year are outlined on pages 49 and 50 of this report.

#### AGM

Our AGM will be held in Guernsey. The date and venue of the AGM will be notified to shareholders in due course. We are pleased to receive feedback from shareholders at all times and I would encourage our shareholders to attend the AGM.

**Iain Ferguson**  
Chairman

<sup>1</sup> The UK Corporate Governance Code can be downloaded from the website of the Financial Reporting Council (the FRC) ([www.frc.org.uk](http://www.frc.org.uk)) or copies can be obtained free of charge from the FRC's publishing partner, Tolley, by completing the online order form at [www.tolley.co.uk/products/financial-reporting-council](http://www.tolley.co.uk/products/financial-reporting-council) or by telephoning 0330 161 1234.

## BOARD COMMITTEES OVERVIEW



**Iain Ferguson**  
Nomination Committee Chairman

 See pages 53 to 54



**Andrew Wood**  
Audit Committee Chairman

 See pages 55 to 57



**John Coombs**  
Remuneration Committee Chairman

 See pages 58 to 75

## DIVERSITY

The Board remains committed to encouraging diversity and we have taken a number of steps in the year to position the Group for a comprehensive review and action plan to this end. Our new Group People Director will lead our diversity initiatives and we set out on pages 36 to 38 how we will invest in our Equality, Diversity and Inclusion Strategy. This section of the Annual Report also forms part of the Corporate Governance Report.

Further information about the diversity of the Board can be found in the Nomination Committee Report on page 53.

### Membership of the Board

During the year ended 28 February 2019 and to date, there have been several changes to the Board.

Andrew Tinkler, Executive Director and former Chief Executive Officer, left the Board on 14 June 2018.

John Garbutt JP, Non-Executive Director and Chairman of the Remuneration Committee, stepped down from the Board at the AGM on 6 July 2018 in order to spend more time in his civic roles in London. John Coombs took on the role of Chairman of the Remuneration Committee from this date.

Richard Laycock stepped down as Chief Financial Officer and Executive Director on the same date. Richard remains a key member of the finance team as Group Finance Director and continues to support the business. Michael Williamson subsequently joined the Group as Interim Chief Financial Officer on 10 September 2018 and left on 30 April 2019.

Nick Dilworth was appointed to the Board as Chief Operating Officer and Executive Director on 1 September 2018, having been Group Commercial Director since 30 October 2017.

We also strengthened our executive team with the appointment of Lewis Girdwood as Chief Financial Officer on 1 April 2019.

The Board has also welcomed two new Non-Executive Directors. Ginny Pulbrook was appointed on 1 October 2018 and David Blackwood joined the Board on 1 March 2019. Ginny and David have brought a wealth of experience which will stand the Board in good stead as we continue to implement our ambitious growth plans and provide the framework for delivery of the Company's strategy.

Andrew Wood and I will step down at the 2019 AGM having each served on the Board for six years. David Shearer will take on the Chairmanship of the Board and the Chairmanship of the Audit Committee will be assumed by David Blackwood. These changes follow our orderly succession planning for the Board.

Further biographical information in relation to each member of the Board is set out on pages 42 to 43.



The above chart represents the Board members as at the date of this report. Following the 2019 AGM the number of Non-Executive Directors will be three.

## Corporate Governance Report continued



### Board composition and independence

The newly constituted Board continues to have a balance of Executive and Non-Executive Directors. As at the date of this report, the Board consisted of eight individuals: a Non-Executive Chairman, four independent Non-Executive Directors (three as at 28 February 2019) and three Executive Directors (two as at 28 February 2019). Following the 2019 AGM there will be seven Board members.

The Board believes that it, and its Committees, have an appropriate composition and blend of backgrounds, skills and experience to fulfil their duties effectively and, importantly, to comply with the Code.

The Board keeps its membership, and that of its Committees, under review to ensure that an acceptable balance is maintained, and that the collective skills and experience of its members continue to be refreshed. It is satisfied that all Directors have sufficient time to devote to their roles and that undue reliance is not placed on any individual.

The Board's consideration of its composition in the context of its diversity is set out in the Nomination Committee Report on page 53.

### Experience of the Board

The members of the Board maintain the appropriate balance of status, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities and to ensure that the requirements of the business can be met.

The experience which each member of the Board brings to their role is outlined in the Board biographies on pages 42 to 43.

### Responsibilities of the Board

The Board is collectively responsible for the long-term success of the Company, including the effective oversight of the Group and its businesses.

In accordance with the Code, the Board has agreed a formal schedule of matters reserved for the Board and requiring its decision. The schedule of matters reserved was reviewed and amended by the Board in the year to reflect the changes to corporate governance matters enshrined in the 2018 UK Corporate Governance Code which applies to the Company for the financial year ending February 2020.

The Board's primary responsibility is to set the Company's strategic objectives and ensure that these are monitored and resources are available (both financial and human resources) to meet them. As part of the Board's oversight of operations, it also ensures maintenance of a sound system of internal control and risk management.

The Board's main areas of focus during the year, including matters reserved, are set out on page 49.

### Directors' terms of appointment

Further details of the Directors' service contracts and letters of appointment are set out in the Directors' Remuneration Report on page 73.

### Individual Directors' key responsibilities

The key responsibilities of individual Directors are set out below.

Title	Responsibility
<b>Chairman</b>	The positions of Chairman and Chief Executive are held by different individuals in order to provide segregation of roles. The Chairman is responsible for leading the Board, ensuring its effectiveness and looking after the interests of shareholders as a whole.
<b>Chief Executive</b>	The Chief Executive's role is to implement strategy laid down by the Board and to manage the Group and its operations. The Board is collectively responsible for the success of the Group.
<b>Chief Operating Officer</b>	The Chief Operating Officer is responsible for all operational matters affecting the Group.
<b>Chief Financial Officer</b>	To ensure sound financial management of the Group's business and provide strategic and financial guidance to ensure that the Company's financial commitments are met.
<b>Executive Directors</b>	The Executive Directors are responsible for the day-to-day management of the business. They are accountable for developing the Group's strategy and budget for Board approval and for monitoring the financial, operational and service performance of the Group.
<b>Senior Independent Director</b>	<p>The newly defined Stobart Group Management Board (which replaced the previous Executive Committee) comprises the three Executive Directors, Group People Director, Group General Counsel, Group Head of Communications, Director of Partnership Development, Head of Group IT and the Company Secretary. Meetings of this group are held weekly to discuss general business activity and also monthly to discuss strategic issues in the business. Senior management from across the divisions will also attend the Stobart Group Management Board meetings by invitation.</p>
	<p>In addition to the role as a Non-Executive Director, this role is to:</p> <ul style="list-style-type: none"> <li>• Provide a sounding board for the Chairman and to serve as an intermediary for other Directors where necessary;</li> <li>• Be available to shareholders if they have concerns which cannot be dealt with by the Chairman, Chief Executive or Chief Financial Officer;</li> <li>• Be available to other Directors if they have any concerns regarding the Chairman, or the relationship between the Chairman and Chief Executive; and</li> <li>• Meet with the Non-Executive members of the Board at least once a year without the presence of the Chairman or the Executive Directors in order to review the Chairman's performance in his role and also the Chairman's relationship with the Chief Executive.</li> </ul>
<b>Non-Executive Directors</b>	<p>The Non-Executive Directors provide a breadth of experience and independent judgement to Board discussions. Their role is to challenge and support the executive team whilst being ultimately responsible for overseeing corporate governance and protecting shareholder interests.</p>
<b>Company Secretary</b>	<p>Each Director has some specialist knowledge that helps provide the Board with valuable insights and, in some situations, key contacts in related industries.</p>
	<p>The appointment letters of the Non-Executive Directors are available for inspection at each AGM, and at the Company's registered office during normal business hours.</p>
	<p>The Company Secretary's role is to act as adviser to the Board on matters relating to corporate governance and, in conjunction with the Chairman, to ensure good information flows between the Board, its various Committees, the Non-Executive and Executive Directors and the Stobart Group Management Board.</p>
	<p>The Non-Executive Directors have access to her advice and services in addition to independent, professional advice if required (at the Group's expense).</p>

# Corporate Governance Report continued

## Board attendance

The Board held eight scheduled meetings during the course of the 12 months under review and attendance by individual Directors is set out below. Each of the scheduled Board meetings was attended by every Board member eligible to attend. The Audit, Nomination and Remuneration Committees held four, three and four scheduled meetings respectively with additional meetings; the total number of meetings are shown below.

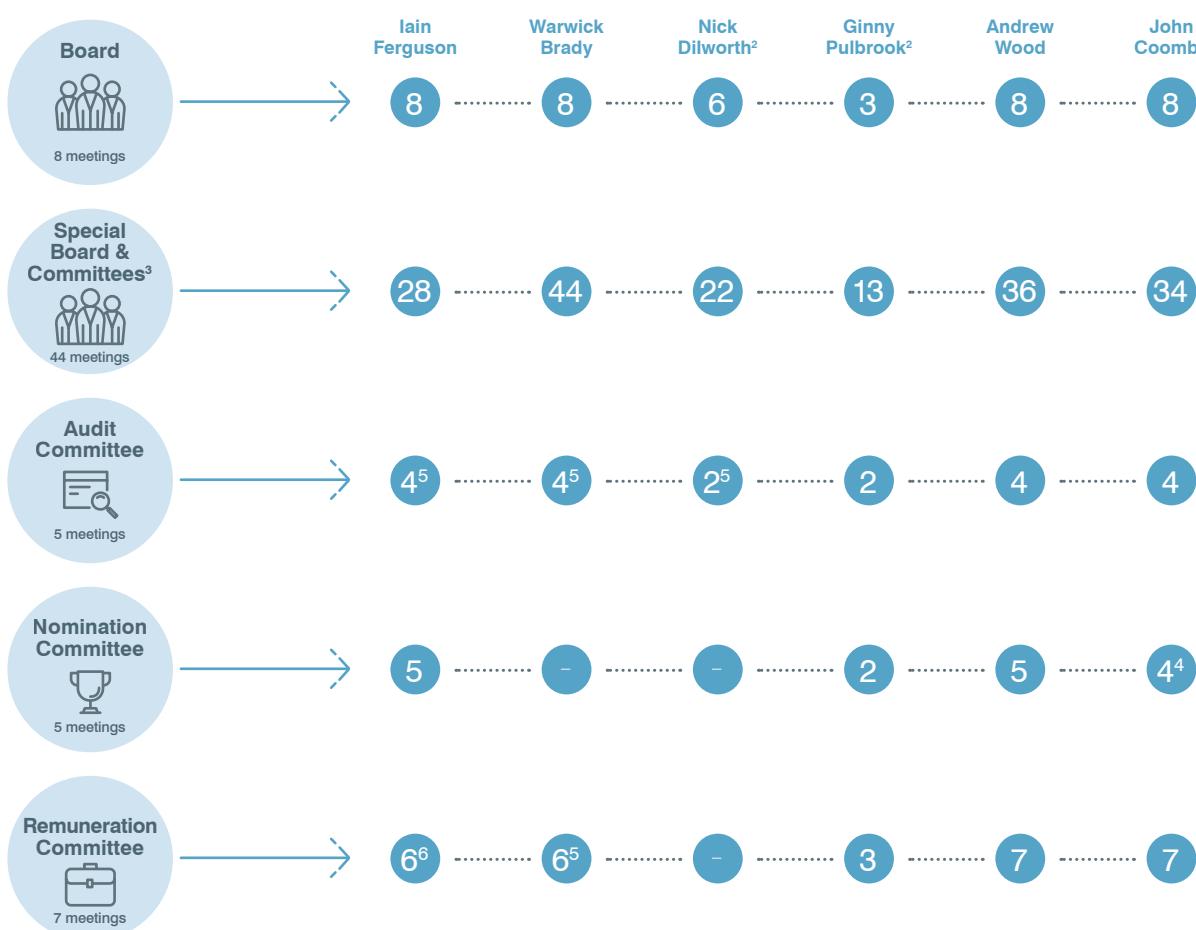
There were also 44 special Board meetings and meetings of the newly constituted Committees of the Board during the year. The four new Committees held 16 meetings to deal with the following matters: approval of the interim and final dividends; approval of a new Save As You Earn scheme; finalisation of documents to complete the Connect Airways transaction and to deal with the Boardroom challenges ahead of the 2018 AGM. The membership of these four Committees varies, which is reflected in the Board attendance table below<sup>1</sup>.

The agenda and relevant briefing papers are distributed by the Company Secretary on a timely basis, usually one week in advance of each Board and Committee meeting, via board portal software, Diligent. The portal is an app which allows the Directors secure

access to the Board and Committee papers they need before, during and after meetings. It has a number of benefits, which include streamlining Board meeting management, such as the process of collating and distributing Board materials. It also provides a robust solution which facilitates better Board communications for increased engagement and effective decision-making while enhancing corporate governance.

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

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



<sup>1</sup> Former Directors are not included in the table above. Andrew Tinkler and Richard Laycock attended three and two Board meetings respectively in the period. John Garbutt attended three Board meetings and one Audit, two Nomination and two Remuneration Committee meetings in the period.

<sup>2</sup> Nick Dilworth and Ginny Pulbrook joined the Board part way through the year and attended every Board and Committee meeting where eligible.

<sup>3</sup> Special or additional Board meetings often arise throughout the year, some of which are called at short notice. Where a Board member is unable to attend it is ensured that the respective Chairman is notified of their apologies and that the Chairman is made aware of their views. Each member is then fully briefed on the contents and outcomes of the respective meeting to ensure seamless progress on matters discussed.

<sup>4</sup> John Coombs did not attend one of the five Nomination Committee meetings in the year due to a prior commitment.

<sup>5</sup> Not a member of the Committee; attendance for all or part of the meeting by invitation.

<sup>6</sup> Iain Ferguson did not attend one of the additional Remuneration Committee meetings in the year due to a prior commitment.

## Principal Committees of the Board

The main Committees established by the Board are the Audit Committee, the Remuneration Committee and the Nomination Committee.

### Board focus during the year

During the year ended 28 February 2019, the Board provided its main focus on the following matters:

	Overview	Activity in year	
<b>Governance and risk</b> 	<ul style="list-style-type: none"> <li>Implementing and reviewing compliance with the requirements of the Code.</li> <li>Ensuring a sound system of internal control and risk management, including review of the Group risk profile.</li> </ul>	<ul style="list-style-type: none"> <li>Membership and composition of the Board and its Committees.</li> <li>Ensuring adequate succession planning for the Board and senior management team.</li> </ul>	<ul style="list-style-type: none"> <li>Approved new appointments to the Board.</li> <li>Considered the Viability Statement.</li> <li>Reviewed and agreed the Group's risk profile, principal risks and uncertainties.</li> <li>Reviewed the effectiveness of the risk management and internal control systems.</li> <li>Reviewed internal audit function and external audit.</li> <li>Undertook and reviewed the results of an external evaluation of the Board and its Committees.</li> </ul>
<b>Strategy</b> 	<ul style="list-style-type: none"> <li>Responsibility for approval of the Group's long-term objectives and commercial strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Approval of changes relating to the Group's capital structure.</li> </ul>	<ul style="list-style-type: none"> <li>Investment into Connect Airways Limited which brought together our previously owned airline and leasing company with the operations of Flybe.</li> <li>Board Strategy Day held to discuss and monitor the strategy.</li> <li>Reviewed and considered disposal of assets by the Infrastructure division in accordance with the agreed strategy.</li> <li>Received presentations from Group senior management on operations and from external advisers.</li> <li>Approved major capital projects and oversaw delivery.</li> </ul>
<b>Leadership</b> 	<ul style="list-style-type: none"> <li>Responsibility for the overall leadership of the Group and setting the Stobart Values.</li> </ul>	<ul style="list-style-type: none"> <li>Setting the 'tone at the top.'</li> </ul>	<ul style="list-style-type: none"> <li>Monitored health and safety performance.</li> <li>Succession planning in relation to the Board and senior management.</li> <li>Reviewed changes to divisional organisation.</li> </ul>
<b>Financial stewardship</b> 	<ul style="list-style-type: none"> <li>Approval of all financial statements and results announcements.</li> <li>Recommendation and approval of all dividends.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring the Group's operating and capital expenditure budget and business plan.</li> <li>Approval of major capital expenditure or disposals.</li> </ul>	<ul style="list-style-type: none"> <li>Approved the annual operating and capital expenditure budgets.</li> <li>Reviewed capital requirements.</li> <li>Reviewed monthly business performance reports.</li> <li>Reviewed dividend policy.</li> <li>Reviewed and approved of the half-year and full-year results and related announcements.</li> <li>Review of pension schemes.</li> <li>Approved major capital investment projects.</li> </ul>
<b>Shareholder relations</b> 	<ul style="list-style-type: none"> <li>Ensuring a satisfactory dialogue with shareholders, including approval of key information to shareholders.</li> </ul>		<ul style="list-style-type: none"> <li>Board challenges and shareholder relations ahead of the 2018 AGM.</li> <li>Reviewed feedback from roadshows and presentations to shareholders.</li> <li>Approved Annual Report and Accounts and information to shareholders for the AGM.</li> </ul>



# Corporate Governance Report continued

## Expected Board focus for next year

The Board will continue to review the areas set out in the chart on page 49. In addition, it is anticipated that the following areas will receive focus by the Board during the year ending 28 February 2020:

- People Strategy and talent development.
- Equality, Diversity and Inclusion Strategy.
- Any potential acquisitions.
- Any new major projects arising in the year.
- Succession planning.
- Board objectives set and identified during the external Board evaluation process.

## Information, induction and professional development

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

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

Since the last Corporate Governance Report, newly appointed Directors Ginny Pulbrook, David Blackwood and Lewis Girdwood have undertaken a thorough induction programme that has been planned and coordinated by the Company Secretarial team. The induction has involved a number of site visits and introductions to the senior management team and advisers to the Group. The process continues as further site visits are organised and incorporated into different Board meeting locations.

## Non-Executive Director site visits

To further enhance the Non-Executive Directors' knowledge and understanding of the business, there have been fully escorted visits to the Energy site at Widnes in January 2019 and Carlisle Lake District Airport in September 2018. In 2019, further site visits are planned to London Southend Airport, Stansted Airport to view the passenger handling business provided by Stobart Aviation Services, and the Tilbury processing site.

## Board and governance evaluation

An internal evaluation was led by Andrew Wood as the Senior Independent Director in January 2018 and was reported on in last year's Corporate Governance Report.

This year, the Board commissioned an external evaluation by ICSA Board Evaluation (ICSA), an independent provider of board effectiveness reviews. In December 2018 and January 2019, detailed one-to-one interviews were conducted between the ICSA evaluator with each Board member and the interim Chief Financial Officer. Questions were based on the following six broad topics:

- Board role and responsibilities.
- Oversight.
- Board meetings.
- Support for the Board.
- Board composition.
- Outcome and achievements.

Throughout the evaluation the ICSA evaluator took into consideration the relatively recent appointment of certain Board members at that time and also the particular circumstances facing the Board during the year including the dispute with former Chief Executive Andrew Tinkler. The results of the evaluation were presented to the Board by the evaluator at its January meeting.

The evaluation report recommended that the Board review its own skills and experience in the light of prospective new Board appointments.

The evaluation report also noted that the Board considered that the Company had the necessary resources to meet the objectives of the strategy, although it did highlight the need for the appointment of a permanent Chief Financial Officer, which has been addressed with the appointment of Lewis Girdwood.

There were a number of other recommendations to the Board made in the evaluation, the main ones being those listed below:

- A review of the appraisal framework for the Chief Executive.
- Arrangements to be made for a formal process for an annual review of the performance of the Non-Executive Directors.
- Arrangements to be made for the Board to scrutinise the business continuity and disaster recovery plans of the Group's key assets.
- To review the frequency of Board meetings.
- To consider introducing a new Code of Ethics and Conduct for the Group to underpin and encourage better performance.
- To review the format and quantity of papers received for Board meetings and to ensure that Directors are given sufficient time to read and consider them.

The recommendations will be reviewed at each Board meeting during the year and relevant actions taken to further enhance the Board's effectiveness.

The Chief Executive conducts annual appraisals with the Executive Directors and has regular one-to-one discussions with them about their performance, as does the Chairman with the Chief Executive. The Board undertakes a regular cycle of training on relevant corporate governance matters.

## Corporate social responsibility

Further information about the Group's approach to corporate social responsibility can be found on pages 33 to 41.

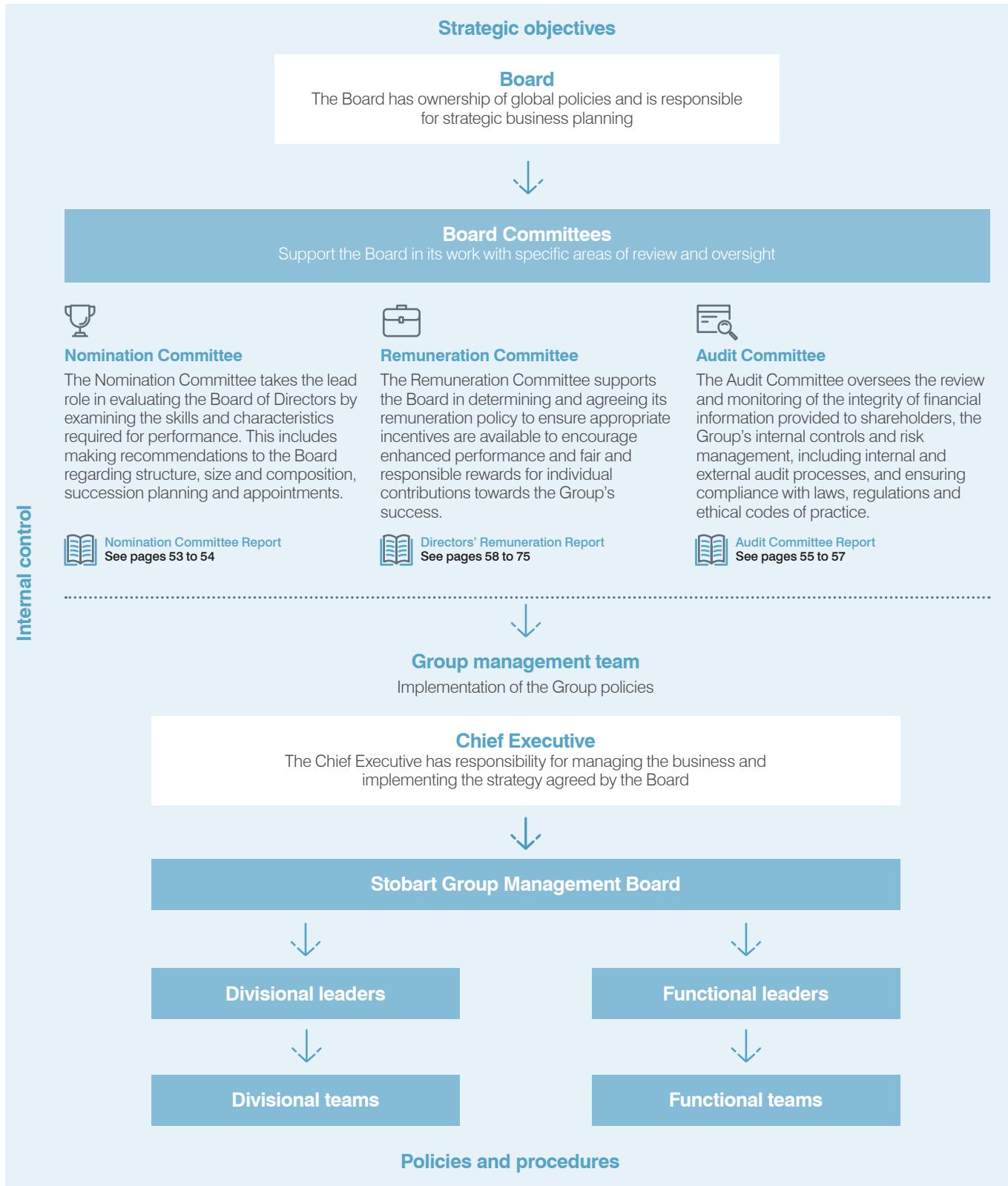
The policies referred to in the schematic on page 51 include the following: Health and Safety; Equality and Diversity; Anti-Bribery and Corruption; Quality; Ethics and Business Integrity; corporate social responsibility; Whistleblowing; Learning and Development and Use of Auditors for Non-Audit Services. These detailed policy statements are available on the Group's website at [www.stobartgroup.com](http://www.stobartgroup.com).

The Group is committed to ensuring that there is no slavery or human trafficking in our supply chains or in any part of our business and considers our supply chain to be at a low risk. The Company's Slavery and Human Trafficking Transparency Statement for the financial year ended 28 February 2018, made pursuant to Section 54(1) of the Modern Slavery Act 2015, has been reviewed and approved by the Board and can be found on the Group's website at [www.stobartgroup.com](http://www.stobartgroup.com). This will be reviewed and updated in the year in accordance with the provisions of the Modern Slavery Act 2015.

The Board takes an active role in approving any significant changes to Group policies and monitors any employees' concerns through our confidential whistleblowing procedure. Our policies are managed by our document control team in our Safety and Compliance department. Each policy is reviewed on an annual, three-year or five-year basis and updated when required. All policies are clearly communicated to every member of staff via our internal induction programme and on an ongoing basis via our intranet portal, Stobart Central.

## Governance structure

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



# Corporate Governance Report continued

## Whistleblowing Policy

The Group's Whistleblowing Policy sets out procedures to enable all employees to report any concerns about wrongdoing or dangers in the workplace such as theft, fraud or malpractice. The Whistleblowing Policy can be found on the Group's website and the intranet portal, Stobart Central.

## Internal control and risk management

The Directors' responsibilities in connection with the financial statements are set out in the Directors' Report on page 76. The Board, through the Audit Committee, is responsible for the Group's system of internal control and for reviewing its effectiveness.

The Board considers risk assessment, implementation of mitigating actions and internal control to be fundamental to achieving the Group's strategy. Internal control gives the Board reasonable but not absolute assurance. The Board has an ongoing process for identifying, evaluating and managing the principal risks faced by the Group and maintains a risk register.

The system of internal control is based upon:

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

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

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

The Group has a business systems internal audit function which reviews performance against the agreed policies and procedures. The Board has agreed an internal audit programme for the year ending 28 February 2020 to cover financial controls and procedures.

Further details can be found in the Audit Committee Report on page 55.

## Shareholder relations

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

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

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

The Company Secretary generally deals with enquiries from individual shareholders. The website [www.stobartgroup.com](http://www.stobartgroup.com) contains published information and press releases.

## Statement of shareholder voting on 2018 AGM resolutions

At the 2018 AGM, we were pleased to gain the support of a majority of shareholders and all resolutions were passed. As reported in the Chairman's Statement on pages 10 to 11, this gave the Board the mandate to continue the delivery of our strategy, supported by a strong and independent Board.

However, the Board recognises that there was a significant minority vote (more than 20%) against the following resolutions: the re-election of Directors Iain Ferguson, Warwick Brady, Andrew Wood and John Coombs (Resolutions 2, 3, 5, 6); the approval of the Directors' Remuneration Report (Resolution 10); authorising the allotment of shares (Resolution 11); disapplying pre-emption rights (Resolution 12) and electing Andrew Tinkler as a Director (proposed from the floor of the meeting). As disclosed in the announcement of the results of the 2018 AGM, the Board considers that these votes were a result of the events prior to the AGM which culminated in Mr Tinkler being removed from the Board on 14 June 2018 and again on 7 July 2018. We have since reported that the High Court ruled that Mr Tinkler was lawfully removed from the Board, and dismissed as an employee, having breached his fiduciary duties as a Director.

The Company has consulted with major shareholders since the 2018 AGM and also ahead of its 2019 AGM. Overall, the engagement has been positive and supportive. Shortly following the 2018 AGM, we announced our proposals for the Board, including the commencement of a thorough and rigorous process to identify suitably qualified and independent persons to be appointed as Non-Executive Chairman and one or more additional Non-Executive Directors. With the appointments of Ginny Pulbrook, David Blackwood and David Shearer, we have delivered on those proposals and are well placed to support the delivery of our strategy for growth.

 For more information on the 2019 AGM  
See page 44

# Nomination Committee Report



I am pleased to present the Nomination Committee Report for the year ended 28 February 2019 and to provide shareholders with an overview of the work carried out during the period under review.

## Role of the Committee

The Board has established a Nomination Committee which is required to meet at least once a year, or more often if so required, to carry out its key functions and duties, these being consideration of Board appointments and succession planning.

The Nomination Committee met four times during the period and individual attendance by its members is shown in the chart on page 48.

The Committee leads the process for Board appointments and makes recommendations to the Board on the composition, balance and membership of the Board. Importantly, the Committee must also give full consideration to succession planning for Directors and other senior executives.

## Board diversity

The Committee continues to keep under regular review the issue of diversity at Board level in all its aspects and remains committed to the value of diversity.

New appointments to the Board are made on merit, taking into account the specific skills and experience of candidates. New appointments made since the last report comprise three new male

Directors and one female Director. Each of these individuals has added to the diversity of the Board in terms of skills, experience and business background, as well as gender diversity.

More widely, the Group is also investing in the development of a new Equality, Diversity and Inclusion Strategy in 2019 which will be reported upon in detail in next year's Annual Report. Further details about the work we will be doing can be found on pages 33 to 41 of the corporate social responsibility section.

## Activities during the year

The Committee led the process for the various Board appointments during the year. Most recently, we have been pleased to announce the appointment of my successor, David Shearer.

Earlier in the reporting period, Nick Dilworth was appointed to the Board in September 2018 as an Executive Director and Chief Operating Officer having joined the Company as Group Commercial Director in October 2017. The Committee considered Nick's valuable contribution in developing the commercial strategies of the operating divisions and the value he has added to the business since joining the Company.

In addition, we have welcomed two new Non-Executive Directors, Ginny Pulbrook (appointed October 2018) and David Blackwood (appointed March 2019). Both Ginny and David have become members of the Audit, Remuneration and Nomination Committees. David will become Chairman of the Audit Committee after Andrew Wood steps down from the Board.

Finally, the appointment of Lewis Girdwood, as an Executive Director and Chief Financial Officer, is an important step in supporting and strengthening the Board and the furtherance of the strategic objectives. Prior to Lewis' appointment, Michael Williamson had acted as Interim Chief Financial Officer after Richard Laycock stepped down from the Board in July 2018. The lack of a permanent Chief Financial Officer had also been a key finding in our external Board evaluation described on page 50 of the Corporate Governance Report. Full biographical details about Lewis Girdwood and all Board members can also be found on pages 42 and 43.

## NOMINATION COMMITTEE MEMBERS



The members of the Committee are the Chairman and the Non-Executive Directors:

- Iain Ferguson, Chairman
- Andrew Wood, Senior Independent Director
- John Coombs, Non-Executive Director
- Ginny Pulbrook, Non-Executive Director
- David Blackwood, Non-Executive Director

## ACTIVITIES SINCE OUR LAST REPORT



- Appointment of Chief Operating Officer
- Appointment of Chief Financial Officer
- Appointment of Non-Executive Directors and Non-Executive Chairman
- Board evaluation

The Committee has written terms of reference which are available on the Group's website at [www.stobartgroup.co.uk](http://www.stobartgroup.co.uk)

## Nomination Committee Report continued

Russell Reynolds, a leading independent search firm, was retained to assist in the recruitment of our recent Board appointments. Russell Reynolds has no other connection with the Company. Russell Reynolds assists the Nomination Committee in producing a shortlist of selected candidates, based on a defined and agreed role description detailing the skills and experience required. Interviews are then held with the Chairman, the Senior Independent Director, the Group People Director and/or Chief Executive, depending on the role. Careful consideration is given to ensure the proposed appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience is maintained. When the Nomination Committee has identified a suitable candidate, we then make a recommendation to the Board with the Board making the final decision.

### Succession planning

The appointments we have made in the year are successful steps in the Group's orderly succession planning for the Board.

### Board evaluation

Details of the external Board evaluation process this year undertaken by ICSA Board Evaluation are set out in the Corporate Governance Report on page 50. The Committee reviewed the results of the Board evaluation process.



# Audit Committee Report



## Dear Shareholder

On behalf of the Audit Committee (the Committee) I am pleased to present our Audit Committee Report for the year ended 28 February 2019.

Having conducted careful reviews, the Committee concluded that the 2019 Annual Report is fair, balanced and understandable and advised the Board accordingly.

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

**Andrew Wood**  
**Chairman of the Audit Committee**  
29 May 2019

## AUDIT COMMITTEE MEMBERS



- Andrew Wood, Chairman
- Ginny Pulbrook, Non-Executive Director
- John Coombs, Non-Executive Director
- David Blackwood, Non-Executive Director

## ACTIVITIES DURING THE YEAR



During the year the Committee met four times and a summary of the main areas dealt with are set out below:

- Findings from the external audit for the year ended 28 February 2018;
- Findings from the external review by the auditor of the interim results to 31 August 2018;
- Review of findings from the internal audit projects conducted during the year;
- Approval of the external audit plan and strategy for the year ended 28 February 2019;
- Approval of the internal audit plan for the year;
- Review of the significant judgements and estimates applied in preparation of the interim review and Annual Report;
- Review of the Annual Report to ensure it is fair, balanced and understandable;
- Review of Audit Committee terms of reference;
- Approval of the tax strategy and review of ongoing tax enquiries;
- Confirmation of the independence of the external auditor;
- Review of the Viability Statement; and
- Approval of the updated Group Authority Levels and Signatories Policy.

The Committee has written terms of reference which are available on the Group's website at [www.stobartgroup.com](http://www.stobartgroup.com)

## Audit Committee Report continued

### Audit Committee membership during the year

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

Committee member	Meeting attendance
Andrew Wood	4/4
Ginny Pulbrook <sup>1</sup>	2/2
John Coombs	4/4
John Garbutt <sup>2</sup>	1/1

<sup>1</sup> Appointed 1 October 2018.

<sup>2</sup> Stepped down on 6 July 2018.

Post year end on 1 March 2019, David Blackwood joined the Committee and in July 2019 David will take over as Committee Chairman, with Andrew Wood stepping down from the Committee and Board at the 2019 AGM. David Blackwood is also a qualified accountant and is considered by the Board and the Nomination Committee to hold the requisite recent and relevant financial experience for the purposes of the UK Corporate Governance Code and competence in accounting or audit for the purposes of DTR 7.1.

Other Directors, including Chairman, CEO and CFO, Group Finance Director, Group Financial Controller and the Group's internal and external auditors attended meetings by invitation. At least once a year, the Committee meets with the external auditor without any other Executive Directors present. In addition, the Chairman of the Committee has regular discussions with the external auditor outside of the formal Committee meetings.

Under the terms of reference of the Committee there should be three members, with a quorum of two. Other than during the period 6 July 2018 to 1 October 2018 when there were only two members, membership during the year was three Directors with a quorum being present for all meetings. The Committee was able to discharge its duties adequately at all times. Other than during the period 6 July 2018 to 1 October 2018, the Committee was in compliance with the UK Corporate Governance Code provision that the Committee should comprise at least three members for the full year.

### Fair, balanced and understandable information

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

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

The responsibility statement of the Directors in respect of the Annual Report is on page 78.

### Engagement of the external auditor

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

KPMG LLP (KPMG) has been the Group's auditor since September 2012. KPMG provides the Committee with relevant reports, reviews and advice throughout the year, as set out in their terms of its engagement. In accordance with UK regulations, the Company's auditor adheres to a lead partner rotation policy every five years. The latest rotation took effect during 2017 and this year end is the second for the current lead engagement partner.

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

The Committee has a policy for the use of auditors for non-audit services. The Committee is responsible for considering the following prior to engaging auditors for non-audit work:

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

In addition, the policy states in detail a number of additional controls. A full copy of this policy is available on the Stobart Group website. Non-audit fees charged by the auditors in the year were £170,000 compared with an audit fee of £642,000. The non-audit fees relate to the half-year review and tax advisory services. The objectivity and independence of the auditor have been reviewed and considered to be safeguarded.

### Significant accounting matters

As part of its monitoring of the integrity of the financial statements, the Committee reviews whether suitable accounting policies have been adopted, whether management has made appropriate judgements and estimates and also seeks support from the external auditor to assess them. The Committee has taken the impact of Brexit into consideration when assessing the financial reporting implications on key judgements and estimates.

The main issues reviewed for the year ended 28 February 2019 are set out below:

### Going concern

The Annual Report and Accounts have been prepared on the going concern basis, following the preparation of a five-year forecast and detailed review of the Group operations and capital requirements. Post year end on 3 May 2019, the Group placed a £53.1m secured guaranteed exchangeable bond. The bond has a five-year maturity and is exchangeable into ordinary shares of Eddie Stobart Logistics plc. Following this placing, the ability of management to flex the timing of certain capital expenditure and dividends across the Group, and other funding options being reviewed by management, the Committee is satisfied that the Group is a going concern and the Annual Report and Accounts have been prepared accordingly.

### **Presentation of results as discontinued operations and investment in joint venture**

In February 2019, the Group entered into an agreement to dispose of its 100% owned subsidiaries, Everdeal Holdings Limited (parent company of regional airline Stobart Air) and Propius Holdings Limited (aircraft leasing business). It was necessary to determine the appropriate accounting treatment at the year end. The Committee reviewed the treatment proposed by management; namely the results of each business being presented as discontinued operations. It also examined the treatment of the resultant profit on sale relating to Everdeal Holdings Limited and the loss on disposal of assets within Propius Holdings Limited to ensure that these were disclosed correctly. As the Group holds a 30% interest in Connect Airways Limited, the joint venture that agreed to acquire the subsidiaries, the Committee also examined the appropriateness of the proposed accounting treatment going forward, namely to equity account for the results for the joint venture.

The Committee was satisfied that each of the matters set out above has been fully and adequately addressed by the Executive Directors, appropriately reviewed by the external auditor and that the disclosures made in the Annual Report and Accounts are appropriate.

### **Impairment of property, plant and equipment**

The Committee considered the carrying values of property, plant and equipment together with the assumptions underlying the impairment reviews. The judgements in relation to the impairment testing largely relate to the assumptions underlying the value-in-use calculations for the assets being tested for impairment. These were primarily the achievability of long-term business plans and macroeconomic assumptions underlying the valuation process, together with the appropriateness of the discount factors used. This is a prime area of audit focus, in particular around the assets at London Southend Airport and Carlisle Lake District Airport. Land at Runcorn was subject to an external independent valuation following changes in the long-term business plan. This valuation indicated an impairment of £6.5m, which was considered appropriate to recognise in the current year.

Accordingly, the external auditor provided detailed reporting on all impairment reviews to the Committee. The Committee challenged the assumptions made both by management and by the auditor, by reference to those used in previous years and to changes in business performance and outlook. The Committee discussed the sensitivities to key assumptions. The Committee concluded that the £6.5m charge was appropriate.

### **Valuation of property inventories**

The carrying value of property inventories has reduced year-on-year, principally as a result of the sale and leaseback of a site in Widnes. Judgements have been made in relation to the development of the remaining assets, with an external independent development valuation undertaken for the remaining land at Widnes. The independent valuation received was £1.3m lower than the carrying value, thus an impairment for £1.3m was considered appropriate. The Committee has reviewed these judgements and it is satisfied that, following the impairment recognised, the property inventory assets are held at the lower of cost and net realisable value.

### **Presentation of UK Flybe Franchise Operations (UKFFO)**

The results of the UKFFO were disclosed separately at 31 August 2018 as part of a pro forma income statement. However, following the disposal of Everdeal Holdings Limited in February 2019, the parent company of the airline Stobart Air which operates the UKFFO, the results of the UKFFO for the current and prior years have been presented within discontinued operations. In addition to these results, a provision for the future losses expected to be incurred by the Group prior to the cessation of operations in February 2020 has been recognised and presented within discontinued operations. The

Committee reviewed the transaction and is satisfied that the results should be disclosed within discontinued operations.

### **IFRS 15: Revenue from Contracts with Customers**

The Group adopted IFRS 15 on 1 March 2018 using the cumulative effect method. The Rail & Civils business was the only division impacted materially. Revenue recognised in the prior year as work in progress (WIP), at the date of transition, was reviewed to ensure it was appropriately recognised under the new standard. Following this review, management identified £3.3m net of tax, relating to variations and WIP balances that were previously recognised under IAS 11, but no longer appropriate under IFRS 15. These amounts have been adjusted via equity. The Committee has reviewed this adjustment and is satisfied that the results presented are in accordance with the new accounting standard.

### **Non-underlying items**

The Group has a number of material items that warrant separate presentation in the consolidated income statement and a number of these are presented as non-underlying. The Committee has reviewed the items disclosed as non-underlying and is satisfied that they have been presented in accordance with the Group's accounting policy.

### **Risk management and internal control**

The Committee is responsible for reviewing the effectiveness of the Group's system of internal control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established a clear organisational structure with defined authority levels. These authority levels were reviewed in detail during the year and were updated in February 2019. The day-to-day running of the Group's business is delegated to the Executive Directors of the Group. The Executive Directors visit all operational sites on a regular basis and meet with both operational and financial management and staff. The Group has an extensive programme of employee engagement and communication which enables Executive Directors to ensure that they have a fully rounded, well-informed and robust view of operations and management on an ongoing basis.

Key financial and operational measures are reported on a weekly basis and reported at a weekly operating divisions' update meeting. These reports are measured against forecasts that have been reviewed and approved by the Board. Each business unit reviews risk and continually updates its business risk register, ensuring that there are effective processes in place.

The Board holds an annual risk workshop and continually monitors the Corporate Risk Register, reviewing in detail the principal risks affecting the Group's performance. The risks and uncertainties which are currently judged to have the most significant impact on the Group's long-term performance are set out on pages 26 to 27.

### **Internal audit**

The Group's Safety and Compliance team performs audits against documented processes. Reports summarising the findings and key actions arising from the reviews are discussed at each Board meeting as well as being circulated to the Executive Directors and divisional management. In addition, the Group operates a dedicated financial internal audit function, operated by an independent external firm. The scope of these audits is approved by the Committee at the beginning of the financial year. There were five projects completed during the year with reports summarising the findings and recommendations. Significant issues identified within audit reports are considered in detail along with the mitigation plans to resolve those issues. A summary of the reports and updates on ongoing and future projects are presented at each Audit Committee meeting.

# Directors' Remuneration Report



**On behalf of the Group's Remuneration Committee, I am pleased to present our Directors' Remuneration Report for 2019.**

## REMUNERATION COMMITTEE MEMBERS



All members of the Committee are independent Non-Executive Directors.

- John Coombs, Chairman (Chairman as of 6 July 2018)
- Iain Ferguson, Group Chairman
- Andrew Wood, Senior Independent Director
- Ginny Pulbrook (as of 1 October 2018)
- David Blackwood (appointed 1 March 2019)
- John Garbutt (ceased 6 July 2018)

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- 1.1 Annual statement by the Remuneration Committee Chairman
- 1.2 Remuneration Summary
- 1.3 Annual Report on Remuneration

### 1.1 Annual statement by the Remuneration Committee Chairman

This is my first report as Chairman of the Remuneration Committee, having assumed the role following John Garbutt's retirement from the Board in July 2018. I would like to thank my fellow members of the Committee for their support as I assumed the role as Chairman.

The Annual Report on Remuneration, which provides details of the remuneration earned by Directors for the year ended 28 February 2019 and how we intend to apply the Directors' Remuneration Policy in the year ending 29 February 2020, is available on pages 61 to 75. At the 2019 AGM, the Annual Report on Remuneration will be subject to an advisory vote. Our Directors' Remuneration Policy has not been reproduced here, but is available in our 2018 Annual Report at <https://www.stobartgroup.co.uk/investors/results-reports-presentations/>

#### Review of the year

We are making good progress against our targets. London Southend Airport is becoming an increasingly popular destination for airlines to introduce new routes in the capital. Stobart Energy is already reporting in excess of £12 EBITDA per tonne and this level is set to continue. However, this has also been a challenging year for the Board, which has been well publicised, and I will address the remuneration consequences of this in my letter.

#### Executive Director changes

The several changes at Board level are reported in the Corporate Governance section of this Annual Report on page 45. Andrew Tinkler's position as Executive Director was summarily terminated on 14 June 2018. All unvested and vested but unexercised share awards lapsed immediately and no payments were made in respect of salary, pension or benefits after this date. Further details can be found on page 71.

Following Richard Laycock's appointment to the Board as Chief Financial Officer on 1 February 2018, Richard did not put himself forward for election at the AGM on 6 July 2018. Richard continues to support the Stobart business as Group Finance Director, the role he had before his appointment to the Board.

Nick Dilworth was appointed to the Board as Chief Operating Officer (COO) on 1 September 2018, having previously held the role of Commercial Director since 30 October 2017. His salary was set at £250,000 and his bonus and LTIP (Long-Term Incentive Plan) opportunities are in line with our policy.

On Nick's appointment to the Board, the Committee determined that it would keep his salary under review, on the basis that the way it was set at the time reflected both a new Board role and a new role for Nick. There was therefore an expectation that Nick's salary would increase over time as he developed in the role to ensure that it recognised his experience, scope of responsibilities and performance. Following a review of Nick's performance for his first nine months as our COO, the Board is delighted with his progress and contribution and the Committee determined that his salary should be increased to £272,500 with effect from 1 July 2019. Nick's salary will continue to be kept under review over the coming 12 months and may be subject to further increase if personal and business performance support any change.

The Committee has written terms of reference which are available on the Group's website at [www.stobartgroup.com](https://www.stobartgroup.com)

Lewis Girdwood has been appointed as our new Chief Financial Officer and joined the Board as an Executive Director on 1 April 2019. His salary was set at £265,000, the level required to secure him in the role, taking into account his previous employment and other offers in the market. His bonus is 100% of salary in line with the Chief Executive and COO and his LTIP award will be set at 100% of salary in the first year of his appointment. Pension provision is at 10% of salary which is line with the pension provision for our senior management team. There was no buy-out arrangement. His salary will be kept under review to take into account his development in role and the scope of his responsibilities.

Ginny Pulbrook was appointed as a Non-Executive Director, commencing on 1 October 2018 and as part of her appointment has joined the Remuneration Committee. David Blackwood was appointed as a Non-Executive Director on 1 March 2019. David will assume the role of Chairman of the Audit Committee in July 2019 following Andrew Wood's retirement from the Board. Their fees are commensurate with our existing fee structure.

#### **Stobart Aviation Incentive Plan (SAIP)**

In our 2018 Annual Report, we made reference to, and certain disclosures about, an award made to Chief Executive Warwick Brady under the SAIP in order to secure his recruitment by the Group in December 2016. This award was granted to Warwick prior to his appointment to the Board and, as previously disclosed, Warwick has not and will not receive any further awards under the SAIP in his role as Chief Executive.

In addition, Warwick's ongoing participation in the LTIP, following his appointment to the Board, has been restricted to an award of 75% of salary (half of the usual maximum) in recognition of him continuing to hold the award under the SAIP.

At the time the SAIP was implemented, the Remuneration Committee was advised that as the award was granted to Warwick prior to his appointment to the Board, it need not fall within the Directors' Remuneration Policy. As mentioned in the Chairman's Statement, during 2018 the Company has gone through a period of significant upheaval as a result of the Company's dispute with its former Director, Andrew Tinkler, and the resultant High Court case. During the course of preparing for the hearing, it became clear that, despite the Company retaining professional advisers, the Remuneration Committee had not received clear and correct advice with regard to the award to Warwick under the SAIP and the position under the Directors' Remuneration Policy. The Company has been clear that it will seek to adhere to the relevant UK statutory provisions relating to Directors' remuneration even though they do not apply to Guernsey-incorporated companies such as Stobart Group Limited. In short, it has become apparent that, were the Company to have acted as though those UK statutory provisions were applicable to the Company, the award granted to Warwick should have been either consistent with the Directors' Remuneration Policy at the time, or been subject to shareholder approval. The award, however, was not consistent with the Directors' Remuneration Policy in place at the time. Further, although positive informal discussions were held with shareholders representing over 50% of the Company's share capital, the SAIP was never formally submitted to a full shareholder vote prior to the Company granting the award to Warwick.

We have subsequently made several changes to our executive team, have appointed new advisers and are committed to ensuring we follow due process and move forward in a spirit of transparency and trust. In that context:

(a) Despite being two years into a six-year scheme, Warwick has agreed changes to his SAIP award to provide increased alignment with shareholder interests (see further below);

- (b) We have provided further disclosures in respect of the key terms of Warwick's award and these are outlined on pages 67 to 69; and
- (c) We will ensure that, as part of the renewal of our Directors' Remuneration Policy in 2020, which will be subject to shareholder approval, explicit reference is made to the SAIP. We will, of course, engage fully with shareholders over the coming year with regard to that proposed new policy.

We have agreed with Warwick the following changes to the original SAIP construct:

- a cap on the maximum value that can be delivered has been introduced. When the award was granted in 2016, there was no cap in the design;
- the earliest vesting date for the SAIP has been extended by a further 12 months to 2021; and
- payments will ordinarily be made 50% in cash and 50% in Stobart shares. Other than to settle related tax liabilities, these shares may not be sold for either one or two years after vesting (depending on the date of vesting). In the original construct, the full award was to be delivered wholly in cash.

In addition, Warwick is required to build up and maintain a shareholding of at least 200% of salary and is committed to doing so as quickly as possible to demonstrate his commitment to the Group and his alignment with shareholders.

We have been extremely pleased with the progress made by the Group under Warwick's leadership; securing the services of an experienced airline industry executive has been transformational, particularly given the challenges faced during this period. So despite the unfortunate position regarding the approval process, the Board believes that the SAIP award has been and continues to be a very effective incentive to drive performance and shareholder value. The changes to the original construct, as outlined above, indicate the importance placed by the Board on ensuring we both act in the best interests of shareholders and effectively incentivise our talented management team.

#### **Remuneration decisions during the year**

During the year, the Committee reviewed executive salaries, and decided that with effect from 1 July 2018 the base salary of Warwick Brady, and the fee of Iain Ferguson, Non-Executive Chairman, should increase by 2.5%, broadly in line with the CPI rate of inflation. This was also in line with the average pay increases awarded to our wider workforce.

Annual bonuses for Executive Directors are based 70% on adjusted Group EBITDA and 30% on personal/strategic measures and can be up to a maximum of 100% of salary. Underlying EBITDA for the year amounted to £31.4m. This is an adjusted figure which includes the profits attributable to Stobart Air and Propius. EBITDA targets for the year were set including these businesses. Stobart Air was disposed of on 22 February 2019, just prior to year end, and we also entered into an agreement to sell Propius, consequently whilst they are excluded in our statutory figures, it was appropriate to include them in EBITDA for the purposes of assessing bonus. These figures include an increase of 37% of the underlying EBITDA of our two main divisions. Based on the formulaic outcome, 70.5% of the bonus element based on adjusted EBITDA (49.3% of salary) would have paid out. However, upon considering the financial performance of the Company as a whole, the Committee considered it appropriate to exercise negative discretion and to reduce the outcome to 64.3% (45% of salary). Personal performance against the strategic objectives (as described on pages 63 to 64) has been strong, with our executive team delivering progress in strategy across all our divisions with some game-changing events, including the Flybe transaction and a significant increase in the volumes of renewable energy production over the last 12 months. As a result, annual bonuses equal to 73% of salary have been earned by Warwick Brady and Nick Dilworth. Richard Laycock earned an annual bonus equal to 60% of salary.

## Directors' Remuneration Report continued

LTIPs granted in June 2016 vested in respect of performance for the year ending 28 February 2019 for Richard Laycock. No amounts vested to other Executive Directors either because they had left the Board or because they were not recipients of the relevant grant made in June 2016. The Committee considered the appropriateness of the level of vesting of the LTIP given the overall financial performance being reported to shareholders. However, on the basis that the current Executive Directors do not hold LTIPs which vest in respect of this year and also taking into account the progress that our key divisions have made, despite a challenging environment and the distractions the business has faced, it determined that the outcome was appropriate.

During the year, Warwick Brady and Nick Dilworth were each granted LTIP awards of 75% of salary under the approved 2014 LTIP. The Committee intended to grant Nick Dilworth an additional LTIP award following his promotion to the Board, so that his award in aggregate would equal 150% of his post-promotion salary; this second award was delayed due to regulatory restrictions on granting LTIP awards and it is the Committee's intention to grant this as soon as possible following the lifting of the restrictions. TSR must outperform the FTSE 250 Index for threshold vesting and outperform the index by 8.5% p.a. for maximum vesting. Targets for Cumulative EPS have been set at 20p for threshold vesting and 28p for maximum vesting. These reflect the impact on the Group following recent divestments and the Committee considers that these have the appropriate level of challenge and stretch. As set out on page 68 and in accordance with our remuneration policy, the awards granted to Warwick and Nick can double if we meet our main performance conditions in full and the Group's TSR significantly outperforms the FTSE 250 Index by 40% per annum. The reduced award for Warwick Brady reflects his continuing participation in the SAIP.

During the year, Andrew Wood and I were heavily involved in the legal disputes and litigation facing the Company. Our time commitment and scope of services increased considerably and unexpectedly. The Chairman, with the support of the executives, determined that additional fees should be paid in recognition of this commitment which amounted to £40,000 each.

### Looking forward to the year ending 29 February 2020

As announced on 15 May 2019, Iain Ferguson will step down as Group Chairman at the conclusion of the 2019 AGM and will be succeeded by David Shearer. As part of the recruitment process, the new Chairman's fee was set at £200,000 per annum which reflects his experience and knowledge and was required in order to secure him in the role.

As a Guernsey registered company, we are not obliged to follow the UK Companies Act regulations (specifically the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013) governing Directors' remuneration disclosure and voting, but we elect to do so. We therefore voluntarily seek shareholder approval for both our Annual Report on Remuneration and our remuneration policy. We seek to adopt best practice and shareholders will note that we have therefore included annual targets and performance against in respect of bonuses earned in the current year, where historically we had provided this in the following year. Going forward, we will disclose performance in respect of bonuses earned in the current year, in line with investor expectations.

Shareholders will be fully aware of the recent significant changes to the business and the impact on our underlying operations. Forecasting our three-year EPS numbers by the time our Annual Report was published for the purposes of disclosing our LTIP targets for our 2019 grants has therefore been challenging. In addition, these changes have meant that current broker forecasts have not yet been updated to reflect our newly structured Group and therefore shareholders do not have an external reference point to consider when assessing the targets set. As a consequence, we are not in a position to disclose our EPS targets for the next LTIP grant but we will do so within the regulatory announcement when the awards are made in due course.

We will next be seeking shareholder approval for our Directors' Remuneration Policy at the 2020 AGM. Over the course of the year the Committee will be reviewing the current policy and its appropriateness, or otherwise, particularly in the light of the expectations for change required under the 2018 UK Corporate Governance Code. We will therefore be consulting with shareholders later this year and will present our new policy in the Directors' Remuneration Report for the year ending 29 February 2020.



**John Coombs**  
**Chairman of the Remuneration Committee**  
29 May 2019

### ACTIVITIES DURING THE YEAR



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

- Consideration and decisions on:
  - Levels of base salaries for Executive Directors and other executives within its remit.
  - Executive Directors' bonuses for the year to 28 February 2018.
  - Bonus targets for the executives for the year to 28 February 2019.
  - Targets in relation to the LTIP awards for the year to 28 February 2019.
  - LTIP grants made in the year.
  - Directors' Remuneration Report.
  - Fees for the Chairman.
- Annual review of the Group remuneration and expenses policy, including for other staff.
- Review of the terms of reference of the Remuneration Committee.
- Appointment of new advisers to the Remuneration Committee.

## 1.2 Remuneration Summary

Implementation in the year ended 28 February 2019

Element	Purpose	Key features	Implementation
Base salary, fringe benefits and pension	To provide a competitive package to help attract and retain talent.	Market competitive base salary and fringe benefits.  Maximum pension contribution of 20% of salary.	Base salary for Warwick Brady increased by 2.5%, broadly in line with the CPI rate of inflation and average pay increases awarded to our wider workforce.  Nick Dilworth joined the Board as COO with a salary of £250,000.  Benefits and pension policy unchanged.
Annual bonus	To reward the achievement of short-term strategic objectives and motivate executives to achieve stretching profit goals.	Up to 100% of salary.  Performance measures: • Group EBITDA (70%) • Personal/strategic objectives (30%)	Bonuses achieved were 73% of maximum for Warwick Brady and Nick Dilworth and 60% of maximum for Richard Laycock.
LTIP (Long-Term Incentive Plan)	Rewards long-term value creation and aligns Executive Directors' interests with those of shareholders through the use of performance shares.	Normal maximum of 150% of salary.  Performance measures: • Cumulative Group adjusted EPS (50%) • Relative TSR (50%)  Multiplier of up to 2x normal face value depending on TSR performance.  Awards subject to a two-year holding period.	June 2016 LTIP award vested at 100% of maximum, subject to two-year holding period for Executive Directors at the time of grant.  Awards of 75% of salary for Warwick Brady and 150% of salary for Nick Dilworth in respect of the year.
Shareholding requirements	Aligns Executive Directors' interests with those of shareholders.	Executive Directors are expected to build a shareholding equal to at least 200% of their salary.	

## 1.3 Annual Report on Remuneration

### Single figure of total remuneration for Executive Directors

The table below sets out the single figure of total remuneration (and its breakdown into its constituent parts) for each Executive Director for the years ended 28 February 2019 and 2018:

	Salary		Taxable benefits		Pension		Bonus		Long-term incentives vesting <sup>1</sup>		Total	
	£'000	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Warwick Brady <sup>2</sup>	<b>457.5</b>	300.0	<b>32.8</b>	21.8	<b>91.5</b>	60.0	<b>334.0</b>	267.0	–	–	<b>915.8</b>	648.8
Nick Dilworth <sup>3</sup>	<b>125.0</b>	–	<b>10.3</b>	–	<b>25.0</b>	–	<b>91.3</b>	–	–	–	<b>251.6</b>	–
<b>Former Executive Directors</b>												
Andrew Tinkler <sup>4,5</sup>	<b>62.4</b>	324.4	<b>11.7</b>	21.4	<b>12.5</b>	64.9	–	295.3	–	–	<b>86.6</b>	706.0
Richard Laycock <sup>6</sup>	<b>76.7</b>	18.3	<b>16.3</b>	1.3	<b>15.3</b>	3.7	<b>44.0</b>	17.6	<b>48.7</b>	41.3	<b>201.0</b>	82.2

1 The LTIP value for 2018 includes vesting of the 2014 and 2015 LTIP awards. In the 2018 Directors' Remuneration Report the TSR component of the 2014 LTIP award was valued using the share price on the date of vesting, whilst the EPS components of the 2014 and 2015 LTIP awards were valued using the average share price over the three-month period to 28 February 2018 of £2.63. The LTIP figures set out above for 2018 have been updated to reflect the share price on vesting of £2.43. The LTIP value for 2019 reflects the vesting of the 2016 LTIP award and has been valued using the average share price over the three-month period to 28 February 2019 of £1.54.

2 Warwick Brady joined the Board as Chief Executive on 1 July 2017. Remuneration for 2018 includes pay received in respect of his role as Executive Director from this date.

3 Nick Dilworth joined the Board on 1 September 2018. Remuneration for 2019 includes pay received in respect of his role as Executive Director from this date.

4 From 1 September 2017 Andrew Tinkler's salary was reduced by 50% to reflect him spending 50% of his time leading Stobart Capital. Andrew Tinkler's position as Executive Director was summarily terminated on 14 June 2018 and remuneration for 2019 includes pay received in respect of his role as Executive Director to this date.

5 Following his position as an Executive Director being summarily terminated on 14 June 2018, Andrew Tinkler's 2014 LTIP and 2015 LTIP awards are no longer capable of exercise. As a result, the value of long-term incentive awards vesting in respect of the year ended 28 February 2018 has been updated. This has been completed on the basis that: (i) Andrew Tinkler will not receive any value from the 2014 LTIP award; and (ii) the amount included within the single figure table in the Directors' Remuneration Report for the year ended 28 February 2018 in respect of the 2015 LTIP award was an estimate based on an assumption that the award would vest on 22 June 2018. However, as Andrew Tinkler's position was summarily terminated prior to this date the award did not vest and no amount is attributable to this award.

6 Richard Laycock was appointed to the Board on 1 February 2018, having been Group Finance Director since October 2014. Remuneration for 2018 includes pay received in respect of his role as Executive Director from 1 February 2018 to 28 February 2018. The figure for Richard's LTIP disclosed in the 2018 Directors' Remuneration Report is 1/12 of the amount vesting for performance in year ended February 2018 under the Senior Management LTIP which follows the 2014 LTIP scheme rules. Richard Laycock resigned as an Executive Director on 5 July 2018 and remuneration for 2019 includes pay received in respect of his role as Executive Director to this date. The figure for Richard Laycock's LTIP disclosed in 2019 is 4/12 of the amount vesting in respect of the award granted in June 2016 under the Senior Management LTIP which follows the 2014 LTIP scheme rules.

## Directors' Remuneration Report continued

### Salary

Executive Director salaries were increased with effect from 1 July 2018 by the CPI rate of inflation of 2.5% as follows:

Executive Director	Salary effective 1 July 2017 or on appointment	Salary effective 1 July 2018 or on appointment	Increase
Warwick Brady	£450,000	£461,250	2.5%
Nick Dilworth	n/a	£250,000	n/a
<b>Former Executive Directors</b>			
Andrew Tinkler	£216,300	–	n/a
Richard Laycock	£220,000	£220,000	n/a

### Benefits

The Company currently provides fringe benefits which comprise standard executive medical cover and death-in-service cover to Executive Directors. Executive Directors are also entitled to a company car of a size and type deemed appropriate for the proper performance of their duties. During this period, Andrew Tinkler, Richard Laycock and Nick Dilworth opted to take an additional salary supplement of £20,000 in lieu of an equivalent car benefit.

### Pension

For the financial year ended 28 February 2019, the Executive Directors opted to receive a cash supplement in lieu of contributions to a pension plan, which remained at 20% of salary.

### Annual bonus

Annual bonuses are based 70% on adjusted Group EBITDA and 30% on personal/strategic objectives, and can be up to a maximum of 100% of salary for all Executive Directors.

In previous years the Committee has considered the actual targets for the annual bonus to be commercially sensitive. The Committee therefore disclosed the targets in the Annual Report on Remuneration for the year in which the bonus is actually paid (i.e. after one full year). This year however, taking into account shareholder feedback and best practice, the Committee has disclosed the targets used for the annual bonus in full and in the year in which it is earned.

### Annual bonus for the year ended 28 February 2019

For annual bonuses paid for the year ended 28 February 2019, performance targets for adjusted Group EBITDA were as follows:

	Threshold	Target	Stretch	Achievement
Adjusted Group EBITDA (£m)	28.1	29.6	34.0	31.4 <sup>1</sup>
% of adjusted Group EBITDA element payable	0%	50%	100%	70.5% <sup>2</sup>

1 This is an adjusted figure which includes the profits attributable to Stobart Air and Propius.

2 Based on the formulaic outcome, 70.5% of the bonus element based on adjusted EBITDA (49.3% of salary) would have paid out. However, upon considering the financial performance of the Company as a whole, the Committee considered it appropriate to exercise negative discretion and to reduce the outcome to 64.3% (45% of salary).

Specific personal/strategic objectives are set by the Remuneration Committee, concerning their key responsibilities in connection with delivering the Group's strategy. Achievement of these personal/strategic objectives was as follows:

Executive Director	Personal/strategic objectives	Achievement against targets (% out of 30)
Warwick Brady	<ul style="list-style-type: none"> <li>Lead the executive team to implement and progress the agreed strategy.</li> <li>Support the Finance function in the absence of a permanent CFO; with support in building a competent finance team with appropriate succession planning and risk management and governance.</li> <li>Progress key projects as agreed by the Board. Ensure that appropriate financing arrangements and post acquisition strategies are developed and implemented.</li> <li>Work with the Board to further develop the Group strategy and the investor proposition. Investigate options to develop investor communications.</li> <li>Work with the Chairman to ensure that forthcoming changes to the Board composition are achieved in an orderly and constructive way.</li> </ul>	28
Nick Dilworth	<ul style="list-style-type: none"> <li>Support the Chief Executive to develop and deliver a three-year strategy to drive value creation.</li> <li>Detailed reviews of the operating businesses to monitor and agree actions to drive improved performance.</li> <li>Work with the Chief Executive and CFO/Finance to review and improve governance across the Group (including contract/expenditure approvals).</li> <li>Work with the Chief Executive and Head of HR to help improve the effectiveness of the Group and operating business leadership teams.</li> <li>Work closely with London Southend Airport to ensure commercial opportunities are maximised, help develop a pipeline of new airline operators to the airport and support the development of an infrastructure master plan to support five million-plus passengers.</li> </ul>	28

#### Former Executive Directors

Richard Laycock	<ul style="list-style-type: none"> <li>Develop a Group financial plan, including financing options, to support the strategic plan and meet the Group's dividend target and to drive cash flow management.</li> <li>Ensure that the Group Finance function is fit for purpose and that the performance of business units are properly managed by the Finance Directors.</li> <li>Work with the Chief Executive to actively manage the capital markets to develop a new shareholder base and ensure the Group's external strategy and financial plan is well understood.</li> <li>Work with the Chief Executive to review finance function service providers.</li> <li>Personal development on leadership.</li> </ul>	15
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This performance in the year ended 28 February 2019 resulted in the following annual bonuses:

Executive Director	Achievement of Group EBITDA element (% out of 70)	Personal/strategic element (% out of 30)	Annual bonus award (% of maximum)
Warwick Brady	45	28	73
Nick Dilworth <sup>1</sup>	45	28	73
<b>Former Executive Directors</b>			
Richard Laycock <sup>2</sup>	45	15	60

<sup>1</sup> Nick Dilworth joined the Board on 1 September 2018; his bonus is based on his Executive Director role from 1 September 2018 to 28 February 2019.

<sup>2</sup> Richard Laycock resigned as an Executive Director on 5 July 2018, however he continues to support the business as Group Finance Director. He therefore remained eligible for an annual bonus for 2019. Set out above is the annual bonus in respect of his role as an Executive Director.

Andrew Tinkler's position as Executive Director was summarily terminated on 14 June 2018 and he was therefore not eligible for an annual bonus.

#### Annual bonus for the year ended 28 February 2018

As committed to shareholders last year, set out below are the targets for the annual bonus earned in respect of the year ended 28 February 2018.

For the annual bonus for the year to 28 February 2018, adjusted Group EBITDA performance was measured against targets based on the following sliding scale:

	Threshold	Target	Stretch	Achievement
Adjusted Group EBITDA	21.2	22.3	25.7	25.0
% of adjusted Group EBITDA element payable	0%	50%	100%	90.0%

## Directors' Remuneration Report continued

The remaining 30% of the annual bonus opportunity was based on specific personal/strategic objectives set by the Remuneration Committee, which included:

Executive Director	Personal/strategic objectives	Achievement against targets (% out of 30)
Warwick Brady	<ul style="list-style-type: none"> <li>Work with Andrew Tinkler to develop and agree with the Board an updated strategy for our Aviation division. Take line responsibility for Aviation division.</li> <li>Complete induction process and gain understanding of Biomass Energy and Rail divisions.</li> <li>Ensure smooth transition of Chief Executive responsibility with effect from 1 July 2017. From this date, take full responsibility for delivery of the agreed budget.</li> <li>Work with the Board to set up Value Creation Committee and support the establishment of Stobart Capital.</li> <li>Undertake review of central function, especially Finance and Company Secretariat, propose resources required, initiate any recruitment process needed and propose appropriate appointments.</li> <li>Work with the Board to further develop Group strategy and to refine the investor proposition and communication plans.</li> </ul>	28
<b>Former Executive Directors</b>		
Andrew Tinkler	<ul style="list-style-type: none"> <li>Work with the Board to develop and deliver a succession plan for the senior leadership of the Group.</li> <li>Support Warwick Brady in his role as Deputy Chief Executive, focusing initially on development and delivery in the Aviation division.</li> <li>Develop and establish Stobart Capital, ensuring governance and operational links with the Group are clearly defined.</li> <li>Work with the CFO to achieve planned property value uplifts and realisations.</li> <li>Support the Managing Directors of the businesses with their respective responsibilities, looking particularly for further opportunities to strengthen relationships with key regulators.</li> </ul>	28
Richard Butcher <sup>1</sup>	<ul style="list-style-type: none"> <li>Achieve disposal of Park Royal for a minimum of £8.5m.</li> <li>Finalise a business plan for the Tea Factory, Speke site to achieve an uplift in value of £5.75m.</li> <li>Develop an acceptable masterplan for Runcorn and the remaining Widnes site to incorporate a clear strategy for each site to maximise development opportunity and cash receipts.</li> <li>Ensure that the Widnes office project is delivered on time and on budget.</li> <li>Deliver planning for new offices and Stobart Rail building at Carlisle Lake District Airport and attract an occupier for the development land.</li> <li>Work with Andrew Tinkler to progress other Infrastructure asset disposals/value enhancement and bring forward new investment opportunities.</li> </ul>	27
Richard Laycock <sup>2</sup>	<ul style="list-style-type: none"> <li>Implement updated finance structure and build the key team by September 2017.</li> <li>Provide a robust performance reporting system by division and ensure Group accounts are accurate and up to date.</li> <li>Deliver timely financial management information.</li> <li>Lead the capital markets management with brokers.</li> <li>Review treasury management and the capex tracking system.</li> </ul>	26

<sup>1</sup> Richard Butcher stepped down from the Board on 1 July 2017; his bonus is pro-rated based on his Executive Director role from 1 March 2017 to 1 July 2017.

<sup>2</sup> Richard Laycock joined the Board on 1 February 2018; his bonus is pro-rated based on his Executive Director role from 1 February 2018 to 28 February 2018.

This performance in the year ending 28 February 2018 resulted in the following annual bonuses:

	Achievement of Group EBITDA element (% out of 70)	Personal/strategic element (% out of 30)	Annual bonus award (% of maximum and salary)	Annual bonus award £'000
Executive Director				
<b>Warwick Brady<sup>1</sup></b>				
Andrew Tinkler	63	28	91	267.0
Richard Butcher <sup>2</sup>	63	27	90	77.7
Richard Laycock <sup>3</sup>	63	26	89	17.6

1 Warwick Brady joined the Board on 1 July 2017; his bonus is based on his Executive Director role from 1 July 2017 to 28 February 2018.

2 Richard Butcher stepped down from the Board on 1 July 2017; his bonus is pro-rated based on his Executive Director role from 1 March 2017 to 1 July 2017.

3 Richard Laycock joined the Board on 1 February 2018; his bonus is pro-rated based on his Executive Director role from 1 February 2018 to 28 February 2018.

#### Long-term incentive schemes – awards vesting

The 2014 LTIP was introduced at the EGM on 24 October 2014 and the first grants were made on 1 November 2014. Since 2014 the LTIP has been based on two, equally weighted performance measures, cumulative Group adjusted basic earnings per share (Cumulative EPS) and relative total shareholder return (TSR).

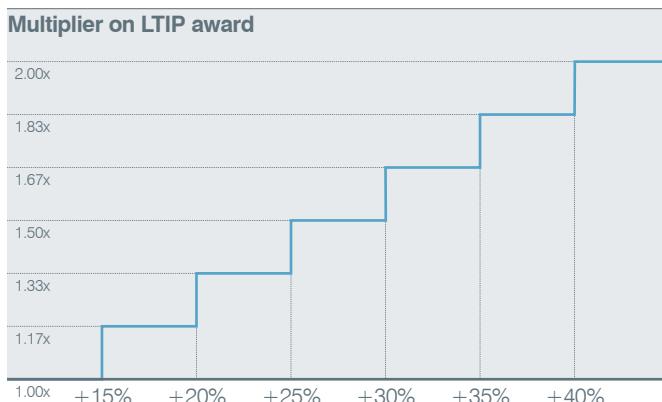
The LTIP awards made in June 2016 are due to vest based on Cumulative EPS and TSR performance to 28 February 2019. The following table summarises performance against the relevant targets:

Performance measure	Weighting	Threshold (25% vesting)	Stretch (100% vesting)	Actual performance <sup>1</sup>	Vesting (% of maximum)
Cumulative EPS	50%	20p	28p	47.9p <sup>2</sup>	100%
Stobart Group's three-year TSR	50%	Equal to the TSR performance of the FTSE 250	Equal to the TSR performance of the FTSE 250 + 10% p.a.	26.8%	100%
Total vesting before multiplier					100%

1 For the TSR measure this is the annual average outperformance of the Company against the TSR performance of the FTSE 250 Index.

2 Cumulative EPS includes profits arising from the disposal of Eddie Stobart Logistics and excludes share-based payments and certain capital items.

Stobart Group's three-year TSR over the performance period was 80.5%, equating to 26.83% p.a. As this was greater than the FTSE 250 Index plus the minimum performance required for the multiplier to apply (21.67% p.a.) a multiplier of 1.33x applies as set out in the illustration below:



Stobart Group's three-year TSR % outperformance of the FTSE 250 Index (p.a.)

## Directors' Remuneration Report continued

### Scheme interests awarded during the financial year

During the year ended 28 February 2019, Warwick Brady, Nick Dilworth and Richard Laycock were awarded a grant of performance shares under the 2014 LTIP. The number of shares in each award was calculated based on the average share price for the three days preceding the grant date of 256.83p, as set out in the table below.

Executive Director	Type of award	Date of award	Number of shares granted	Face value at date of grant <sup>1</sup> (£/% of salary)	End of the performance period
Warwick Brady	2014 LTIP	20 June 2018	131,408	337,495/75 of salary	28 February 2021
Nick Dilworth	2014 LTIP	20 June 2018	52,563	134,997/75 of salary	28 February 2021
Richard Laycock	2014 LTIP	20 June 2018	85,659	219,998/75 of salary	28 February 2021

1 These awards are subject to a multiplier if they vest in full, such that the maximum face value of the overall award can be doubled if the multiplier element also vests in full.

As set out above, on account of his promotion to the Board, the Committee intended to grant Nick Dilworth an additional LTIP award in respect of the year ended 28 February 2019 equal to 75% of his salary at the time of appointment. This was to bring the aggregate value of LTIP awards granted to Nick Dilworth to 150% of his salary on promotion to the Board. However, the grant of the additional LTIP award has not been possible due to regulatory restrictions and it is intended it will be completed as soon as possible after the lifting of the restrictions and will be disclosed in the 2020 Annual Report on Remuneration.

These awards will vest on the third anniversary of the date of the first grant on 20 June 2021 and any shares that vest will then be subject to an additional holding period of up to two years. (A two-year holding period does not apply to the LTIP award granted to Nick Dilworth in June 2018 when he was not an Executive Director). Dividend-equivalent shares will accrue over this period and will be paid in respect of the proportion of shares that vest.

These 2018 awards are subject to the following performance measures:

Performance measure	Weighting	Threshold (25% vesting)	Stretch (100% vesting)
Cumulative EPS	50%	20p	28p
Stobart Group's three-year TSR	50%	Equal to the TSR performance of the FTSE 250	Equal to the TSR performance of the FTSE 250 + 8.5% p.a.

In line with the Directors' Remuneration Policy, if both the EPS and the TSR elements exceed stretch performance levels the Executive Directors will be eligible to receive a multiplier of their awards based on the performance levels set out in the table on page 65 and which translates as follows:

Outperformance of FTSE 250 Index (p.a.)	Multiplier	Award which vests as a % of salary	
		Warwick Brady	Nick Dilworth
<b>Less than 15%</b>	1x	75%	150%
<b>15%–20%</b>	1.17	87.75%	175.5%
<b>20%–25%</b>	1.33	99.75%	199.5%
<b>25%–30%</b>	1.5	112.5%	225%
<b>30%–35%</b>	1.67	125.25%	250.5%
<b>35%–40%</b>	1.83	137.5%	274.5%
<b>40% or more</b>	2x	150%	300%

### Stobart Aviation Incentive Plan (SAIP)

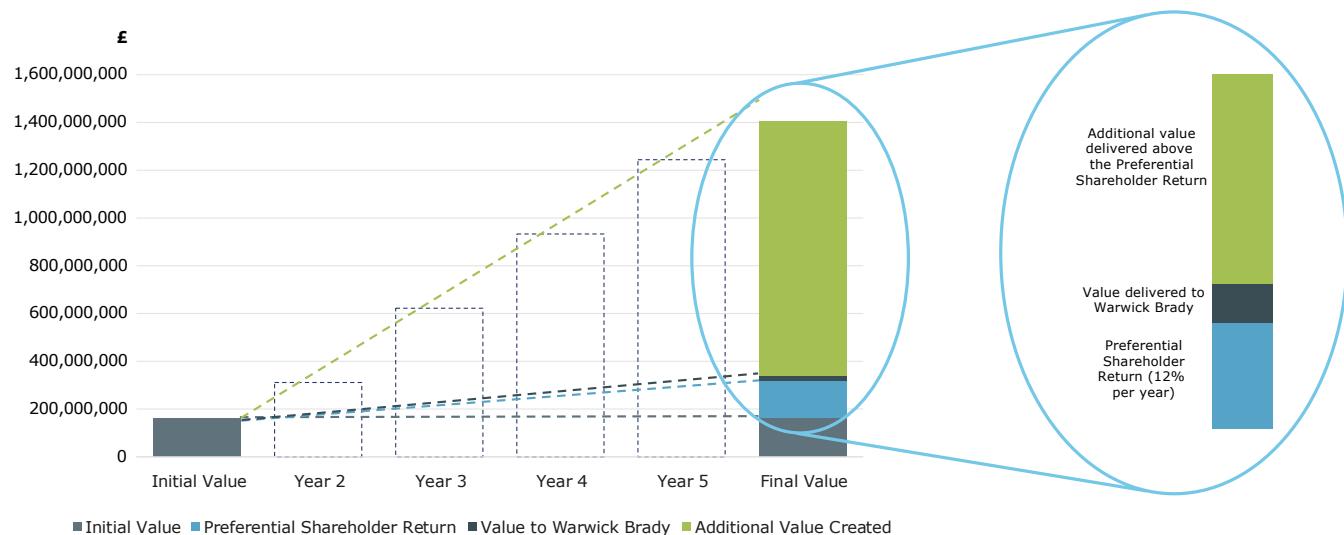
Following the main investment in London Southend Airport in the year ended February 2012, progress to deliver on the very ambitious growth plans was slow. By 2016, the then Chief Executive, Andrew Tinkler, supported by the Board, recognised that a special set of talents was required if the growth potential of the airport were to be translated into delivered results. The capabilities required were relevant experience, reputation and contacts in the airline industry combined with a strong entrepreneurial flair. Warwick Brady was identified as such an individual who had recently stepped down from the role as Chief Operating Officer at easyJet. The SAIP was devised to persuade him to take a certain amount of personal risk and join the Group as Deputy Chief Executive and use his particular skillset to deliver the long-term plans for the airport. The key principles of the plan that ensured alignment with shareholder interests were:

- It would not reward business as usual levels of growth, but only very strong performance;
- It would be assessed over a long time period; and
- Only a small single digit percentage proportion of the value actually created would accrue to Warwick.

As noted in the Chairman's Statement, based on advice taken at that time, details of the SAIP award to Warwick Brady were not disclosed in the Directors' Remuneration Report in the year of grant. Disclosure is, however, now set out below.

#### Key design features

The SAIP is designed to share a proportion of the value created in the business, but only after a challenging preferred return to shareholders has been delivered:



## Directors' Remuneration Report continued

The terms described below reflect Warwick Brady's agreement to the addition of an overall cap on the value of the SAIP and to the delivery of half of the SAIP value in shares.

<b>Structure of award</b>	The award is based on the growth in value of the Aviation business above a Preferred Shareholder Return of 12% annual compound growth in the value of the business. This 12% return is greater than the Group's weighted average cost of capital (currently 10%) and represents a strong return before there is any management participation in the value created.
<b>Timeframe</b>	<p>The award commenced in January 2017 and can vest in June 2021 at the earliest although this can be extended to June 2022 or 2023 at the request of the participant. It is the expectation of all parties that this will be the case in practice, unless there is a change of control event, which triggers earlier vesting.</p> <p>Following vesting of the award the amount earned will be paid 50% in cash and 50% in shares. Other than selling to cover the tax and national insurance, shares will be held for a further period dependent on the vesting date:</p> <ul style="list-style-type: none"> <li>• Vesting in 2021 or 2022 and shares will be held for a further two years.</li> <li>• Vesting in 2023 and shares will be held for a further year.</li> </ul> <p>Accordingly, the payment of the final element of any value earned may be deferred under the plan until at least June 2023 (i.e. the plan covers at least a minimum six-year and expected seven-year period from grant to final release of the vested award).</p>
<b>Performance measures</b>	<p>The value of the Aviation business at the time of vesting less the starting value of £160m increased by the Preferred Shareholder Return of 12% for each year between the date of grant and the date of vesting on a compound growth basis. The value of £160m was determined via an independent valuation process at the time of the award by the Company's brokers and an independent consultant. It was reconciled back to the overall market capitalisation of the Group.</p> <p>At the point of vesting, the Aviation division will be valued by an independent corporate finance house, or the value on disposal will be used if the vesting is triggered by a change of control or asset disposal.</p>
<b>Delivery mechanism</b>	<p>The award will be paid half in cash and half in shares of Stobart Group. The number of shares delivered will be calculated based on the share price at the time of vesting. Therefore, tranches of shares are effectively held over the release period and so extending the overall length of the arrangements and the period for which there is a direct and mandatory alignment between value delivered under the SAIP and the interests of shareholders.</p> <p>In the event of a change of control/asset disposal, the award will be settled in cash, vesting immediately.</p>
<b>Quantum</b>	<p>The growth in value above the Preferred Shareholder Return is split into bands as indicated in the table on page 69, for each band for which a SAIP % is set. The total reward will be the sum of each band up to the level of the total value achieved.</p>
<b>Leaver provisions</b>	Good leaver provisions apply for death, ill health, redundancy, retirement and at the Board's discretion.
<b>Cap</b>	<p>Two separate caps have been set on the value of the scheme, a Valuation Cap set at £23m in the event there is an independent valuation, or a Change of Control Cap set at £30m in the event of a change of control/asset disposal for cash. The Change of Control Cap reflects the possibility of a strategic buyer being willing to pay a top of the range multiple for outstanding growth performance.</p> <p>The Valuation Cap equates to a value at vesting for the Aviation business of c£1.4bn. The Change of Control Cap would be reached at a division value of c.£2.1bn.</p>
<b>Underpins</b>	<p>A system of monitoring cash flows into and out of the business (e.g. dividends and loans) is in place, with the same cost of capital applied to these cash flows, to ensure there is a fair valuation of the underlying business.</p> <p>In addition, malus and clawback provisions apply, with triggers which cover material misstatement, error or misrepresentation or gross misconduct by the participant.</p>
<b>Shareholding requirement</b>	<p>Under the existing Directors' Remuneration Policy, Warwick Brady is required to build up and hold a 200% of salary shareholding (through retention of any bonus shares or vested long-term incentive) until at least two years after a vesting event.</p>

The Value Pool is determined by the difference between the final valuation of the Aviation business and the starting value of £160m inflated by 12% p.a. between grant and the date of vesting. The Value Pool is calculated using a banding approach as set out below, in order to incentivise excellent performance whilst not encouraging excessive risk taking. Accordingly, the participant's share of value created is low at both very high and very low levels of return and peaks at a valuation which represents an excellent return to shareholders.

By way of example: if the SAIP award vests in June 2023, six years after grant, the value of the Aviation business at June 2023 must exceed £315m before any Value Pool is created (the initial value of £160m plus the preferential return of 12% for six years).

If the value at vesting is £495m (i.e. £180m of value above the Preferred Shareholder Return has been created) then the Value Pool would be calculated from the sum of bands 1–6 below, which is £3.5m.

Band	Value of the Aviation business above the Preferred Shareholder Return				
	Lower limit £'m	Upper limit £'m	Percentage attributable to Warwick Brady	Potential value accruing to Warwick Brady £k	Cumulative accrued value £k
1	0	30	0.57%	170	170
2	30	60	1.13%	340	510
3	60	90	1.70%	510	1,019
4	90	120	2.27%	680	1,699
5	120	150	2.83%	849	2,548
6	150	180	3.40%	1,019	3,567
7	180	210	3.96%	1,189	4,757
8	210	240	4.53%	1,359	6,116
9	240	270	5.10%	1,529	7,644
10	270	300	5.66%	1,699	9,343
11	300	330	5.19%	1,557	10,900
12	330	360	4.72%	1,416	12,316
13	360	390	4.25%	1,274	13,590
14	390	420	3.78%	1,133	14,723
15	420	450	3.30%	991	15,713
16	450	480	2.83%	849	16,563
17	480	510	2.36%	708	17,271
18	510	540	1.89%	566	17,837
19	540	570	1.42%	425	18,262
20	570	1,088	0.94%	4,738	23,000
21	Above 1,088		0%*	0	
<b>Total</b>				<b>23,000</b>	

\* The table shows the impact of £23m cap on value that can be realised by Warwick Brady, in the event of a change of control event then the % attributable to Warwick Brady will be 0.94% up to a cap of £30m.

### Potential outcomes

The inclusion of the Preferred Shareholder Return of 12%, below which no Value Pool is created and the value sharing mechanism shown above, ensures that in all outcomes the participant's benefit remains a relatively small proportion of the value created. By way of example, at threshold (no vesting to Warwick Brady), circa £155m of value will have been created, which is the Preferred Shareholder Return. The maximum value from a valuation that can be delivered to Warwick Brady is £23m, which will be a total value created of circa £1,224m (c. £1,088m above the Preferred Shareholder Return). The proportion delivered to Warwick Brady at maximum would be 1.9% of the total value created (above the initial value of £160m).

This is illustrated in the table below:

	Threshold vesting	Valuation based maximum vesting		Change of control based maximum vesting	
Valuation	£315m	£1,404m		£2,150m	
Value created	£155m	£1,244m		£1,990m	
Warwick Brady return	£0	0%	£ 23m	1.8%	£ 30m
Shareholder return	£155m	100%	£1,221m	98.2%	£1,960m
					98.5%

These numbers assume that the SAIP vests at June 2023 (the latest possible vesting date). The 12% Preferred Shareholder Return applies for each year prior to vesting and therefore a later vesting date increases the required Return before any Value Pool is created. As noted above, this would be delivered 50% in cash payable immediately and 50% in shares which would be required to be held (subject to settling for taxes) until June 2024.

The Board is strongly of the view that the SAIP represents good value for securing a top quality talent to drive growth across the Group. The SAIP is clearly aligned with the interests of shareholders as it:

- is centred on genuine growth above a challenging Preferred Shareholder Return, before any amount is earned by the participant;
- focuses on our most significant divisional business;
- rewards over a long-term period; and
- delivers part of the value in shares which must be held after vesting.

## Directors' Remuneration Report continued

### Outstanding share awards

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

	Type of award	Date of LTIP grant	Market price on date of grant	Number of performance shares at 1 March 2018	Granted during the year	Vested during the year	Lapsed during the year	Number of shares at 28 February 2019	Performance period	Vesting/lapse date <sup>1</sup>
Warwick Brady	2014 LTIP	22 June 2017	£2,925	106,204	—	—	—	106,204	3 years	22 June 2020
	2014 LTIP	20 June 2018	£2,568	—	131,408	—	—	131,408	3 years	20 June 2021
				<b>106,204</b>	<b>131,408</b>	<b>—</b>	<b>—</b>	<b>237,612</b>		
Nick Dilworth	2014 LTIP	20 June 2018	£2,568	—	52,563	—	—	52,563	3 years	20 June 2021
				<b>52,563</b>				<b>52,563</b>		
<b>Former Executive Directors</b>										
Richard Laycock	2014 LTIP	22 June 2015	£1,062	84,706	—	84,706	—	—	3 years	22 June 2018
	2014 LTIP	17 June 2016	£1,270	70,866	—	—	—	70,866	3 years	17 June 2019
	2014 LTIP	22 June 2017	£2,925	31,254	—	—	—	31,254	3 years	22 June 2020
	2014 LTIP	20 June 2018	£2,568	—	85,659	—	—	85,659		20 June 2021
				<b>186,826</b>	<b>85,659</b>	<b>84,706</b>	<b>—</b>	<b>187,779</b>		
Andrew Tinkler	2014 LTIP	1 Nov 2014	£0.993	105,972	—	—	105,972 <sup>2</sup>	—	3 years	1 Nov 2017
	2014 LTIP	6 Nov 2015	£1.09	560,831	—	—	560,831 <sup>3</sup>	—	3 years	22 June 2018
	2014 LTIP	17 June 2016	£1,275	496,062	—	—	496,062 <sup>3</sup>	—	3 years	17 June 2019
	2014 LTIP	22 June 2017	£2,925	218,780	—	—	218,780 <sup>3</sup>	—	3 years	22 June 2020
				<b>1,381,645</b>			<b>1,381,645</b>			

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

2 All share awards were cancelled in the year following Andrew Tinkler's position as Executive Director being summarily terminated on 14 June 2018.

3 All share awards lapsed in the year following Andrew Tinkler's position as Executive Director being summarily terminated on 14 June 2018.

### Directors' shareholding and share interests

Details of the Directors' interests in shares are shown in the table below.

Stobart Group has a formal shareholding requirement whereby Executive Directors are expected to hold shares to the value of 200% of their salary, to be achieved within five years of the later of their appointment to the Board or the introduction of our first Directors' Remuneration Policy on 24 October 2014.

Based on the share price at 28 February 2019, Warwick Brady and Nick Dilworth have yet to meet the full requirement.

### Share interests of Directors and connected persons at 28 February 2019

The following table shows the Directors' interests in shares as at 28 February 2019 or date of cessation as a Director.

		Beneficially owned	Outstanding under share award arrangements <sup>1</sup>	Total interest in shares
<b>Executive Directors</b>				
Warwick Brady		156,205	237,612	393,817
Nick Dilworth		—	52,563	52,563
<b>Non-Executive Directors</b>				
Iain Ferguson		200,000	—	200,000
Andrew Wood		34,500	—	34,500
John Coombs		55,006	—	55,006
Ginny Pulbrook		—	—	—
<b>Former Directors<sup>2</sup></b>				
Andrew Tinkler		27,326,811	—	27,326,811
Richard Laycock		—	187,779	187,779
John Garbutt		25,000	—	25,000

1 Executive Directors' outstanding shares are held under the 2014 LTIP and are subject to performance conditions as set out in detail for each grant in the Annual Report on Remuneration for the year of grant.

2 Share interests shown for former Directors are based on interests at date of leaving the Board.

There have been no changes in the holdings of the Directors between 28 February and 28 May 2019.

## Percentage change in the remuneration of the Chief Executive compared to all employees

	Salary	Benefits <sup>1</sup>	Bonus
Chief Executive	3.0%	13.5%	(16.1)%
All employees <sup>2</sup>	(10.7)% <sup>3</sup>	(21.7)%	(36.8)%

1 Benefits include a company car or car allowance and healthcare. Warwick Brady opted to take a company car allowance commensurate with the role of Chief Executive which has a benefit value of £32k per annum, in comparison to the former Chief Executive who chose to take a car allowance of £20k per annum.

2 As a result of the disposal of Stobart Air on 22 February 2019, employees within that division have been excluded from the calculation.

3 The average pay increase awarded to the wider workforce (within policy guidelines) in 2019 was 3% in addition to increases implemented where employees were promoted or took on additional responsibilities. The average increase awarded to the wider workforce is not reflected within the calculations due to the increase in employee numbers within certain areas of the business where average salaries are typically lower than the average across the Group.

The above table shows the percentage year-on-year change in salary, benefits and bonus earned between the year ended 28 February 2018 and the year ended 28 February 2019 for the Chief Executive compared to the change for all employees, based on a consistent employee population, i.e. excluding leavers and joiners.

### Payments for Directors' loss of office

There were no payments in relation to loss of office during the year.

Andrew Tinkler's position as Executive Director was summarily terminated on 14 June 2018. He ceased to receive salary, benefits and pension contributions with effect from this date. Mr Tinkler was not eligible for an annual bonus in respect of the year ended 28 February 2019 and all outstanding LTIP awards lapsed on cessation.

Richard Laycock resigned as an Executive Director on 5 July 2018. Richard continues to support the business as Group Finance Director. As he continues to be employed by the Group, he will retain the benefit of any awards made under the LTIP prior to stepping down from the Board (see page 70 for details of his outstanding LTIP awards).

### Payments to previous Directors

Other than the payments made to Richard Laycock, as disclosed above, there were no payments in relation to previous Directors during the year.

### Historical TSR performance chart

The chart below shows the TSR performance of Stobart Group against the FTSE 250 and FTSE SmallCap for the last ten years. Stobart Group has been a member of both the FTSE 250 and FTSE SmallCap during the period shown.

### TSR rebased to £100 at 28 February 2009



### Chief Executive remuneration outcomes

The table below shows the total remuneration figure for the Chief Executive for the last ten years. The total remuneration figure includes the annual bonus and any long-term incentives which vested based on performance in those years.

Chief Executive	For the year ended 28/29 February									
	Andrew Tinkler								Warwick Brady	
	2011	2012	2013	2014	2015	2016	2017	2018 <sup>1</sup>	2018 <sup>2</sup>	2019
CEO's total single figure of remuneration £'000	183.2	253.6	259.9	251.2	1,309.3	931.3	951.1	235.3 <sup>1</sup>	648.8 <sup>2</sup>	915.8
Bonus paid % of maximum	—	—	—	—	76.3%	96.6%	97.0%	91.0%	91.0%	73%
LTIP vesting % of maximum	—	—	—	—	—	—	—	100%	—	—

1 Andrew Tinkler stepped down from the position of Chief Executive on 30 June 2017. The remuneration figure used represents one-third of his single figure remuneration and takes account of the alterations made to his level of remuneration for the year as explained in the notes to the single figure table on page 61.

2 Warwick Brady was appointed as Chief Executive on 1 July 2017. The remuneration figure used represents the total single figure remuneration.

## Directors' Remuneration Report continued

### Chief Executive pay ratio

During 2018 UK legislation was introduced requiring companies to disclose information on the pay ratio of the Chief Executive to UK employees. We have voluntarily set out below the pay ratio for Chief Executive total pay for year ended 28 February 2019 (as disclosed in the single figure table) compared to total pay for our employees. We have applied a similar methodology as we did for last year's disclosure and have excluded the following elements of remuneration for UK employees from the calculation: bonuses, pension and benefit. However, going forward, we will apply the methodology set out in the UK regulations.

Year	Methodology	Lower quartile	Median	Upper quartile
2019	Option A	1:48	1:40	1:31

The following table provides additional information on the salary for each quartile employee used in the table above.

Year	Pay component	Lower quartile	Median	Upper quartile
2019	Salary	£19,213	£23,140	£29,848

### Relative importance of spend on pay

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

	2019	2018	% change
Remuneration paid to or receivable by all employees of the Group (including Directors)	<b>£49.7m</b>	£43.0m	15.5
Distributions to shareholders	<b>£52.5m</b>	£58.1m	(9.6) <sup>1</sup>
Underlying (loss)/profit for the year from continuing operations	<b>(£12.4m)</b>	£119.6m	(110.4)
(Loss)/profit for the year from continuing operations	<b>(£30.2m)</b>	£109.6m	(127.6)

<sup>1</sup> The dividend paid to shareholders on 31 January 2019 was a lesser amount than that paid the previous year, resulting in a reduced distribution to shareholders for the year ending 28 February 2019.

### Single figure of total remuneration for Non-Executive Directors

The table below sets out the single figure of total remuneration (and its breakdown into its constituent parts) for each Non-Executive Director:

£'000	Fees		Taxable benefits		Total	
	2019	2018	2019	2018	2019	2018
Iain Ferguson	<b>177.9</b>	166.7	—	—	<b>177.9</b>	166.7
Andrew Wood <sup>1,2</sup>	<b>112.5</b>	71.7	—	—	<b>112.5</b>	71.7
John Coombs <sup>1,2</sup>	<b>102.5</b>	58.3	—	—	<b>102.5</b>	58.3
Ginny Pulbrook <sup>3</sup>	<b>21.9</b>	—	—	—	<b>21.9</b>	—
<b>Former Non-Executive Directors</b>						
John Garbutt <sup>1,4</sup>	<b>19.5</b>	61.7	—	—	<b>19.5</b>	61.7

<sup>1</sup> Includes base fee of £52,500 (pro-rated for John Garbutt who stepped down from the Board on 6 July 2018) plus additional fees of £10,000 for chairing the Audit (Andrew Wood), Remuneration (John Garbutt/John Coombs) and Value Creation (John Coombs until June 2018) Committees and fulfilling the role of Senior Independent Director (Andrew Wood).

<sup>2</sup> Fees were paid to John Coombs and Andrew Wood for their additional services during the year in relation to the legal disputes and litigation facing the Company. These additional fees amounted to £40,000 for each individual.

<sup>3</sup> Ginny Pulbrook's fee is based on her commencement date of 1 October 2018.

<sup>4</sup> John Garbutt retired from the Board on 6 July 2018.

### Non-Executive Directors' fees for the year ended 28 February 2019

As reported in the Directors' Remuneration Report last year, for the financial year ended 28 February 2019 the Remuneration Committee determined that the Chairman's fee would be increased by 2.5%, the CPI inflation rate. There were no other increases to Non-Executive Director fees.

### External appointments

During the year, Warwick Brady undertook the role of Non-Executive Director for First Group plc and his fees for the year to 28 February 2019 were £58,000.

## Service contracts

The terms and conditions of appointment of Non-Executive Directors and the service contracts of the Executive Directors are available for inspection at the Company's registered office during normal business hours.

Non-Executive Directors are engaged under letters of appointment that set out their duties and responsibilities and are subject to annual shareholder re-election.

Name	Commencement	Notice period <sup>1</sup>
Warwick Brady	3 January 2017	12 months <sup>3</sup>
Nick Dilworth <sup>2</sup>	1 September 2018	6 months <sup>3</sup>
Lewis Girdwood	1 April 2019	12 months <sup>3</sup>
Iain Ferguson	1 October 2013	3 months
Andrew Wood	1 November 2013	3 months
John Coombs	1 July 2014	3 months
Ginny Pulbrook	1 October 2018	3 months
David Blackwood	1 March 2019	3 months

1 Notice periods apply in the same manner for both Directors and the Company.

2 Nick Dilworth's contract was varied on 1 September 2018 on his appointment to the Board.

3 Service contracts on a rolling basis with no defined expiry date.

## Implementation of remuneration policy for the year ending 29 February 2020

This section provides a summary of how the Committee will implement the remuneration policy in the financial year ending 29 February 2020.

### Salary

The Remuneration Committee reviews Executive Directors' salaries (and those within the scope of their terms of reference) to ensure that they remain appropriate and commensurate with equivalent roles at companies of a similar size and industry sectors. Any salary increases take account of general increases across the workforce and the ratio of Chief Executive pay to average employee pay and the average pay of the members of the senior executive team.

Following the end of the financial year ended 28 February 2019, the Remuneration Committee reviewed Executive Directors' salaries. Warwick Brady was awarded a salary increase of 3% in line (within policy guidelines) with the average pay increases awarded to our wider workforce. His salary will therefore be £475,087 from 1 July 2019. On Nick Dilworth's appointment to the Board, the Committee determined that it would keep his salary under review, on the basis that at the time it was set it reflected both a new Board role and a new role for Nick. There was therefore an expectation that Nick's salary would increase over time as he developed in the role to ensure that it recognised his experience, scope of responsibilities and performance. Following a review of Nick's performance for his first nine months as our COO, the Board is delighted with his progress and contribution and the Committee determined that his salary should be increased to £272,500 with effect from 1 July 2019. His salary will continue to be kept under review over the coming 12 months and may be subject to further increase if personal and business performance support any change.

The following table sets out the Executive Directors' salaries that will apply with effect from 1 July 2019:

Executive Director	Salary effective 1 July 2018 or on appointment	Salary effective 1 July 2019 or on appointment	Increase
Warwick Brady	£461,250	£475,087	3.0%
Nick Dilworth	£250,000	£272,500	9.0%
Lewis Girdwood	£265,000	£265,000	—

### Benefits

The Group does not envisage any adjustments to benefits for the year ending 29 February 2020, except as necessary to reflect the market cost of providing the benefits described.

### Pension

No changes in pension are proposed for the year ending 29 February 2020. Company contributions to a pension plan will remain at 20% of salary for the Chief Executive and COO and have been set at 10% for the CFO.

### Annual bonuses

No changes are proposed to the operation of the annual bonus for the year ending 28 February 2020, which will again be based 70% on adjusted Group EBITDA and 30% on personal/strategic objectives. Annual bonuses can be up to a maximum of 100% of salary for all Executive Directors. Performance against targets and consequent bonus payments will be disclosed in full in next year's Annual Report on Remuneration.

## Directors' Remuneration Report continued

### LTIP

For the financial year ending 29 February 2020, the Committee intends to make grants of 75% of salary for Warwick Brady, 150% of salary for Nick Dilworth and 100% of salary for Lewis Girdwood. These awards are subject to a multiplier if they vest in full, such that the number of shares under award can be doubled if the multiplier element also fully vests.

These awards will vest on the third anniversary of grant, following the end of the three-year performance period, which will run from 1 March 2019 to 28 February 2022. Any shares that vest will be subject to an additional holding period of up to two years.

The performance measures will be unchanged from the 2019 grants and will remain as Cumulative EPS and TSR, which will be equally weighted. Shareholders will be fully aware of the recent significant changes to the business and the impact on our underlying operations. Forecasting our three-year Cumulative EPS numbers by the time our Annual Report was published for the purposes of disclosing our LTIP targets for our 2019 grants has therefore been challenging. In addition, these changes have meant that current broker forecasts have not yet been updated to reflect our newly structured Group and therefore shareholders do not have an external reference point to consider when assessing the targets set. As a consequence, we are not in a position to disclose our Cumulative EPS targets for the next LTIP grant but we will do so within the regulatory announcement when the awards are made in due course.

### Shareholding requirements

Shareholding requirements will continue to apply for the year ending 29 February 2020 in line with the Directors' Remuneration Policy which is to build a shareholding equal to 200% of salary. During the course of this year the Committee will also be developing its policy on post-employment shareholding guidelines.

### Non-Executive Directors' fees

For the financial year ending 29 February 2020, Iain Ferguson's fee as Non-Executive Chairman will be increased to £185,000 with effect from 1 July 2019. However, as announced on 29 May 2019, Iain Ferguson will step down as Non-Executive Chairman at the conclusion of the 2019 AGM and will be succeeded by David Shearer. As part of the recruitment process the new Chairman's fee was set at £200,000 per annum which reflects his experience and knowledge and was required in order to secure him in the role. Non-Executive Director fees remain unchanged and will therefore be as follows:

	Fee 2019	Fee 2020	Increase
Non-Executive Chairman	£179,375	£185,000	3.0%
Non-Executive base fee	£52,500	£52,500	—
<b>Additional fees</b>			
Committee chair	£10,000	£10,000	—
Senior Independent Director	£10,000	£10,000	—

When Iain Ferguson and Andrew Wood step down from the Board it is intended that they will enter into consulting arrangements such that they may remain involved with the ongoing litigation. Further information in relation to the fees provided under any agreements will be provided in the 2020 Directors' Remuneration Report.

### Remuneration Committee membership

The membership of the Remuneration Committee is determined by the Group Board and is confined to independent Non-Executive Directors and the Group Chairman, with the Company Secretary acting as secretary to the Remuneration Committee.

#### Committee members

- John Coombs (appointed 1 July 2014 and became Chairman on 6 July 2018)
- Iain Ferguson (appointed 1 October 2013)
- Andrew Wood (appointed 1 November 2013)
- Ginny Pulbrook (appointed 1 October 2018)
- John Garbutt (appointed 1 July 2014, ceased 6 July 2018)

The above Directors were members of the Remuneration Committee when matters relating to the Directors' remuneration for the year were considered. David Blackwood joined the Committee on his appointment on 1 March 2019.

While no others have rights of attendance or voting, the Remuneration Committee may invite the Chief Executive Officer, external advisers and others holding key positions to attend some or all of its meetings.

During the year, the Committee also invited the following individuals and companies to attend on certain occasions to provide advice to the Committee to enable it to make informed decisions:

- Chief Executive
- Interim Chief Financial Officer
- Group Finance Director
- Group People Director

No individual was present when their own remuneration was being discussed.

The Company Secretary attended meetings as secretary to the Committee.

## Overview and role of Committee

The role of the Committee is to determine and recommend to the Board a fair and responsible remuneration framework for ensuring that the Company's Executive Directors and designated senior management are appropriately rewarded and incentivised for their contribution to Group performance.

The Remuneration Committee determines Executive Director remuneration, reviews and approves remuneration for other senior executives, and oversees the remuneration policy for the broader workforce.

The Committee conducts an annual review of its terms of reference and performance. The Remuneration Committee evaluation was discussed as part of the Board effectiveness review, details of which are included in the Corporate Governance Report on page 50.

## Remuneration Committee activities during the year

A summary of the main activities of the Committee during the year is set out on page 60.

All members of the Committee are independent Non-Executive Directors, as defined under the UK Corporate Governance Code, with the exception of the Group Chairman who was independent on appointment.

## Remuneration Committee attendance for the year ending 28 February 2019

	Number of meetings	Meetings attended
Ginny Pulbrook <sup>1</sup>	4	3
Iain Ferguson	7	6
Andrew Wood	7	7
John Coombs	7	7
John Garbutt <sup>2</sup>	2	2

<sup>1</sup> Ginny Pulbrook was appointed on 1 October 2018. Attendance reflects number of meetings from 1 October 2018 to 28 February 2019.

<sup>2</sup> John Garbutt stepped down on 6 July 2018. Attendance reflects number of meetings from 1 March 2018 to 6 July 2018.

Under its terms of reference the Remuneration Committee shall have a Chairman and at least three members all of whom shall be independent. Other than during the period 6 July 2018 to 1 October 2018, when there were only two independent members, membership during the year was three independent Directors and the Chairman (who was independent on appointment) and was in compliance with the UK Corporate Governance Code.

## External advisers

During the year ended 28 February 2019 the Remuneration Committee primarily received external advice from Mercer Kepler. Related fees were £44,418. No other services were provided by Mercer Kepler during the year.

In January 2019 the Committee undertook a competitive tender process which culminated in the appointment of Deloitte LLP as advisers to the Remuneration Committee in February 2019. Deloitte LLP is a founding member of the Remuneration Consultants' Group and as such voluntarily operates under a code of conduct in relation to executive remuneration consulting in the UK. Deloitte LLP did not provide any other services during the year and no fees were paid in respect of remuneration services during the year.

## Statement of shareholder voting

At last year's AGM on 6 July 2018, the Directors' Remuneration Report received the votes listed in the table below. The Directors' Remuneration Policy was last approved at the AGM on 29 June 2017 and the votes received were as listed below:

AGM	Item for approval	Votes for (% total votes cast)	Votes against (% total votes cast)	Votes withheld
6 July 2018	Approval of the Directors' Remuneration Report	64.63%	35.37%	7,393,194
29 June 2017	Approval of the Directors' Remuneration Policy	98.29%	1.71%	8,911,914

The Committee notes that a significant minority of shareholders voted against the approval of the Directors' Remuneration Report at the 2018 AGM. As disclosed in the announcement of the results of the AGM, the Committee considers that these votes were a result of the events prior to the AGM which culminated in Andrew Tinkler's position as Executive Director being summarily terminated on 14 June 2018 and again on 7 July 2018.

## Approval

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

Signed on behalf of the Board of Directors.

**John Coombs**

29 May 2019

# Directors' Report

## Introduction

As a Guernsey registered Company we are not obliged to follow the UK Companies Act 2006 but we choose to do so as indicated in relevant places in the Directors' Report. The Directors' Report also sets out certain information in accordance with the requirements of the Financial Conduct Authority's Listing Rules and Disclosure and Transparency Rules (DTR).

The Directors' Report should be read in conjunction with the Strategic Report (pages 2 to 41) and the Corporate Governance Report (pages 42 to 75) which are incorporated by reference into the Directors' Report.

## Results and dividends

The financial statements set out the results of the Group for the year ended 28 February 2019 and are shown on pages 79 to 124.

Interim dividends of 4.5p per share have been paid to shareholders on 6 July 2018 and 5 October 2018. An interim dividend of 1.5p per share was paid to shareholders on 31 January 2019 and subject to shareholder approval, a final dividend of 3.0p per share will be paid on 31 July 2019 to shareholders on the register at 21 June 2019. The ex-dividend date is 20 June 2019.

## Directors' and Officers' insurance and indemnities

The Group maintains an appropriate level of Directors' and Officers' insurance whereby Directors are indemnified against liabilities to third parties to the extent permitted by Guernsey company law. The Group also, in addition to the indemnity granted to the Directors under the Articles of Association, entered into instruments of indemnity with each Director. These instruments of indemnity contain provisions that are permitted by the director liability provisions of the Companies Act 2006 (in accordance with the Listing Rules), The Companies (Guernsey) Law, 2008 and the Articles of Association and remain in force as at the date of this report.

## Directors' interests

No Director had any interests in contracts of significance in relation to the Company's business during the year.

## Substantial shareholdings

At 28 February 2019 and 12 April 2019, the Directors were aware that the following shareholders owned 3% or more of the issued ordinary shares of the Company.

Substantial shareholdings, excluding treasury shares, were:

Name	Number of ordinary shares 28 February 2019	%	Number of ordinary shares 12 April 2019		%
			Number of ordinary shares 12 April 2019	%	
Invesco Perpetual Asset Management	93,092,742	25.10	93,092,742	25.10	
Woodford Investment Management	68,833,184	18.56	67,209,356	18.12	
Mr A W Jenkinson	19,549,647	5.27	19,549,647	5.27	
Mr W A Tinkler	18,641,592	5.03	18,641,592	5.03	
M&G Investment Management	17,043,979	4.60	17,043,979	4.60	
Cyrus Capital Partners	16,492,884	4.45	16,492,884	4.45	
Royal London Asset Management	15,028,808	4.05	16,558,900	4.47	
Blackrock Inc	11,982,284	3.23	11,810,529	3.18	
Miton Asset Management	11,825,459	3.19	11,825,459	3.19	

## Share capital

Details of the authorised and issued share capital and reserves of the Company are shown in note 30 to the financial statements.

During the year ended 28 February 2019, the Company acquired 1,450,000 ordinary shares of 10p each into treasury. In addition, 16,492,884 ordinary shares were issued by the Company on 18 January 2019 to DLP Holdings S.à.r.l. (DLP Holdings), a Luxembourg company wholly owned by funds managed by Cyrus Capital Partners LP (Cyrus Capital) at a price of 150p per share to raise approximately £24.7m (the Subscription). This represented 4.45% of the entire existing issued share capital of Stobart Group and the Subscription Shares were issued under the Company's existing authorities. The Subscription followed the formation of a joint venture private limited company, Connect Airways Limited (Connect Airways), the shareholders of which are Stobart Aviation Limited, a wholly owned subsidiary of Stobart Group, Virgin Travel Group Limited, the holding company of Virgin Atlantic Airways Limited, and DLP Holdings. The terms of the Subscription were fixed on 11 January 2019.

During the reporting period, the Company transferred 7,035,425 ordinary shares from treasury to the Company's Employee Benefit Trust for nil consideration, to be used to satisfy awards granted by the Company under its Long-Term Incentive Plan and to satisfy other employee benefits. As at 28 February 2019, the Company held no treasury shares.

The share capital of Stobart Group Limited at 28 February 2019 was made up of 370,821,715 ordinary shares of 10p and the total number of voting rights was 370,821,715. The ordinary shares are listed on the London Stock Exchange.

## Other information

The Company has chosen to set out in the Strategic Report certain information which would be required under Section 414C (11) of the Companies Act 2006 (if that Act were to apply to the Company) to be contained in the Directors' Report. That information, together with other disclosures required by the Companies Act 2006 (as if that Act applied to the Company) and the DTR, can be found on the pages listed below.

Corporate governance	DTR 7.2.1R to DTR 7.2.11R	Pages 42 to 78
Directors' biographical details and dates of appointment	Companies Act 2006 Section 416(1)(a) <sup>1</sup>	Pages 42 to 43
Directors' interests in shares		Page 70
Diversity	DTR 7.2.8AR	Page 45
Employee involvement	Paragraph 11, Schedule 7, Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (2008 Regulations) <sup>1</sup>	Pages 36 to 38
Employment of disabled persons	Paragraph 10, Schedule 7, 2008 Regulations <sup>1</sup>	Page 38
Future developments in the business	Paragraphs 7(1)(a) and 7(2), Schedule 7, 2008 Regulations <sup>1</sup>	Strategic Report pages 2 to 41
Greenhouse gas emissions	Paragraph 15, Schedule 7, 2008 Regulations <sup>1</sup>	Page 39
Risk management and internal control: How the business manages risk	Paragraph 6, Schedule 7, 2008 Regulations and DTR 4.1.11R(6) <sup>1</sup>	Strategic Report pages 24 to 27

<sup>1</sup> As if the Companies Act 2006 and the 2008 Regulations applied to the Company.

## Going concern

The Group's business activities, together with factors likely to affect its future performance and position, are set out in the Chief Executive's Review on pages 12 to 13 and the financial position of the Group, its cash flows and funding are set out in the Financial Review on pages 28 to 30.

Note 25 on page 112 of the financial statements includes details of the Group's loans and borrowings at the year end together with the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

In arriving at this expectation the Directors have reviewed the cash flow forecasts of the Group, which cover a period of more than 12 months from the date of authorisation of these financial statements, together with the projected covenant compliance of the Group.

The Group, which has net assets of £297.6m and negative working capital of £15.4m, made a loss from continuing operations of £42.0m and had an operating cash outflow from continuing operations of £1.7m during the year. The Group has a revolving credit facility of £80.0m, which was drawn at £58.0m at 28 February 2019. The Group has cash balances of £14.4m and this, together with the undrawn facility, results in total headroom of £36.4m as at 28 February 2019.

Post year end, the Directors have raised in excess of £50m of cash proceeds as a result of issuing a five-year European bond securitised against the Eddie Stobart plc shares.

The Directors have prepared forecasts through to July 2020, together with sensitivity analysis on those forecasts including a reasonable downturn in trading performance, the risk of some provisions crystallising in the foreseeable future and the timing of cash generated from asset disposals. The Directors have not included potential areas of cash upside in the sensitivity analysis.

The cash received from the bond partially covers this sensitised position although there remains a funding requirement if these sensitivities crystallise. To mitigate this, the Group has other available actions including reducing discretionary capital expenditure assumed during the forecast period and undertaking a further capital review which could result in the dividends expected in November 2019 and July 2020 being reduced significantly in order for the Group to further invest in the growth divisions of Energy and Aviation. The deferral of this capital expenditure, which does not impact the trading cash flows generated significantly, and the capital review are actions which are wholly in the control of the Directors. As an alternative to these arrangements the Directors may seek further external finance.

The Directors are satisfied that the Group has adequate resources to fund its cash requirements for the foreseeable future. The base and sensitised forecasts indicate that the Group will continue to operate within the covenant requirements of the revolving credit facility in the forecast period. The going concern basis has been adopted and the financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

## Directors' Report continued

### Directors' responsibilities

The Directors are responsible for preparing the annual financial statements in accordance with applicable Guernsey Law and International Financial Reporting Standards applicable in the EU. Our Guernsey registration dates back to January 2002, the days of the Westbury Property Fund. We have looked at options to re-register in the UK and have found it to be too complicated and costly to enact at this time. Guernsey company law requires the Directors to prepare financial statements for each financial period which 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 and are in accordance with applicable laws.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU;
- Assess the Group'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 intended to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law 2008.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention of fraud and other irregularities.

The Board and senior executives of the Group are accountable to the shareholders and communicate with them on a regular basis in a number of ways. Communication methods and channels include:

- Annual general and extraordinary meetings.
- Announcements on the London Stock Exchange.
- Regular briefings on the Group's website.
- Bi-annual presentations to institutional shareholders.

### Responsibility statement of the Directors in respect of the Annual Report and Group financial statements

The Directors confirm to the best of their knowledge that:

- The financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.
- The Annual Report includes a fair view of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces.
- The Directors consider the Annual Report and Accounts taken as a whole to be fair, balanced and understandable and contain the information necessary for shareholders to assess and provide the Group's position and performance, business model and strategy.
- A robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity has taken place.

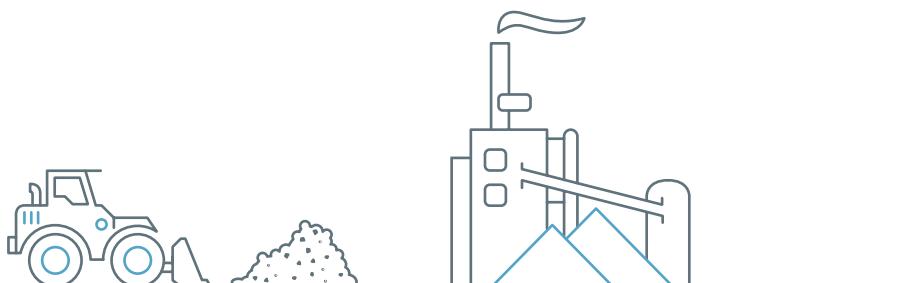
### Auditor

Resolutions to reappoint KPMG LLP as auditor of the Company and for the approval of its remuneration are to be proposed at the 2019 AGM.

The Directors who held office at the date of the approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that he ought to have taken as Director to make himself aware of any relevant audit information and establish that the Group's auditor is aware of that information.

The Directors' Report was approved by the Board on 29 May 2019 and signed on its behalf by:

**Louise Brace**  
**Company Secretary**  
29 May 2019



# Independent auditor's report

to the members of Stobart Group Limited

## 1. Our opinion is unmodified

We have audited the consolidated financial statements of Stobart Group Limited (the "Company") for the year ended 28 February 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows, and the related notes, including the accounting policies in note 1.

### In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 28 February 2019, and of its loss for the year then ended;
- are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company and Group in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Overview

**Materiality:** group financial statements as a whole

£1.3m (2018:£1.5m)  
0.9% (2018: 0.6%) of Revenue

### Coverage

100% (2018:100%) of Revenue, loss before tax and total assets

### Risks of material misstatement vs 2018

#### Recurring risks

Valuation of tangible fixed assets – land at Runcorn



Valuation of inventory – Widnes development land



#### Event driven

**New:** The impact of uncertainties due to UK exiting the European Union on our audit

**New:** Going concern

**New:** Disposal of subsidiaries to Connect Airways Limited and associated acquisition of the joint venture interest in respect of Connect Airways Limited

## Independent auditor's report continued

to the members of Stobart Group Limited

### 2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, were as follows:

The risk	Our response
<p><b>The impact of uncertainties due to the UK exiting the European Union on our audit</b></p> <p>Refer to page 16 (<i>Operational review – Stobart Aviation</i>), page 21 (<i>Operational review – Stobart Energy</i>), page 22 (<i>Operational review – Stobart Rail</i>), page 25 (<i>viability statement</i>), page 27 (<i>Risk management – principal risks</i>) and page 56 (<i>Audit Committee Report</i>).</p>	<p><b>Unprecedented levels of uncertainty</b></p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of tangible fixed assets – land at Runcorn, valuation of inventory – Widnes development land, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance.</p> <p>In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.</p> <p>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.</p> <p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:</p> <p><b>Our Brexit knowledge</b></p> <p>We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.</p> <p><b>Sensitivity analysis</b></p> <p>When addressing going concern and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.</p> <p><b>Assessing transparency</b></p> <p>As well as assessing individual disclosures as part of our procedures on valuation of tangible fixed assets – land at Runcorn, valuation of inventory – Widnes development land and going concern we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.</p> <p>However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.</p>

	The risk	Our response
<b>Going concern</b>  Refer to page 56 (Audit Committee report), note 1 (financial disclosures) and note 2 (judgements)	<p><b>Disclosure quality</b> The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and the parent Company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's and the parent Company's business model and how those risks might affect the Group's and the parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>The risks most likely to adversely affect the Group's and the parent Company's available financial resources over this period were:</p> <ul style="list-style-type: none"> <li>– Inherent uncertainty over future trading performance;</li> <li>– Timing and value of asset sales; and</li> <li>– Timing and value in respect of the crystallisation of certain provisions.</li> </ul> <p>There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.</p> <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p>	<p>Our audit procedures included:</p> <p><b>Funding assessment</b> We considered the appropriateness of the Director's forecasts and assessed the funding requirements of the Group and the parent Company.</p> <p><b>Historical comparisons</b> We assessed the accuracy of the Group's historical forecasts by comparing to actual results and, where relevant, factored this into our sensitivity analysis.</p> <p><b>Sensitivity analysis</b> We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively.</p> <p><b>Our experience</b> We were assisted by our own cash forecasting specialists to critically assess the Group's forecasts.</p> <p><b>Evaluating directors' intent</b> We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.</p> <p><b>Assessing transparency</b> We assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing this to our understanding of the risks faced by the Group and the parent Company.</p>

## Independent auditor's report continued

to the members of Stobart Group Limited

	The risk	Our response
<b>Disposal of subsidiaries to Connect Airways Limited and associated acquisition of the joint venture interest in respect of Connect Airways Limited</b>	<p><b>Accounting treatment</b>            These transactions require the Directors to make accounting judgements such as the effective date of disposal, classification of financial instruments as equity or financial assets and treatment of fees.</p> <p><b>Presentation appropriateness</b>            There is a risk that items are incorrectly presented as discontinued operations and / or disposed which could fundamentally alter the presentation of the consolidated financial statements.</p> <p><b>Potential disclosure omission</b>            There is a risk that the transactions are not adequately disclosed in addition to potential disclosure omissions in respect of the accounting judgements taken and contingent liabilities.</p>	<p>Our audit procedures included:</p> <p><b>Accounting analysis</b>            We evaluated the Directors application of accounting against accounting standards. This included consideration of the EU approval process on effective date of disposal, consideration of sale and purchase agreement clauses on the effective date of disposal, the classification and measurement of financial instruments, the classification of results as discontinued operations and the treatment of transaction and professional fees.</p> <p><b>Testing application</b>            We agreed the recorded transactions to the associated legal documents, invoices and bank statements.</p> <p><b>Enquiry of lawyers</b>            We held meetings and corresponded with the Directors external legal advisers.</p> <p><b>Assessing transparency</b>            We assessed the completeness and accuracy of disclosures by comparing this to our understanding of the transaction.</p>
<b>Valuation of tangible fixed assets – land at Runcorn</b>	<p><b>Subjective valuation</b>            Determining the market value of land at Runcorn requires the Directors and their external experts to make judgements over certain key inputs such as market rent, yield and value per acre.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that valuation of land at Runcorn has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 15) disclose the sensitivity estimated by the Group.</p>	<p>Our audit procedures included:</p> <p><b>Assessing valuer's credentials</b>            Evaluated the external expert's competence and independence by assessing the qualifications and experience of the external expert.</p> <p><b>Methodology choice</b>            Used our own internal real estate specialist to assess the methodology used with reference to the professional body guidance relevant to property valuations.</p> <p><b>Benchmarking assumptions</b>            Used our own internal real estate specialist to benchmark assumptions used to market data.</p> <p><b>Our Real Estate expertise</b>            Used our own internal real estate specialist in assessing the external property valuation obtained by the Directors.</p> <p><b>Assessing transparency</b>            We assessed the completeness and accuracy of disclosures by comparing these to our understanding of the key judgements and risks relating to this valuation.</p>

	The risk	Our response
<b>Valuation of inventory – Widnes development land</b>  Inventory £18.3m (2018: £42.1m)  Refer to page 57 (Audit Committee report), note 2 (estimates) and note 20 (inventories)	<p><b>Subjective valuation</b> Development land in inventory (the Widnes asset) is measured at the lower of cost and net realisable value.</p> <p>Determining the net realisable value of development land at Widnes requires the Directors and their external experts to make judgements over certain key inputs such as market rent, yield and value per acre.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that valuation of Widnes development land has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 20) disclose the sensitivity estimated by the Group.</p>	<p>Our audit procedures included:</p> <p><b>Assessing valuer's credentials</b> Evaluated the external expert's competence and independence by assessing the qualifications and experience of the external expert.</p> <p><b>Methodology choice</b> Used our own internal real estate specialist to assess the methodology used with reference to the professional body guidance relevant to property valuations.</p> <p><b>Benchmarking assumptions</b> Used our own internal real estate specialist to benchmark assumptions used to market data.</p> <p><b>Our Real Estate expertise</b> Used our own internal real estate specialist in assessing the external property valuation obtained by the Directors.</p> <p><b>Assessing transparency</b> We assessed the completeness and accuracy of disclosures by comparing these to our understanding of the key judgements and risks relating to this valuation.</p>

### Changes in key audit matters

We continue to perform procedures over impairment of property, plant and equipment related to London Southend Airport and classification of items as non-underlying.

However, as a result of the significance of the key audit matters listed above and, in respect of the impairment of property, plant and equipment related to London Southend Airport where the Directors have now secured an additional airline at this site, we have not assessed these as being the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year.

## Independent auditor's report continued

to the members of Stobart Group Limited

### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Financial Statements as a whole was set at £1.3m (2018: £1.5m), determined with reference to a benchmark of Group revenue of £147.6m (2018 originally before reclassification of discontinued items: £242.0m), of which it represents 0.9% (2018: 0.6%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group loss before tax.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £65,000 (2018: £50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our assessment of materiality has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Audits for Group reporting purposes were performed by component auditors at the key reporting components in the UK and Ireland and by the Group audit team in the UK. These group procedures covered 100% of total group revenue; 100% of group loss before taxation; and 100% of total group assets (2018: 100% of total group revenue, 100% of group profit before taxation and 100% of total group assets).

Of the group's 20 (2018: 7) reporting components, we subjected 18 (2018: 7) to full scope audits for Group purposes. We conducted reviews of financial information (including enquiry) at a further 2 (2018: 0) non-significant components as they were not significant to the Group's financial information.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component and ranged from £85,000 to £650,000 (2018: £750,000).

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team. Telephone meetings were also held with the auditors at these locations.

### 4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group's and the parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the parent Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the directors'

statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and the parent Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

### 5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 25, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and the parent Company's longer-term viability.

#### Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

- We have nothing to report in these respects.

## 6. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 78, the directors are responsible for: the preparation of the financial statements including 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 Group's and the parent 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 Group or the parent 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, other irregularities, 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, other irregularities 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](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Mick Davies**

**For and on behalf of KPMG LLP**

Chartered Accountants and Registered Auditor  
1 St Peter's Square  
Manchester  
M2 3AE

29 May 2019

# Consolidated income statement

For the year ended 28 February 2019

	Notes	Year ended 28 February 2019			Restated <sup>1</sup> Year ended 28 February 2018		
		Underlying £'000	Non-underlying (note 8) £'000	Total £'000	Underlying £'000	Non-underlying (note 8) £'000	Total £'000
		<b>Continuing operations</b>					
Revenue	4	146,889	–	146,889	105,367	–	105,367
<b>Operating expenses:</b>							
Other operating income	7	1,310	–	1,310	133,525	–	133,525
Operating expenses	7	(135,631)	(17,135)	(152,766)	(104,524)	(9,133)	(113,657)
Share of post-tax profits of associates and joint ventures	16	(1,740)	–	(1,740)	3,717	(237)	3,480
<b>EBITDA</b>		<b>10,828</b>	<b>(17,135)</b>	<b>(6,307)</b>	<b>138,085</b>	<b>(9,370)</b>	<b>128,715</b>
(Loss)/gain on swaps	25	(353)	–	(353)	1,038	–	1,038
Depreciation	15	(16,305)	–	(16,305)	(13,405)	–	(13,405)
Amortisation	19	–	(3,938)	(3,938)	–	(3,938)	(3,938)
Impairments	8	–	(7,800)	(7,800)	–	–	–
<b>Operating (loss)/profit</b>		<b>(5,830)</b>	<b>(28,873)</b>	<b>(34,703)</b>	<b>125,718</b>	<b>(13,308)</b>	<b>112,410</b>
Impairment of loan notes	11	(3,208)	–	(3,208)	–	–	–
Finance costs	11	(5,213)	–	(5,213)	(4,710)	–	(4,710)
Finance income	10	1,010	–	1,010	1,624	–	1,624
<b>(Loss)/profit before tax</b>		<b>(13,241)</b>	<b>(28,873)</b>	<b>(42,114)</b>	<b>122,632</b>	<b>(13,308)</b>	<b>109,324</b>
Tax	12	(3,321)	2,791	(530)	(2,835)	3,128	293
<b>(Loss)/profit for the year from continuing operations</b>		<b>(16,562)</b>	<b>(26,082)</b>	<b>(42,644)</b>	<b>119,797</b>	<b>(10,180)</b>	<b>109,617</b>
<b>Discontinued operations</b>							
Loss from discontinued operations, net of tax	5			(15,535)			(9,613)
<b>(Loss)/profit for the year</b>					<b>(58,179)</b>		<b>100,004</b>
	Notes	Year ended 28 February 2019			Restated <sup>1</sup> Year ended 28 February 2018		
		Underlying		Total	Underlying		Total
<b>(Loss)/earnings per share expressed in pence per share – continuing operations</b>							
Basic	13	(4.74)p		(12.19)p	34.33p		31.42p
Diluted	13	(4.74)p		(12.19)p	33.54p		30.69p
<b>(Loss)/earnings per share expressed in pence per share – total</b>							
Basic	13			(16.64)p			28.66p
Diluted	13			(16.64)p			28.00p

<sup>1</sup> The 2018 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 for more details.

# Consolidated statement of comprehensive income

For the year ended 28 February 2019

	Notes	Year ended 28 February 2019 £'000	Restated <sup>1</sup> Year ended 28 February 2018 £'000
<b>(Loss)/profit for the year</b>		<b>(58,179)</b>	<b>100,004</b>
Change in fair value of assets classified as available-for-sale	17	–	(7,822)
Foreign currency translation differences – equity accounted associates	16	–	(45)
Equity accounted associates – items recycled to income statement		–	1,397
Discontinued operations, net of tax, relating to exchange differences		2,041	(5,109)
<b>Other comprehensive expense to be reclassified to profit or loss in subsequent years, net of tax</b>		<b>2,041</b>	<b>(11,579)</b>
Remeasurement of defined benefit plan	26	(260)	1,311
Change in fair value of financial assets classified as fair value through other comprehensive income	17	(18,772)	–
Tax on items relating to components of other comprehensive income	12	45	(226)
<b>Other comprehensive (expense)/income not being reclassified to profit or loss in subsequent years, net of tax</b>		<b>(18,987)</b>	<b>1,085</b>
<b>Other comprehensive expense for the year, net of tax</b>		<b>(16,946)</b>	<b>(10,494)</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(75,125)</b>	<b>89,510</b>

Of the total comprehensive (expense)/income for the year, a loss of £61,631,000 (2018: £104,232,000 profit) is in respect of continuing operations and loss of £13,494,000 (2018: £14,722,000 loss) is in respect of discontinued operations.

1 The 2018 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 for more details.

# Consolidated statement of financial position

As at 28 February 2019

	Notes	28 February 2019 £'000	28 February 2018 £'000
<b>Non-current assets</b>			
Property, plant and equipment	15	262,915	301,142
Investment in associates and joint ventures	16	10,459	349
Other financial assets	17	44,918	63,690
Investment property	18	4,000	4,700
Intangible assets	19	100,482	104,420
Trade and other receivables	21	44,642	12,634
		<b>467,416</b>	<b>486,935</b>
<b>Current assets</b>			
Inventories	20	22,559	51,801
Trade and other receivables	21	41,271	65,427
Cash and cash equivalents	25	14,432	43,108
Assets held for sale	22	1,474	6,900
		<b>79,736</b>	<b>167,236</b>
<b>Total assets</b>		<b>547,152</b>	<b>654,171</b>
<b>Non-current liabilities</b>			
Loans and borrowings	25	(84,121)	(63,023)
Defined benefit pension scheme	26	(3,170)	(3,652)
Other liabilities	24	(11,096)	(47,259)
Deferred tax	27	(13,560)	(19,435)
Provisions	28	(25,775)	(8,093)
		<b>(137,722)</b>	<b>(141,462)</b>
<b>Current liabilities</b>			
Trade and other payables	23	(53,648)	(80,820)
Loans and borrowings	25	(13,433)	(16,710)
Corporation tax	12	(12,412)	(8,384)
Provisions	28	(5,438)	(875)
Liabilities held for sale	22	(27,545)	–
		<b>(112,476)</b>	<b>(106,789)</b>
<b>Total liabilities</b>		<b>(250,198)</b>	<b>(248,251)</b>
<b>Net assets</b>		<b>296,954</b>	<b>405,920</b>
<b>Capital and reserves</b>			
Issued share capital	30	37,082	35,434
Share premium		324,379	301,326
Foreign currency exchange reserve		480	(1,884)
Reserve for own shares held by employee benefit trust		(12,154)	(330)
Retained (deficit)/earnings		(52,833)	71,374
<b>Group shareholders' equity</b>		<b>296,954</b>	<b>405,920</b>

The financial statements were approved and authorised for issue by the Board of Directors on 29 May 2019 and were signed on its behalf by:



Iain Ferguson  
Chairman



Warwick Brady  
Director

# Consolidated statement of changes in equity

For the year ended 28 February 2019

## For the year ended 28 February 2019

	Notes	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained (deficit)/earnings £'000	Total equity £'000
Balance at 1 March 2018		35,434	301,326	(1,884)	(330)	71,374	405,920
IFRS 15 transition adjustment, net of tax		–	–	–	–	(3,278)	(3,278)
Balance at 1 March 2018 (adjusted)		35,434	301,326	(1,884)	(330)	68,096	402,642
Loss for the year		–	–	–	–	(58,179)	(58,179)
Other comprehensive income/(expense) for the year		–	–	2,041	–	(18,987)	(16,946)
Total comprehensive income/(expense) for the year		–	–	2,041	–	(77,166)	(75,125)
Issue of ordinary shares		1,648	23,053	–	–	–	24,701
Employee benefit trust		–	–	–	(11,824)	12,380	556
Reclassification of exchange differences on disposal of subsidiaries	5	–	–	323	–	–	323
Share-based payment credit	29	–	–	–	–	714	714
Tax on share-based payment credit		–	–	–	–	(925)	(925)
Purchase of treasury shares	30	–	–	–	–	(3,416)	(3,416)
Dividends	14	–	–	–	–	(52,516)	(52,516)
<b>Balance at 28 February 2019</b>		<b>37,082</b>	<b>324,379</b>	<b>480</b>	<b>(12,154)</b>	<b>(52,833)</b>	<b>296,954</b>

## For the year ended 28 February 2018

	Notes	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2017		35,434	301,326	2,766	(330)	48,338	387,534
Profit for the year		–	–	–	–	100,004	100,004
Other comprehensive expense for the year		–	–	(4,650)	–	(5,844)	(10,494)
Total comprehensive (expense)/income for the year		–	–	(4,650)	–	94,160	89,510
Employee benefit trust		–	–	–	–	513	513
Share-based payment credit	29	–	–	–	–	1,678	1,678
Tax on share-based payment credit		–	–	–	–	792	792
Sale of treasury shares	30	–	–	–	–	2,500	2,500
Purchase of treasury shares	30	–	–	–	–	(18,483)	(18,483)
Dividends	14	–	–	–	–	(58,124)	(58,124)
<b>Balance at 28 February 2018</b>		<b>35,434</b>	<b>301,326</b>	<b>(1,884)</b>	<b>(330)</b>	<b>71,374</b>	<b>405,920</b>

# Consolidated statement of cash flows

For the year ended 28 February 2019

	Notes	Year ended 28 February 2019	Year ended 28 February 2018	Restated <sup>1</sup> Year ended 28 February 2018
<b>Cash (used in)/generated from continuing operations</b>	33	<b>(1,737)</b>	<b>8,152</b>	
Cash outflow from discontinued operations		(11,059)	(17,642)	
Income taxes paid		–	(60)	
<b>Net cash outflow from operating activities</b>		<b>(12,796)</b>	<b>(9,550)</b>	
Purchase of property, plant and equipment and investment property		(23,731)	(31,062)	
Purchase/development of property inventories		(1,282)	(4,098)	
Proceeds from the sale of property inventories		–	3,356	
Proceeds from the sale of property, plant and equipment and investment property		8,501	6,772	
Proceeds from disposal of assets held for sale		6,217	7,916	
Proceeds from sale and leaseback (net of fees)		30,049	12,445	
Cash disposed on sale of subsidiary undertaking		(3,728)	–	
Proceeds from disposal of associate		–	111,931	
Refundable deposits repaid		–	1,542	
Non-underlying transaction costs		–	(1,962)	
Equity investment in associates and joint ventures	16	(1,500)	–	
Net amounts (advanced to)/received from joint ventures	34	(143)	937	
Other loans advanced		–	(2,000)	
Interest received		57	139	
Cash (outflow)/inflow from discontinued operations		(4,577)	75,086	
<b>Net cash inflow from investing activities</b>		<b>9,863</b>	<b>181,002</b>	
Dividend paid on ordinary shares	14	(52,516)	(58,124)	
Issue of ordinary shares (net of issue costs)	30	24,702	–	
Purchase of treasury shares (net of costs)	30	(3,416)	(16,568)	
Proceeds from grants	24	5,400	–	
Repayment of capital element of finance leases	25	(14,382)	(12,365)	
Net drawdown from/(repayment to) revolving credit facility	25	17,572	(2,420)	
Interest paid		(3,103)	(2,070)	
Cash outflow from discontinued operations		–	(67,450)	
<b>Net cash outflow from financing activities</b>		<b>(25,743)</b>	<b>(158,997)</b>	
(Decrease)/increase in cash and cash equivalents		(28,676)	12,455	
Cash and cash equivalents at beginning of year		43,108	30,653	
<b>Cash and cash equivalents at end of year</b>		<b>14,432</b>	<b>43,108</b>	

<sup>1</sup> The 2018 results have been restated where required due to IFRS 5 Discontinued Operations. Refer to note 5 for more details.

# Notes to the consolidated financial statements

For the year ended 28 February 2019

## 1 Accounting policies of Stobart Group Limited

### Basis of preparation and statement of compliance

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union (adopted IFRSs).

The financial statements of the Group are also prepared in accordance with the Companies (Guernsey) Law 2008.

Stobart Group Limited is a Guernsey-registered company. The Company's ordinary shares are traded on the London Stock Exchange.

### Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial assets held at fair value through other comprehensive income (FVOCI), derivative financial instruments and investment property. Non-current assets and assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

### Going concern

The Group's business activities, together with factors likely to affect its future performance and position, are set out in the Chief Executive's Review on pages 12 to 13 and the financial position of the Group, its cash flows and funding are set out in the Financial Review on pages 28 to 30.

Note 25 on page 112 of the financial statements includes details of the Group's loans and borrowings at the year end together with the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

In arriving at this expectation the Directors have reviewed the cash flow forecasts of the Group, which cover a period of more than 12 months from the date of authorisation of these financial statements, together with the projected covenant compliance of the Group.

The Group, which has net assets of £297.0m and negative working capital of £32.7m, made a loss from continuing operations of £42.6m and had an operating cash outflow from continuing operations of £1.7m during the year. The Group has a revolving credit facility of £80.0m, which was drawn at £58.0m at 28 February 2019. The Group has cash balances of £14.4m and this, together with the undrawn facility, results in total headroom of £36.4m as at 28 February 2019.

Post year end, the Directors have raised in excess of £50m of cash proceeds, as a result of issuing a five-year European bond securitised against the Eddie Stobart plc shares.

The Directors have prepared forecasts through to July 2020, together with sensitivity analysis on those forecasts including a reasonable downturn in trading performance, the risk of some provisions crystallising in the foreseeable future and the timing of cash generated from asset disposals. The Directors have not included potential areas of cash upside in the sensitivity analysis.

The cash received from the bond partially covers this sensitised position although there remains a funding requirement if these downward sensitivities crystallise. To mitigate this, the Group has other available actions including reducing discretionary capital expenditure assumed during the forecast period and undertaking a further capital review which could result in the dividends expected in November 2019 and July 2020 being reduced in order for the Group to further invest in the growth divisions of Energy and Aviation. The deferral of this capital expenditure, which does not impact the trading cash flows generated significantly, and the capital review are actions which are wholly in the control of the Directors. As an alternative to these arrangements the Directors may seek further external finance.

The Directors are satisfied that the Group has adequate resources to fund its cash requirements for the foreseeable future. The base and sensitised forecasts indicate that the Group will continue to operate within the covenant requirements of the revolving credit facility in the forecast period. The going concern basis has been adopted and the financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

### Significant accounting policies

#### Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

#### a) New standards, amendments to existing standards and interpretations to existing standards adopted by the Group

Amendments arising from the Annual Improvement Project 2014–2016 were endorsed by the EU for periods commencing on or after 1 January 2017. There were separate transitional provisions for each amendment. The adoption of the amendments did not have any material impact on the financial position or performance of the Group.

IFRS 15: Revenue from Contracts with Customers was adopted on 1 March 2018, for the year ended 28 February 2019. The Group transitioned using the cumulative effect method, with transition adjustments recognised for the Rail & Civils business which generates a significant proportion of its revenue from long-term contracts. None of the other divisions has been materially impacted by IFRS 15. The revenue recognition from contracts in our Rail & Civils division up to 28 February 2018 has been reviewed. An adjustment has been made to adjust the revenue in the year ended 28 February 2018 by £3.9m (£3.3m net of tax) where the balances were not considered legally enforceable or where it was not considered highly unlikely that the revenue would reverse in future as required under IFRS 15. The transition adjustment has been accounted for through equity, with no effect on the prior year results. Under IFRS 15 in the current year, additional disclosures have been made in relation to revenue from contracts and disaggregation of revenue.

IFRS 9: Financial Instruments was adopted on 1 March 2018, for the year ended 28 February 2019. Following the adoption of IFRS 9 there was no material impact on the Group at a consolidated or segmental level as the fair value movement on the Eddie Stobart plc investment was already recognised in OCI and the Directors elected to present this as FVOCI on transition to IFRS 9.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 1 Accounting policies of Stobart Group Limited continued

### b) New standards and interpretations not applied

The following standards and amendments have an effective date after the date of these financial statements:

	Effective for accounting periods commencing on or after	Proposed adoption in the year ending
IFRS 16: Leases	1 January 2019	29 February 2020
Amendments to IAS 19/		
IFRIC 14	1 January 2019	29 February 2020
Amendments to IAS 28:		
Long-term Interests in Associates and Joint Ventures	1 January 2019	29 February 2020
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	29 February 2020
Annual Improvement Project 2015–2017	1 January 2019	29 February 2020

IFRS 16: Leases was issued in 2016 to replace IAS 17 Leases and will be adopted in the year ending 28 February 2020. Under the new standard all lease contracts, with limited exceptions, are recognised in financial statements by way of right-of-use assets and corresponding lease liabilities. The Directors have undertaken an assessment of the impact of IFRS 16 and currently expect that the Group will apply the modified retrospective approach, which means that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information. Compared with the existing accounting for operating leases, application of the standard will have a significant impact on the classification of expenditures and consequently the classification of cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. It will also impact the timing of expenses recognised in the statement of income. No impact is expected in relation to lease contracts previously classified as finance leases. The adoption of the new standard at 1 March 2019, is expected to have a negligible impact on equity following the recognition of lease liabilities and additional right of use and lease assets totalling approximately £77m. This has reduced significantly from the amount previously disclosed following the disposal of our regional airline in February 2019 (see note 5). In addition, it is expected that lease liabilities and assets totalling approximately £104m will be recognised in assets and liabilities held for sale.

For details of the IFRIC 14 impact in relation to a defined benefit pension scheme surplus, please refer to note 26.

Amendments to IAS 19 are not expected to have a material impact on the defined benefit obligation disclosures, due to scheme rules giving the Group an unconditional right to a refund if the scheme is in surplus.

The adoption of all the other standards, amendments and interpretations is not expected to have a material effect on the net assets, results and disclosures of the Group.

### Summary of significant accounting policies

#### Revenue

Stobart Aviation provides some of its services under contracts and others relate to the sale of goods. Revenue is recognised in the consolidated income statement in the accounting period in which the services are rendered, based on the proportion of the total delivered at the consolidated statement of financial position date. It is recognised at the fair value of the consideration received or receivable, net of VAT. The principal sources of revenue within the Aviation division are aviation income, retail and catering income, surface access income and handling services.

A receivable is recognised when the services are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from Stobart Energy mainly relates to gate fee income, in relation to waste wood taken, and delivery of processed material to biomass power plants. Gate receipts are not contracted, and revenue received is recognised on receipt of waste material as this is the point in time that the consideration is unconditional. The majority of revenue from the supply of processed material is contracted. These contracts detail the specification of material required, annual tonnages required and the price per tonne. Revenue is recognised on delivery as this is the point in time that the consideration is unconditional. During the year, the tonnages delivered under each contract are reviewed to ensure that annual contracted tonnages will be met. As soon as there is reason to believe contract tonnages will not be met, a contract liability is provided to reduce the revenue recognised to date.

Revenue from Stobart Infrastructure relates to rental income under contracts. Revenue is recognised in the consolidated income statement at the contractual rental income over the term of the lease, as these charges represent the service provided.

Stobart Investments revenue relates to dividend income. This revenue is recognised on receipt of dividend as that is the point in time that the consideration is unconditional.

From 1 March 2018, Stobart Rail & Civils recognises revenue based on the specification within the contract and the stage of completion. If a modification to the contract occurs, the specifics of the modification are assessed as to whether it represents a separate performance obligation or if it is a modification to the existing contract. Consideration is given to ensure that recognition of a contract modification is only recognised as revenue when either it has been approved or it is considered legally enforceable. Revenue is only recognised on a contract if it is highly probable not to result in a reversal of revenue in future periods.

Prior to 1 March 2018, Stobart Rail & Civils contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. This contract revenue is recognised by stage of completion. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

Revenue is analysed by segment in note 4 on page 101.

#### Presentation of consolidated income statement

The current year consolidated income statement presentation has been amended to present more clearly the performance of the Group. This focuses on operational performance and EBITDA whereas the prior years have included specific property-related items. Our property portfolio has significantly reduced following disposals and the Group is focused on its core operating divisions, Aviation and Energy.

The presentation of the consolidated income statement shows the underlying results and non-underlying results in separate columns. Non-underlying items are income and expenses, which because of their nature, infrequency or occurrence, or the events giving rise to them, merit separate presentation to allow shareholders to better understand the financial performance for the period. Non-underlying items includes the Group's share of non-underlying profits of associates and joint ventures. Underlying operating profit and underlying profit before tax are non-GAAP measures which comprise operating profit and profit before tax respectively before non-underlying items. The columnar format is considered to be the clearest method of presentation of this information.

Non-GAAP measures are used as they are considered to be both useful and necessary. They are used for internal performance analysis; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies.

#### **Functional and presentation currency**

The Group's functional and presentation currency is GBP.

#### **Basis of consolidation**

Where the Company has the power, either directly or indirectly, to control the relevant activities of another entity or business, has exposure, or rights, to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect the amount of the returns to the Company, it is classified as a subsidiary. The consolidated financial statements present the results of Stobart Group Limited and its subsidiaries (the Group) as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

#### **Discontinued operations**

The post tax results of discontinued operations along with any gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation are disclosed as a single amount in the consolidated income statement. The comparative period results are restated accordingly. Further analysis of the results and cash flows from discontinued operations is set out in note 5 on page 101.

#### **Business combinations**

##### **Business combinations from 1 March 2010**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition costs are expensed and included in transaction costs which are reported below underlying profit.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration payable to be transferred by the acquirer is recognised at fair value at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

Identifiable intangible assets, meeting either the contractual-legal or separability criterion, are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss within non-underlying.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which goodwill is monitored for internal management purposes and shall not be larger than an operating segment before aggregation.

#### **Business combinations prior to 1 March 2010**

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The minority interest is accounted for using the Parent-entity extension method, whereby the difference between the consideration paid and the book value of the share in net assets acquired is recognised as goodwill.

Goodwill was initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Where the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities was greater than the cost of investment, the difference was recognised in profit and loss.

#### **Goodwill**

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities incurred and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the consolidated income statement.

#### **Impairment of non-financial assets (excluding investment properties 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 cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of other comprehensive income. Impairment losses, except losses relating to goodwill, can be reversed in certain circumstances.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 1 Accounting policies of Stobart Group Limited continued

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

### Financial instruments

The Group uses derivative financial instruments such as fuel and currency swaps to mitigate the risk of fuel price and currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Forward contracts are entered into by the Group to purchase and/or sell biomass-related products and management judges that these forward commodity contracts are entered into for the Group's 'own use' rather than as trading instruments. They continue to be held in accordance with the Group's expected purchase, sale and/or usage requirements. Accordingly, these contracts are not accounted for as derivatives or other financial instruments.

### Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the consolidated statement of financial position date.

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

The assets and liabilities of foreign operations are translated into GBP at the rate of exchange prevailing at the statement of financial position date. The income statements are translated at the average rate. The exchange differences arising on the translation are taken directly to a separate component of equity.

### Financial assets (from 1 March 2018)

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets.

A financial asset is measured at amortised cost, if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash

flows that are solely payments of principal and interest. It is initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, the financial asset is measured using the effective interest method less any impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

All equity instruments and other debt instruments are recognised at fair value. For equity instruments, on initial recognition, an irrevocable election (on an instrument-by-instrument basis) can be made to designate these as at fair value through other comprehensive income instead of fair value through profit and loss. Dividends received on equity instruments are recognised in profit or loss when the right of payment has been established.

### Available-for-sale financial asset (prior to 1 March 2018)

The Group has a financial asset classified as available-for-sale in line with IAS 39. This asset is fair valued, using the closing publicly available quoted market price, at each period end. All movements in fair value are accounted for through other comprehensive income. Dividend income in relation to this investment is recognised in the consolidated income statement.

### Loans and receivables (prior to 1 March 2018)

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within operating expenses in the consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

### Financial liabilities (from 1 March 2018)

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss, such as instruments held for trading, or the Group has opted to measure them at fair value through profit or loss. Debt and trade payables are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. Interest expense on debt is accounted for using the effective interest method, and other than interest capitalised, is recognised in profit or loss.

### Financial liabilities (prior to 1 March 2018)

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

Loans and borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

### Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

### Own shares held by employee benefit trust

Stobart Group Limited shares held by the employee benefit trust are designated as own shares held, classified in shareholders' equity and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and original cost taken to retained earnings.

### Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When share capital held in treasury is subsequently disposed of, the proceeds of sale, net of any directly attributable costs, are recognised as an addition to equity.

### Pension arrangements and other post-employment benefits

The Group has pension schemes of both a defined benefit and defined contribution nature. The Group's defined benefit pension liability, which is assessed each period by actuaries, is based on key assumptions including return on plan assets, discount rates, mortality rates, inflation and future salary and pension costs. These assumptions, individually or collectively, may be different to actual outcomes. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 26 on page 116.

The liability in respect of defined benefit schemes is the present value of the relevant defined benefit obligation at the consolidated statement of financial position date less the fair value of scheme assets. The trustees commission a full actuarial valuation triennially and the present value of the obligation is updated annually by external professional actuaries using the projected unit method for financial reporting purposes. The present value of the obligation is determined by the estimated future cash outflows using interest rates of high-quality corporate bonds which have terms to maturity approximating to the terms of the related liability. The current service cost, and gains and losses on settlements and curtailments, are recognised in operating costs in the consolidated income statement.

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the consolidated statement of comprehensive income.

For defined contribution schemes, costs are charged to the consolidated income statement as they accrue.

### Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is normally charged to the consolidated income statement over the vesting period. If the vesting conditions are directly related to a capital asset then the charge is debited to the cost of the related asset.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each consolidated statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

At each consolidated statement of financial position 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 consolidated income statement, with a corresponding entry in equity.

The Group has share-based Long-Term Incentive Plans and a Stobart Energy Incentive Plan which are accounted for as set out above.

Where the Group issues share options as consideration for services received, the share-based payment charge reflects the difference between the fair value of services received and the consideration paid for the services and is charged to the consolidated income statement at the point in time when services are received.

Where cash-settled share-based payment arrangements are awarded to employees, the liability is assessed at each reporting period end and any change in the liability is charged/(credited) to the consolidated income statement.

### Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recorded in the consolidated statement of financial position as tangible assets, initially at fair value or, if lower, at the present value of the minimum lease payments and depreciated over the shorter of their estimated useful lives or the lease term as detailed in the depreciation policy below. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the consolidated income statement over the period of the lease.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. Where the use of an asset is provided or obtained in exchange for payment, consideration is given as to whether in substance this is a lease.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 1 Accounting policies of Stobart Group Limited continued

### Sale and leaseback

A sale and leaseback transaction is one where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. The leaseback transaction is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leasebacks are classified as operating leases.

For sale and finance leasebacks, any profit from the sale is deferred and amortised over the lease term. For sale and operating leasebacks, the profit or loss from the sale is recognised immediately in the consolidated income statement if the transaction is established at fair value, or if below fair value with no compensating below market future lease payments. If the sale price is above fair value, the excess over fair value is deferred and amortised over the lease term.

### Externally acquired intangible assets (excluding goodwill)

Externally acquired intangible assets are initially recognised at cost and are subsequently amortised on a straight-line basis over their useful lives. The amortisation expense is included as 'amortisation of acquired intangibles' and is included in non-underlying items in the consolidated income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to significant accounting estimates, judgements and assumptions below).

The significant intangible assets recognised by the Group and their useful economic lives are as follows:

Intangible asset	Useful life
Brands	Term of licence agreement or indefinite
Customer contracts and related relationships	Term of contract

Where there is no foreseeable limit to the period over which a brand is expected to generate cash flows for the Group, it will be considered to have an indefinite life.

### Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the consolidated statement of financial position date. The Group is subject to corporate taxes in the UK and Ireland jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the information available and where the anticipated liability is estimable. Where the final outcome of such matters differs from the amount recorded, any differences may impact the current tax and deferred tax provisions in the period in which the final determination is made. Liabilities are classified as current.

A current tax provision is recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation. Tax provisions are based on management's interpretation of tax law and the likelihood of settlement. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks.

### Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is credited to deferred income and released to the consolidated income statement to match the depreciation of the related asset.

### Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

### Property, plant and equipment

Freehold land and buildings and plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is provided on items of property, plant and equipment, other than land and assets under construction, to write off to their residual value the carrying value of items over their expected useful lives. Useful lives and residual values are reconsidered on an annual basis. Depreciation is applied at the following rates:

Buildings	2% per annum straight line
Modular buildings	3%–10% per annum straight line
Plant and machinery	10%–20% per annum straight line
Commercial vehicles and aircraft	5%–33% per annum straight line
Fixtures, fittings and equipment	10%–33% per annum straight line

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

Borrowing costs attributable to qualifying assets are capitalised.

#### **Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the consolidated statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise. The fair value of the investment property portfolio is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property. Investment properties acquired as part of a business combination are recognised initially at fair value and exclude transaction costs.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the period of retirement or disposal.

Investment properties are reclassified as assets held for sale from commencement of marketing for disposal, provided that the Directors believe it is highly probable that they will be sold within a period of 12 months.

Rental income arising from operating leases on investment properties is spread on a straight-line basis over the period of the lease. Where an incentive (such as a rent-free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

#### **Self-constructed assets**

The cost of a self-constructed asset is determined using the same principles as for an acquired asset. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs include employee benefits, site preparation, delivery and handling, installation and assembly, testing and professional fees. For assets made for sale or similar to those made for sale then the cost is the same as the cost of constructing an asset for sale including fixed and variable overheads which are considered directly attributable. Internal net profits are eliminated in arriving at such costs.

#### **Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Inventories include property assets which are held for development and/or disposal, to the extent that they are not used in the Group's operations or held for investment purposes. The net realisable value of these property inventory assets is determined by assessment of fair value less costs to sell, using a similar method to that used in impairment workings, except for the cash flows not being discounted.

#### **Non-current assets held for sale and disposal groups**

Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- it is highly probable that a sale is expected to complete within 12 months from the date of classification (or an extended period if the delay is caused by circumstances beyond the entity's control but the Group remains committed to the plan to sell the asset).

Non-current assets classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy and fair value less costs to sell.

Following their classification as held for sale, non-current assets are not depreciated.

The results of operations disposed of during the prior year are included in the consolidated income statement up to the date of disposal.

#### **Associates**

The Group's investments in its associates are accounted for using the equity method of accounting unless the investment is classified as held for sale.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the equity investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. Loans to associates, where the settlement is planned or expected to be repaid in the foreseeable future, do not form part of the equity investment and are included in other receivables or non-current amounts owed by associates and joint ventures according to the expected repayment terms. The consolidated income statement reflects the share of the results of operations of the associate, but the loss is limited to the equity investment made, plus any loans which form part of the net investment in the associate, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity and the statement of other comprehensive income. The Group's share of profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 1 Accounting policies of Stobart Group Limited continued

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each consolidated statement of financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case and there is a resulting impairment, the amount is recognised in the consolidated income statement.

### Joint ventures

Investments in joint ventures, which are jointly controlled entities, are included in the financial statements using the equity method of accounting unless the investment is classified as held for sale.

Under the equity method, the equity interest in the joint venture is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture but any loss is limited to the equity investment made, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not amortised. Loans to joint ventures, where the settlement is planned or expected to be repaid in the foreseeable future, do not form part of the equity investment and are included in other receivables or non-current amounts owed by associates and joint ventures according to the expected repayment terms. The consolidated income statement reflects the share of the results of operations of the joint venture, but the loss is limited to the equity investment made, plus any loans which form part of the net investment in the joint venture, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity and the statement of other comprehensive income. Profits and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint venture, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures. The Group determines at each consolidated statement of financial position date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case and there is a resulting impairment, the amount is recognised in the consolidated income statement.

### Aircraft maintenance reserves

Under certain lease arrangements in Propius Holdings Limited, presented as held for sale, the Group is responsible for major overhaul aircraft maintenance costs. The estimated cost of major airframe and engine maintenance checks are provided for over the shorter of the period to the next check or the remaining life of the lease.

## 2 Summary of significant accounting judgements and estimates

The Group makes judgements and estimates in preparing the financial statements. Judgements and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these judgements and estimates. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Judgements

#### (a) Going concern

The accounts have been prepared on the going concern basis. This treatment is based on judgements including the performance of the business, the forecast cash flows for the foreseeable future, the capital requirements of the Group and the funding options available.

#### (b) Treatment of brand licence

The accounting treatment of the licence of certain trademarks and designs to an external party is based on judgements over who bears the risks and rewards of ownership and assessments of the likelihood of options under the licence being taken. Further details of the options are disclosed in note 19 on page 110.

#### (c) Classification of associates, joint ventures and investments

The key factor in determining the classification of associates, joint ventures and investments is the timing and level of control. During the year, the Group disposed of two subsidiaries and invested in a joint venture company. Judgement was exercised to determine the date of disposal, in relation to whether the disposal had been completed pre-year end, and classification of the joint venture and the accounting for the contingent disposal of parts of the Group headed by Propius Holdings Limited.

#### (d) Discontinued operations and disposal group held for sale

Judgement was required in determining the accounting treatment of the results for Everdeal Holdings Limited and Propius Holdings Limited following their disposal and agreement to sell, respectively. In determining whether the disposal group will be classified as held for sale, judgements included whether the disposal group will be principally recovered through a sale transaction rather than through continuing use. In addition, the determination to present the results within discontinued operations includes judgements over whether the disposal groups represent a separate major line of business.

#### (e) Revenue recognition of Stobart Rail & Civils contracts

Significant judgement is required to assess the stage of completion of Stobart Rail & Civils contracts that are not complete at the year end and variations to contracts. Revenue is recognised in line with IFRS 15 and judgement is required to assess the works completed in order to bill customers in line with the contractual terms. In addition, variations require judgement on quantums to which the Group is entitled but are not yet agreed.

## Estimates

### (a) Impairment of goodwill and intangible assets

The Group is required to test, on an annual basis, whether goodwill and indefinite life intangible assets have suffered any impairment. The recoverable amount is determined based on value-in-use or fair value less costs of disposal calculations. The use of this method requires the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows. Intangible assets subject to these judgements include brand assets, some of which are licensed to third parties, and assessments of their values include judgements and estimates over whether the licence agreement will be extended, or the asset purchased by the licensor. Actual outcomes may vary. Further information, including carrying values, is set out in note 19 on page 110.

### (b) Impairment of property, plant and equipment

Where there is an indication that an asset may be impaired, the Group is required to test whether assets have suffered any impairment. The recoverable amount is determined based on value-in-use or fair value less costs of disposal calculations. The use of these methods requires the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows. In certain cases, the estimation of development plans is required and third-party valuations used. Actual outcomes may vary. Further information, including carrying values and impairment charges during the year, is set out in note 15 on page 106.

### (c) Investment property valuations and classifications

The determined fair value of the investment properties is in accordance with independent valuations. The fair value is most sensitive to the estimated yield as well as long-term vacancy rate. Investment properties are reclassified as assets held for sale from commencement of marketing for disposal. Estimation is required to assess the likelihood that a property will be sold within a period of 12 months.

The valuation of investment property in the current year is not considered to be a material estimate as there is only one investment property remaining, in comparison to three in the prior year.

### (d) Valuation of property inventories

The Group is required to review, on an annual basis, whether the property inventories' carrying values can be recovered. If carrying value exceeds the recoverable amount, the asset is written down to its net realisable value. The net realisable values of properties are based on certain estimates. Estimates include the ability to obtain the appropriate planning permission, the customer demand for usage of the type of properties that could be developed, the build costs, and the price of sale of the developed properties to a customer or of the undeveloped land to a developer. See note 20 for further disclosure.

### (e) Revenue recognition

The Group must recognise revenue in the period that it is earned and revenue is accrued using an estimate of the quantity, price and timing of goods delivered but not yet invoiced.

### (f) Provision of future investment in UKFFO

An estimate of the future investment required for the UKFFO discontinued operation has been included in the profit from discontinued operations during the current year. The provision for future investment has been estimated using the following key assumptions: sectors flown, load factors and yields.

### (g) Recoverability of loan notes

The recoverability of the Group's investment (loans and equity) in Mersey Bioenergy is based on the present value of expected cash flows to the Group relating to repayment of the shareholder loans and associated accrued interest, and equity dividends. These cash flows are in turn based on estimates/projections of the future trading performance of the power plant within Mersey Bioenergy.

### (h) Fair value of loan notes

The fair value of the £25m 8% loan notes with Connect Airways Limited, is based on the present value of the future cash flows, discounted at the estimated market rate of interest.

### (i) Tax provisions

An estimate of the liabilities for ongoing tax enquiries is made in assessing the corporation tax liabilities. The estimates include the interpretation of tax law and likelihood of settlement outcomes.

## 3 Segmental information

The reportable segment structure is determined by the nature of operations and services. The operating segments are Stobart Aviation, Stobart Energy, Stobart Rail & Civils, Stobart Investments and Stobart Infrastructure.

The Stobart Aviation segment specialises in the operation of commercial airports. The Stobart Energy segment specialises in the supply of sustainable biomass for the generation of renewable energy. The Stobart Rail & Civils segment specialises in delivering internal and external civil engineering development projects including rail network operations.

The Stobart Investments segment holds a non-controlling interest in a transport and distribution business, a regional airline business and a baggage handling business. The Stobart Infrastructure segment specialises in management, development and realisation of a portfolio of property assets, including Carlisle Lake District Airport, as well as investments in renewable energy plants.

The regional airline operations and aircraft leasing company that were previously reported as part of the Aviation segment have been reported within discontinued operations. There were no other changes in segmental reporting during the year. No segmental assets or liabilities information is disclosed because no such information is regularly provided to, or reviewed by, the Chief Operating Decision Maker.

The 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 underlying EBITDA, which is calculated as profit/(loss) before tax, interest, depreciation, amortisation, swaps and non-underlying items. Income taxes and certain central costs are managed on a Group basis and are not allocated to operating segments.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 3 Segmental information continued

Year ended 28 February 2019	Aviation £'000	Energy £'000	Rail & Civils £'000	Investments £'000	Infrastructure £'000	Adjustments and eliminations £'000	Group £'000
Revenue							
External	39,266	65,143	31,867	2,655	2,112	5,846	146,889
Internal	145	—	20,480	—	75	(20,700)	—
<b>Total revenue</b>	<b>39,411</b>	<b>65,143</b>	<b>52,347</b>	<b>2,655</b>	<b>2,187</b>	<b>(14,854)</b>	<b>146,889</b>
<b>Underlying EBITDA</b>	<b>4,948</b>	<b>19,200</b>	<b>(4,815)</b>	<b>2,359</b>	<b>(3,026)</b>	<b>(7,838)</b>	<b>10,828</b>
Loss on swaps	—	—	—	—	—	(353)	(353)
Depreciation	(5,816)	(7,012)	(2,245)	—	(978)	(254)	(16,305)
Finance costs (net)	(231)	(734)	(180)	—	(3,546)	(2,720)	(7,411)
<b>Underlying (loss)/profit before tax from continuing operations</b>	<b>(1,099)</b>	<b>11,454</b>	<b>(7,240)</b>	<b>2,359</b>	<b>(7,550)</b>	<b>(11,165)</b>	<b>(13,241)</b>
New business and new contract set-up costs	(4,308)	(5,909)	—	—	(1,334)	—	(11,551)
Restructuring costs	(161)	—	(230)	—	—	—	(391)
Litigation and claims	—	—	(160)	—	—	(5,033)	(5,193)
Amortisation of acquired intangibles	—	(221)	—	—	—	(3,717)	(3,938)
Impairments	—	—	—	—	(7,800)	—	(7,800)
<b>(Loss)/profit before tax from continuing operations</b>	<b>(5,568)</b>	<b>5,324</b>	<b>(7,630)</b>	<b>2,359</b>	<b>(16,684)</b>	<b>(19,915)</b>	<b>(42,114)</b>
Year ended 28 February 2018, Restated	Aviation £'000	Energy £'000	Rail & Civils £'000	Investments £'000	Infrastructure £'000	Adjustments and eliminations £'000	Group £'000
Revenue							
External	25,693	54,697	16,253	626	2,402	5,696	105,367
Internal	131	—	24,701	—	724	(25,556)	—
<b>Total revenue</b>	<b>25,824</b>	<b>54,697</b>	<b>40,954</b>	<b>626</b>	<b>3,126</b>	<b>(19,860)</b>	<b>105,367</b>
<b>Underlying EBITDA</b>	<b>5,848</b>	<b>12,041</b>	<b>4,408</b>	<b>125,229</b>	<b>3,870</b>	<b>(13,311)</b>	<b>138,085</b>
Gain on swaps	—	—	—	—	—	1,038	1,038
Depreciation	(4,945)	(6,538)	(1,089)	—	(619)	(214)	(13,405)
Finance costs (net)	(220)	(488)	(201)	—	1,102	(3,279)	(3,086)
<b>Underlying (loss)/profit before tax from continuing operations</b>	<b>683</b>	<b>5,015</b>	<b>3,118</b>	<b>125,229</b>	<b>4,353</b>	<b>(15,766)</b>	<b>122,632</b>
New business and new contract set-up costs	(1,752)	(3,756)	—	—	(106)	—	(5,614)
Transaction costs	—	—	—	—	(16)	(750)	(766)
Bad debt recovery	—	1,305	—	—	—	—	1,305
Litigation and claims	—	—	(4,058)	—	—	—	(4,058)
Amortisation of acquired intangibles	—	(221)	—	—	—	(3,717)	(3,938)
Non-underlying items included in share of post-tax profits of associates and joint ventures	—	—	—	(237)	—	—	(237)
<b>(Loss)/profit before tax from continuing operations</b>	<b>(1,069)</b>	<b>2,343</b>	<b>(940)</b>	<b>124,992</b>	<b>4,231</b>	<b>(20,233)</b>	<b>109,324</b>

Inter-segment revenues are eliminated on consolidation. Included in adjustments and eliminations are net central costs of £7,746,000 (2018: £12,607,000) and an intra-Group profit of £92,000 (2018: £704,000). There is also external income within adjustments and eliminations which comprises brand licence income, merchandising income and rental income.

#### 4 Revenue

##### Disaggregation of revenue

Revenue accounted for during the year can be categorised as follows:

##### Major product/service line

	2019 £'000	2018 <sup>1</sup> £'000
Revenue from external customers		
Sale of goods	8,973	6,810
Rendering of services	130,250	90,929
Royalties/commissions	4,065	4,020
Property rentals	3,601	3,608
	<b>146,889</b>	<b>105,367</b>

##### Primary geographical markets

	2019 £'000	2018 <sup>1</sup> £'000
Revenue from external customers		
UK	136,009	100,301
Europe and Ireland	10,720	5,066
Rest of world	160	–
	<b>146,889</b>	<b>105,367</b>

1 The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

##### Timing of revenue recognition

	2019 £'000
Revenue from external customers	
Products and services transferred at a point in time	105,148
Products and services transferred over time	41,741
	<b>146,889</b>

##### Contract balances

Opening and closing receivables, contract assets and contract liabilities from contracts with customers are provided in the table below. The Group recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balances at 1 March 2018.

	2019 £'000
Contract balances	
Receivables	5,590
Contract assets	8,291
Contract liabilities	(17,433)
	<b>(3,552)</b>

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on contracts in the Rail & Civils division. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for brand licence, royalties and hotel bookings not yet fulfilled.

In both the current and prior year, no customer amounted to more than 10% of the Group's total continuing revenue.

#### 5 Discontinued operations

On 22 February 2019, the Group disposed of subsidiaries headed by Everdeal Holdings Limited and entered into an agreement to dispose of Propius Holdings Limited. These disposals and acquisitions by Connect Airways Limited have been permitted by the EU Commission in connection with the merger regulations, subject to certain short-term conditions which are being followed, and final approval is expected in 2019.

The operations of both subsidiaries represented a separate major line of business and the results of the operations have been reported separately as the single amount loss from discontinued operations, net of tax on the face of the consolidated income statement. This single amount also includes the profit on disposal of Everdeal Holdings Limited detailed below and totals £15.5m. The consolidated income statement for the year ended 28 February 2018 has been restated on the same basis. The assets and liabilities disposed of were not presented as held for sale in the prior year.

##### Disposal of Everdeal Holdings Limited

The profit from discontinued operations of £8,733,000, (2018: £2,920,000), excluding the results of the UK Flybe Franchise Operation (UKFFO), is attributable to the owners of the Company. There was no loss recorded on remeasurement to fair value less costs to sell. The cash consideration received for disposal of the business was £10,000,000. The profit on disposal recorded within discontinued operations was £25,910,000 after deducting costs of £479,000 and net liabilities of £16,389,000. The cash disposed of amounts to £3,728,000.

	2019 £'000	2018 £'000
Results of discontinued operations		
Revenue	122,072	119,791
Operating expenses – other	(114,630)	(115,261)
Loss on swaps	(88)	–
Depreciation	(395)	(211)
Net finance income/(costs)	1,774	(986)
New business and new contract set-up costs	–	(413)
<b>Profit before tax</b>	<b>8,733</b>	<b>2,920</b>
Tax	–	–
<b>Profit for the year from discontinued operations, net of tax</b>	<b>8,733</b>	<b>2,920</b>
Basic earnings per share	2.50p	0.84p
Diluted earnings per share	2.50p	0.82p
	2019 £'000	2018 £'000
Cash flows used in discontinued operations		
Net cash used in operating activities	(25,735)	(18,601)
Net cash (used in)/generated from investing activities	(664)	10,209
Net cash used in financing activities	–	(234)
<b>Net cash flows for the year</b>	<b>(26,399)</b>	<b>(8,626)</b>

Following the disposal of Everdeal Holdings Limited, the results of the UKFFO, which was operated by the group headed by Everdeal Holdings Limited, have been presented as discontinued in the consolidated income statement in both current and prior years. The loss from discontinued operations was £31,707,000 (2018: £21,998,000). The cash flows in relation to this operation have been included in the above table.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 5 Discontinued operations continued

Subsequent to the disposal of Everdeal Holdings Limited, the continuing Group continues to trade with the discontinued operation. Intra-group transactions between Everdeal and the continuing Group have been presented without elimination as these transactions will continue post disposal. Management believes this is useful to the users of the financial statements. All other intra-group transactions have been fully eliminated.

## Propius Holdings Limited

On 22 February 2019, the Group entered into an agreement to dispose of Propius Holdings Limited for cash consideration of £30,000,000. At the same time and as part of the arrangements between the Group and Connect Airways Limited, the Group entered into an arrangement such that certain parts of the business and assets of Propius Holdings Limited and Propius Limited, principally the ATR leasing business but not the three E195 aircraft owned by Propius Limited, could be transferred back to the Group for £1. This transfer back to the Group would only take place if the Group and Connect Airways Limited do not agree for the Group to provide an appropriate indemnity to Connect Airways Limited which provides a similar economic position as the position under the transfer back arrangements. The Group and Connect Airways Limited have agreed in good faith to pursue discussions to agreeing such an indemnity.

As these discussions have not yet been concluded at the time of approval of these financial statements, there is some uncertainty as to the outcome of the discussions and therefore the Group has not accounted for the disposal of Propius in these financial statements. Instead the accounting includes the disposal of the three E195 aircraft, with a net book value of £31.5m, and cash of £10m, to Connect Airways Limited, in consideration for cash of £30m, resulting in a loss on disposal of £10.5m included in the table below. The remaining business, assets and liabilities of the Group headed by Propius Holdings Limited are presented as assets and liabilities held for sale on the consolidated balance sheet as the Group's intention is to conclude discussions for the remaining business to remain within Connect Airways Limited. The results in the current and prior year for Propius have been presented as discontinued in the consolidated income statement.

The loss from discontinued operations of £18,471,000 (2018: £9,466,000 profit) is attributable to the owners of the Company. This includes an onerous contract provision to cover an estimate of the difference between the lease rentals for certain aircraft payable to a lessor between 2023 and 2027, and a lower amount agreed as a contribution by Connect Airways Limited.

	2019 £'000	2018 £'000
Results of discontinued operations		
Revenue	18,616	18,753
Operating expenses – other	(29,998)	(7,260)
Depreciation	(6,275)	(1,716)
Transaction costs	(594)	–
Net finance costs	836	600
<b>(Loss)/profit before tax</b>	<b>(17,415)</b>	<b>10,377</b>
Tax	(1,056)	(911)
<b>(Loss)/profit for the year from discontinued operations, net of tax</b>	<b>(18,471)</b>	<b>9,466</b>
Basic (loss)/earnings per share	(5.28)p	2.71p
Diluted (loss)/earnings per share	(5.28)p	2.65p

Of the revenue included in the above table, £13,852,000 (2018: £12,700,000) was from the group headed by Everdeal Holdings Limited.

	2019 £'000	2018 £'000
Cash flows used in discontinued operations		
Net cash generated from operating activities	14,676	959
Net cash generated from investing activities	(3,913)	64,877
Net cash used in financing activities	–	(67,216)
<b>Net cash flows for the year</b>	<b>10,763</b>	<b>(1,380)</b>

The revenue from two customers amounted to more than 10% of the Group's discontinued revenue including the groups headed by Everdeal Holdings Limited and Propius Holdings Limited. The revenue from these two customers reported within discontinued operations was £105,801,000 and £25,916,000 for the year to 28 February 2019. In the prior year, only one customer amounted to more than 10% of the Group's discontinued revenue at £110,592,000.

## 6 Business combinations

There were no acquisitions in the year ended 28 February 2019, or the prior year ended 28 February 2018.

## 7 Operating expenses and other operating income

Operating expenses, excluding non-underlying items, are after charging the following:

	2019 £'000	Restated 2018 £'000
Employee benefits expenses excluding share-based payment charge	48,364	41,368
Share-based payment charge	714	1,678
Other purchases and external expenses	86,553	61,478
<b>Operating expenses – other</b>	<b>135,631</b>	<b>104,524</b>

Profit before interest and tax is stated after charging/(crediting) the following:

	2019 £'000	Restated 2018 £'000
Profit on disposal of associate	–	(123,892)
Gain of conversion of loan	1,095	–
Depreciation of property, plant and equipment	16,305	13,405
Amortisation of acquired intangibles	3,938	3,938
Profit on sale and leaseback	(629)	(4,064)
Release of government grants	(609)	(890)
Operating lease expense		
– Plant and machinery and commercial vehicles	255	458
– Property	5,492	2,939

Amounts receivable by the auditor and its associates in respect of:

	2019 £'000	Restated 2018 £'000
Remuneration receivable in respect of the audit of the Company	240	119
The auditing of accounts of any subsidiary of the Company	402	193
Audit-related services – interim results review	80	22
Tax advisory – incentive scheme advice	–	5
Tax compliance relating to overseas subsidiaries	80	–
Capital allowances services	10	–
	<b>812</b>	<b>339</b>

## 8 Non-underlying items

Non-underlying items included in the consolidated income statement (loss)/profit before tax comprise the following:

	2019 £'000	Restated 2018 £'000
New business and new contract set-up costs	11,551	5,614
Transaction costs	–	766
Restructuring costs	391	–
Impairments	7,800	–
Bad debts	–	(1,305)
Litigation and claims	5,193	4,058
Amortisation of acquired intangibles	3,938	3,938
Share of post-tax profits of associates and joint ventures: amortisation of acquired intangibles	–	237
	<b>28,873</b>	<b>13,308</b>

New business and new contract set-up costs comprise costs of investing in major new business areas or major new contracts to commence or accelerate development of our business presence. These costs include pre-contract costs and excess costs incurred due to delays in customer plants becoming operational in the Energy division and new contract set-up costs at London Southend Airport in the Aviation division.

Transaction costs comprise costs of making investments or costs of financing transactions that are not permitted to be debited to the cost of investment or as issue costs. These costs include costs of any aborted transactions.

Restructuring costs comprise costs of integration plans and other business reorganisation and restructuring undertaken by management. Costs include cost rationalisation, site closure costs, certain short-term duplicated costs and other costs related to the reorganisation and integration of businesses. These are principally expected to be one-off in nature.

There were impairment charges against property, plant and equipment of £6,500,000 (2018: £nil) (see note 15) and against property inventory of £1,300,000 (2018: £nil) (see note 20).

The bad debts in the prior year relate to the partial recovery of a significant receivable, written off due to the customer entering administration.

The charge for litigation and claims in the current year includes the cost of a High Court dispute with a former Director, and in the prior year is in respect of settlement of historical matters. Contingent assets relating to any outstanding claims are not recognised unless recovery is considered virtually certain, in accordance with accounting standards.

Amortisation of acquired intangibles comprises the amortisation of intangible assets including those identified as fair value adjustments in acquisition accounting. The charge in the year is principally in connection with amortisation of the brand assets.

Non-underlying items included in the share of post-tax profits of associates and joint ventures in the prior year, relates to the investment in Greenwhitestar Holding Company 1 Limited. Amortisation of acquired intangibles includes amortisation of the customer relationships.

## 9 Staff costs

Staff costs (including Directors) comprise:	Note	2019 £'000	Restated 2018 £'000
Wages and salaries		44,765	36,525
Social security costs		2,506	3,718
Other pension costs		1,093	1,125
Share-based payment charge	29	384	1,678
		<b>48,748</b>	<b>43,046</b>

Included in staff costs above are costs which have been capitalised within assets under construction and contract set-up costs of £244,000 (2018: £779,000).

## 10 Finance income

	2019 £'000	Restated 2018 £'000
Bank interest receivable	15	133
Interest receivable from associates and joint ventures	–	1,484
Foreign exchange gains	947	–
Other	48	7
	<b>1,010</b>	<b>1,624</b>

## 11 Finance costs

	2019 £'000	Restated 2018 £'000
Bank loans, loan notes and overdraft	1,897	846
Net interest of retirement benefit schemes	87	135
Finance charges payable under finance leases and hire purchase contracts	1,285	980
Amortisation of deferred issue costs	311	298
Foreign exchange losses	–	1,957
Other interest	1,633	494
	<b>5,213</b>	<b>4,710</b>

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 11 Finance costs continued

During the year no (2018: £128,000) interest was capitalised. Other interest includes amounts payable of £761,000 (2018: £415,000) to former subsidiaries of the Group.

In addition to the amounts above, an impairment charge of £3,208,000 has been recognised. This relates to the 25% investment in the associated undertaking, Shuban Power Limited, principally comprising shareholder loan notes. Post year end, this investment was disposed of at book value.

## 12 Tax

	2019 £'000	2018 £'000
<b>Corporation tax:</b>		
Current year overseas corporation tax		
– Continuing operations	–	–
– Discontinued operations	1,268	149
Adjustment in respect of prior years	3,016	1,351
<b>Total corporation tax</b>	<b>4,284</b>	<b>1,500</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(1,872)	(389)
Adjustment in respect of prior years	(826)	(493)
Impact of rate change	–	–
<b>Total deferred tax</b>	<b>(2,698)</b>	<b>(882)</b>
<b>Total charge in the consolidated income statement from continuing and discontinued operations</b>	<b>1,586</b>	<b>618</b>

Included in the above tax charges are total current tax charge on continuing operations of £3,000,000 (2018: £1,351,000) and a total deferred tax credit on continuing operations of £2,470,000 (2018: £1,644,000) giving a total tax charge on continuing operations in the consolidated income statement of £530,000 (2018: £293,000).

The current tax adjustment in respect of prior years is in relation to the Group reassessing the corporation tax liabilities which may arise in respect of historical accounting periods and open tax returns. Management believe that a responsible range of outcomes for the liabilities under these enquiries is between £nil and £20m. The deferred tax adjustment in respect of prior years is primarily in relation to the analysis of fixed asset additions for the purposes of capital allowances.

The effective tax rate in the year was -2.80%, i.e. there is a tax charge in relation to the losses in the period which is lower than the expected credit at the effective tax rate. This was driven by deferred tax assets not being recognised in respect of certain temporary differences in the year. There were offsetting impacts of the profit on disposal of associate and income in respect of the Group's post-tax share of associate results being treated as non-taxable. This will not be replicated in future years and the effective rate is expected to increase.

## Reconciliation of income tax charge

A reconciliation of the income tax charge applicable to the results from ordinary activities at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year is as follows:

	2019 £'000	2018 £'000
Net (loss)/profit before tax from continuing and discontinued operations	(56,593)	100,622
UK income tax at rate 19% <sup>1</sup> (2018: 19.08%)	(10,753)	19,204
<b>Effects of:</b>		
Income not taxable	(656)	(1,167)
Profits on disposal of business not taxable	(608)	(23,639)
Profit on disposal of non-qualifying assets	(71)	(720)
Impact of change in tax rate	167	(370)
Expenses incurred not relatable against current tax	2,618	6,850
Difference in overseas tax rate	(217)	(64)
Chargeable gains	–	671
Losses brought forward utilised in current period	(594)	(1,156)
Losses carried forward not recognised	9,510	151
Adjustments in respect of prior years	2,190	858
<b>Total charge in the consolidated income statement</b>	<b>1,586</b>	<b>618</b>

<sup>1</sup> The parent company of the Group is tax resident in the UK. As such, the tax rate in the reconciliation of income tax charge is the weighted average UK corporation tax rate.

Expenses incurred not relatable against current tax include legal fees in relation to potential acquisition opportunities and interest expenses that are not deductible for tax purposes. Included in the statement of other comprehensive income is a tax credit of £45,000 (2018: £226,000 charge) in relation to the defined benefit pension scheme.

The deferred tax credit in the consolidated income statement is analysed as follows:

	2019 £'000	2018 £'000
Accelerated allowances on plant and machinery	(2,452)	(2,125)
Revaluation of properties to fair value on acquisition	(535)	1,261
Brands recognised on acquisition	(632)	(632)
Other temporary differences	921	614
<b>(2,698)</b>	<b>(882)</b>	

Deferred tax on temporary differences in the year amounting to £8,407,000 (2018: £1,770,000) has not been recognised in the financial statements on the basis that these temporary differences relate to tax losses of certain Group entities where there is uncertainty over whether taxable profit will be generated by the operations of these entities against which the unused tax losses can be utilised in future periods.

Stobart Group Limited's affairs are conducted such that it is considered to be resident in the UK for tax purposes. HM Revenue & Customs has not objected to this position. As a result, the Company is liable to pay UK corporation tax on its profits.

#### Factors that may affect the future tax charge

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and a further reduction to 17% (effective from 1 April 2020) have been announced and were substantively enacted at the statement of financial position date. As such, the deferred tax assets/liabilities as at 28 February 2019 have been recognised/provided at 17%.

There are a number of tax enquiries across the Group which management is working with HMRC and professional advisors to satisfy and resolve. There are uncertainties around the outcomes and potential liabilities in connection with these enquiries. Provisions have been made for corporation tax and other taxes at a level that management believes is a reasonable estimate to cover the potential liabilities.

The Group is not expecting significant tax implications to arise upon the UK leaving the EU.

#### 13 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary 10p shares outstanding during the year.

Diluted earnings per share is calculated by dividing net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares, adjusted for share options which have exercise prices below the average market price of shares during the period. With the exception of share options issued under the employee SAYE scheme, these options were anti-dilutive in the prior year and have not been included in the calculation in accordance with IAS 33.

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

Numerator	2019 £'000	2018 £'000
<b>Continuing operations</b>		
(Loss)/profit for the year used for basic and diluted earnings	(42,644)	109,617
<b>Discontinued operations</b>		
Loss for the year used for basic and diluted earnings	(15,535)	(9,613)
<b>Total</b>		
(Loss)/profit for the year used for basic and diluted earnings	<b>(58,179)</b>	<b>100,004</b>

Denominator	Number	Number
Weighted average number of shares used in basic EPS	349,698,911	348,915,545
Effects of employee share options	–	8,276,738
<b>Weighted average number of shares used in diluted EPS</b>	<b>349,698,911</b>	<b>357,192,283</b>
Weighted average of own shares held and therefore excluded from weighted average number	6,798,847	5,413,286

The numerator used for the basic and diluted underlying earnings per share for continuing operations is the underlying loss for the year of £16,562,000 (2018: £119,797,000 profit).

On 1 November 2014, 479,395 awards were made to Executive Directors under a Long-Term Incentive Plan. 133,726 of these awards were exercised during the prior year. A further 133,726 shares were exercised, and 211,943 shares were cancelled, during the current year. There were no shares outstanding from this award at the year end date.

On 22 June 2015, 1,308,941 awards were made to other senior employees under a Long-Term Incentive Plan. During the year, 858,518 shares were exercised and the remainder were forfeited. There were no shares outstanding from this award at the year end date.

On 1 September 2015, the Group introduced an HMRC-approved SAYE scheme available to all employees. This scheme matured during the year and 747,335 shares were exercised. There are 852 shares that are yet to be exercised at the year end. These are potentially dilutive instruments and have been included in the calculation of diluted earnings per share in the current year.

On 6 November 2015, 1,520,772 awards were made to Executive Directors and other senior employees under a Long-Term Incentive Plan. During the year, 870,921 shares were exercised and the remainder were forfeited. There are no shares outstanding from this award at the year end date.

On 17 June 2016, 1,687,748 awards were made to Executive Directors and other senior employees under a Long-Term Incentive Plan. During the year, 10,717 shares were exercised, 505,166 were forfeited and the remainder lapsed. There are 900,234 shares outstanding at the year end date. These are potentially dilutive instruments and have been included in the calculation of diluted earnings per share because the performance conditions have been met unconditionally at the year end date.

On 22 June 2017, 896,721 awards were made to Executive Directors and other senior employees under a Long-Term Incentive Plan. During the year, 2,700 shares were exercised, 229,536 shares were forfeited and the remainder lapsed. There are 595,374 shares outstanding at the year end date. These are potentially dilutive instruments but were not included in the calculation of diluted earnings per share because the performance conditions had not been met unconditionally at the year end date.

On 3 November 2017, 2,333 awards were made to other senior employees under a Long-Term Incentive Plan. There are 2,333 shares outstanding at the year end. These are potentially dilutive instruments but were not included in the calculation of diluted earnings per share because the performance conditions had not been met unconditionally at the year end date.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 13 Earnings per share continued

On 20 June 2018, 726,522 awards were made to Executive Directors and other senior employees under a Long-Term Incentive Plan. During the year, 1,946 shares were exercised, 15,576 shares were forfeited and the remainder lapsed. There are 675,914 shares outstanding at the year end date. These are potentially dilutive instruments but were not included in the calculation of diluted earnings per share because the performance conditions had not been met unconditionally at the year end date.

On 1 February 2019, the Group invited qualifying employees to join a SAYE scheme. The maximum number of shares that may be acquired under this scheme is 1,178,794. These are potentially dilutive instruments and have been included in the calculation of diluted earnings per share in the current year.

During the year, the Company sold nil (2018: 1,414,575) and purchased 1,450,000 (2018: 7,000,000) treasury shares. 7,035,425 (2018: nil) shares were transferred for nil consideration to the employee benefit trust.

Treasury shares are not included in the weighted average number of shares used to calculate earnings per share. Own shares held in an employee benefit trust are excluded from the weighted average number of shares.

## 14 Dividends

	2019 Rate p	2019 £'000	2018 Rate p	2018 £'000
Dividends paid on ordinary shares				
Interim dividend for 2019 paid 31 January 2019	1.5	5,315	—	—
Interim dividend for 2019 paid 4 October 2018	4.5	15,945	—	—
Final dividend for 2018 paid 6 July 2018	4.5	15,628	—	—
Interim dividend for 2018 paid 13 April 2018	4.5	15,628	—	—
Interim dividend for 2018 paid 19 January 2018	—	—	4.5	15,842
Interim dividend for 2018 paid 6 October 2017	—	—	4.5	15,842
Final dividend for 2017 paid 7 July 2017	—	—	4.5	15,810
Interim dividend paid 3 April 2017	—	—	3.0	10,630
	<b>15.0</b>	<b>52,516</b>	<b>16.5</b>	<b>58,124</b>

A final dividend of 3.0p per share, totalling £11,125,000, was declared on 29 May 2019 and subject to shareholder approval will be paid on 31 July 2019. This is not recognised as a liability as at 28 February 2019.

## 15 Property, plant and equipment

Year ended 28 February 2019	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles and aircraft £'000	Total £'000
<b>Cost</b>					
At 1 March 2018	196,972	67,968	6,388	75,689	347,017
Additions	23,996	5,685	2,847	7,882	40,410
Disposals	(6,149)	(4,815)	(46)	(52,350)	(63,360)
Transfers between categories	(2,901)	1,327	1,553	21	—
Reclass from inventory	—	—	70	—	70
Currency translation differences	—	—	(7)	2,445	2,438
Disposal of subsidiary undertakings	—	(342)	(1,485)	(9)	(1,836)
<b>At 28 February 2019</b>	<b>211,918</b>	<b>69,823</b>	<b>9,320</b>	<b>33,678</b>	<b>324,739</b>
<b>Aggregate depreciation and impairment charges</b>					
At 1 March 2018	17,036	8,758	1,739	18,342	45,875
Charge for the year	3,326	6,925	2,396	10,328	22,975
Impairment	6,500	—	—	—	6,500
Disposals	(224)	(3,748)	(38)	(9,013)	(13,023)
Transfers between categories	55	(49)	(28)	22	—
Currency translation differences	—	—	1	(4)	(3)
Disposal of subsidiary undertakings	—	(6)	(489)	(5)	(500)
<b>At 28 February 2019</b>	<b>26,693</b>	<b>11,880</b>	<b>3,581</b>	<b>19,670</b>	<b>61,824</b>
<b>Net book value at 28 February 2019</b>	<b>185,225</b>	<b>57,943</b>	<b>5,739</b>	<b>14,008</b>	<b>262,915</b>

Year ended 28 February 2018	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles and aircraft £'000	Total £'000
<b>Cost</b>					
At 1 March 2017	175,212	56,441	4,004	132,465	368,122
Additions	22,729	15,472	1,593	48,757	88,551
Disposals	(9,343)	(4,109)	(2,053)	(101,440)	(116,945)
Transfers between categories	(2,838)	164	2,815	(141)	–
Reclassified (to)/from inventory	11,212	–	–	–	11,212
Currency translation differences	–	–	29	(3,952)	(3,923)
<b>At 28 February 2018</b>	<b>196,972</b>	<b>67,968</b>	<b>6,388</b>	<b>75,689</b>	<b>347,017</b>
<b>Aggregate depreciation and impairment charges</b>					
At 1 March 2017	18,754	6,766	2,322	13,990	41,832
Charge for the year	3,286	4,913	1,193	5,940	15,332
Disposals	(959)	(2,921)	(1,996)	(1,526)	(7,402)
Transfers between categories	(254)	–	254	–	–
Reclassified (to)/from inventory	(3,791)	–	–	–	(3,791)
Currency translation differences	–	–	(34)	(62)	(96)
<b>At 28 February 2018</b>	<b>17,036</b>	<b>8,758</b>	<b>1,739</b>	<b>18,342</b>	<b>45,875</b>
<b>Net book value at 28 February 2018</b>	<b>179,936</b>	<b>59,210</b>	<b>4,649</b>	<b>57,347</b>	<b>301,142</b>

### Impairment of assets

The water port and storage site at Weston Point, Runcorn, was subject to an external independent development valuation at the year end carried out by Lambert Smith Hampton. The valuation was performed in accordance with the RICS Valuation Standards issued by the Royal Institution of Chartered Surveyors. The valuation indicated a value of £8.5m compared to a carrying value of £15.0m, consequently an impairment charge of £6.5m has been recognised in current year reported in the Infrastructure segment. The comparable method of valuation was used based on similar properties for which price information is available, adjusted for age, size, condition, location and any other relevant factors. The key assumptions included in the valuation were the blended value per acre (£230,000), the capital value per sq ft of £65 applied to warehouse storage and a 10% uplift as a port operation premium applied to certain areas of the site (£692,000). Removal of the premium and a 10% reduction in both the blended value per acre and the capital value of warehouse storage would result in a further impairment of £1,470,000. The Group continues to pursue a number of development options for this asset. There were no impairments in the prior year.

The impairment charge is shown in the consolidated income statement as a non-underlying operating expense on the basis that the charges are considered to be non-recurring, due to their nature, and outside of the normal activities of the Group.

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

The London Southend Airport CGU comprises the business operations of the commercial airport and railway station ancillary operation. The CGU has been tested for impairment as the business suffered a loss before tax in the year to 28 February 2019. The Group estimated the value-in-use of the CGU and determined that no charge for impairment was necessary. The pre-tax discount rate used in the value-in-use calculation was 12.1% (2018: 12.6%). The estimated value-in-use was based on estimates of the timing and extent of increases in the level of future passenger numbers, income per passenger, rental income and the discount rate. The cash flows are based on internal financial forecasts for the next ten years. The carrying value of property, plant and equipment included in this CGU at 28 February 2019 was £155.7m (2018: £152.4m).

The calculation of the value-in-use is sensitive to the discount rate. In order for the estimated recoverable amount of the CGU to be equal to the carrying amount, the discount rate would need to be individually increased by 10.4 (2018: 18.7) percentage points. The key source of estimation uncertainty is future cash flow, driven by passenger volumes, estimated airport spend per passenger, which will be determined by the Group's ability to continue attracting new airlines and improving the customer experience in the terminal. If cash flows were reduced by 53.7% (2018: 41.9%) the estimated recoverable amount would equal the carrying amount.

The Carlisle Lake District Airport CGU comprises the business operations of the commercial airport and property operation. The CGU has been tested for impairment as the business is developing and the airport is due to start commercial operations. The Group estimated the value-in-use of the CGU and determined that no charge for impairment was necessary. The pre-tax discount rates used in the value-in-use calculation were 12.8% (2018: 12.4%) for the property operation and 11.7% (2018: 13.6%) for the airport operation. The estimated value-in-use was based on estimates of the timing and extent of increases in the level of future passenger numbers, income per passenger, growth in other commercial income, property and the discount rate. The cash flows are based on internal financial forecasts for the next 20 years. The carrying value of property, plant and equipment included in this CGU at 28 February 2019 was £22.5m (2018: £20.3m).

The calculation of the value-in-use is sensitive to the discount rate. In order for the estimated recoverable amount of the CGU to be equal to the carrying amount, the discount rates would need to increase by 2.5 (2018: 54.6) percentage points. The key estimation uncertainties in relation to the commercial airport operation are passenger volumes, and assumed growth rates for other revenue streams. The key estimation uncertainties in relation to the property operation are build costs, rental values, exit yields and development timescales.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 15 Property, plant and equipment continued

### Other disclosures in relation to property, plant and equipment

Bank borrowings are secured on the Group's freehold land and buildings.

Included in land and buildings at 28 February 2019 are assets under construction of £14,283,000 (2018: £11,452,000). The current year assets relate principally to development work at London Southend Airport. Included in plant and machinery at 28 February 2019 are no assets under construction (2018: £620,000).

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and secured on the related assets:

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Total £'000
Cost	861	40,291	281	19,375	60,808
Aggregate depreciation	(61)	(8,481)	(19)	(5,964)	(14,525)
<b>Net book value at 28 February 2019</b>	<b>800</b>	<b>31,810</b>	<b>262</b>	<b>13,411</b>	<b>46,283</b>
<b>Net book value at 28 February 2018</b>	<b>–</b>	<b>33,940</b>	<b>14</b>	<b>11,166</b>	<b>45,120</b>

## 16 Investments in associates and joint ventures

Entity	Year end	Issued ordinary shares	Company holding direct investment	Residence	Principal activity of the entity or group headed by the entity	% of nominal value of issued shares or members' capital held
Convoy Limited <sup>1</sup>	5 April	2	SPD1 Limited	Isle of Man	Property investment	50%
Shuban Power Limited	31 March	20,000	Stobart AD1 Limited	UK	Operation of energy plant	25%
Mersey Bioenergy Holdings Limited	31 December	100	Stobart Green Energy Limited	UK	Operation of energy plant	39.6%
Connect Airways Limited <sup>1</sup>	31 December	500,000,100	Stobart Aviation Limited	UK	Commercial airlines	30%
PortR Limited	26 December	5,385,936	Stobart Group Limited	UK	Aviation services company	14.6%
PortR Limited	26 December	5,385,936	Stobart Group Brands LLP	UK	Aviation services company	4.7%

1 These entities are joint ventures; all others are associates.

The 30% investment in Connect Airways Limited was acquired during the year for £1,500,000 and was determined to be a joint venture as this entity is jointly controlled by three shareholders, one with a 40% holding and two with a 30% holding each. The 30% investment was held at £7,008,000 at the year end.

Following a debt for equity swap in March 2018, the Group acquired a 19.3% shareholding in PortR Limited. This investment has been classified as an associate due to the Group holding significant influence but no control.

### Associates and joint ventures

	2019 £'000	2018 £'000
At 1 March	349	59,198
Additions	11,850	–
Disposals	–	(58,862)
Impairment	–	(416)
Share of post-tax (losses)/profits	(1,740)	474
Amounts taken to comprehensive income in associates	–	(45)
<b>At 28 February</b>	<b>10,459</b>	<b>349</b>

Loans to associates and joint ventures, where the settlement is planned or expected to be repaid in the foreseeable future, do not form part of the equity investment and are included in other receivables or non-current amounts owed by associates and joint ventures according to the expected repayment terms.

	2019 £'000	2018 £'000
Summary of material and carrying values of equity investments in associates and joint ventures		
Carrying amount of individually joint ventures	7,008	–
Carrying amount of individually associates	3,451	349
<b>At 28 February</b>	<b>10,459</b>	<b>349</b>

#### Aggregate joint ventures

	2019 £'000	2018 £'000
Carrying amount	7,008	–
Share of loss from continuing operations	(747)	–

During the year the 30% share of Connect Airways Limited contributed equity accounted losses of £747,000 (2018: £nil). Our share of losses has been estimated from the results of subsidiaries of Connect Airways, as consolidated results are not yet available. There was no impact on the consolidated statement of cash flows.

#### Aggregate associates

	2019 £'000	2018 £'000
Carrying amount	3,451	349
Share of loss from continuing operations	(993)	–
Other comprehensive income	–	–
Total comprehensive income	–	–

During the year, the 39.6% share of Mersey Bioenergy Holdings Limited contributed equity accounted losses of £349,000 (2018: £nil). These losses were capped at the value of the investment. During the year the 19.3% share of PortR Limited contributed equity accounted losses of £644,000 (2018: £nil). There was no impact on the consolidated statement of cash flows.

#### 17 Other financial assets

	2019 £'000	2018 £'000
<b>Non-current</b>		
Financial asset – FVOCI	44,918	63,690
<b>At 28 February</b>	<b>44,918</b>	<b>63,690</b>

The financial asset relates to the 11.8% investment in ordinary shares of AIM-listed business Eddie Stobart Logistics plc (ESL). The Group made an irrevocable election to account for this asset as FVOCI on adoption of IFRS 9 on 1 March 2018. In the prior year, the asset was held for sale per IAS 39. The movement in the year relates to the change in ESL share price.

#### 18 Investment property

	2019 £'000	2018 £'000
At 1 March	4,700	3,150
Additions	15	611
(Loss)/gain on revaluation	(715)	939
<b>At 28 February</b>	<b>4,000</b>	<b>4,700</b>

There was no rental income received from the investment property and there were no direct operating expenses attributable to this property during both the current or prior year.

The Group's investment property was subject to an independent valuation as at 28 February 2019 by Avison Young, on the basis of open market value, supported by market evidence. The open market value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of the valuation. The valuation was performed in accordance with the RICS Valuation Standards issued by the Royal Institution of Chartered Surveyors and is based on available market evidence and comparables.

At 28 February 2019, there were no contractual obligations to purchase investment property (2018: nil).

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 19 Intangible assets

	Goodwill £'000	Brand names £'000	Customer relationships £'000	Total £'000
<b>Cost</b>				
At 1 March 2017	87,419	60,000	1,793	149,212
At 28 February 2018	87,419	60,000	1,793	149,212
<b>At 28 February 2019</b>	<b>87,419</b>	<b>60,000</b>	<b>1,793</b>	<b>149,212</b>
<b>Amortisation and impairment</b>				
At 1 March 2017	28,375	11,151	1,328	40,854
Amortisation charge	–	3,717	221	3,938
At 28 February 2018	28,375	14,868	1,549	44,792
Amortisation charge	–	3,717	221	3,938
<b>At 28 February 2019</b>	<b>28,375</b>	<b>18,585</b>	<b>1,770</b>	<b>48,730</b>
<b>Net book value</b>				
At 28 February 2017	59,044	48,849	465	108,358
At 28 February 2018	59,044	45,132	244	104,420
<b>At 28 February 2019</b>	<b>59,044</b>	<b>41,415</b>	<b>23</b>	<b>100,482</b>

No internally generated intangible assets are recognised in the financial statements.

Brand names consist of the Stobart and Eddie Stobart trademarks and designs and other Stobart-associated trademarks and designs.

Customer relationships consist of contractual relationships with customers recognised on acquisitions.

### Goodwill and intangible assets with indefinite lives

The goodwill and brands with indefinite lives from business combinations have been allocated to CGUs. Carrying amounts of goodwill and brand names with indefinite lives allocated to each CGU are set out in the following table. These assets are considered to have indefinite lives because there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. Factors taken into account in the consideration were the legal ownership, the long period over which the brand names have been established, the strength of brand awareness and the stability of the industries in which the main brands are involved.

	Stobart Energy		Stobart Rail & Civils		Other		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Carrying amount of goodwill	<b>54,669</b>	54,669	<b>4,375</b>	4,375	–	–	<b>59,044</b>	59,044
Carrying amount of brands with indefinite useful lives	<b>8,800</b>	8,800	<b>4,100</b>	4,100	<b>1,700</b>	1,700	<b>14,600</b>	14,600

### Impairment testing of goodwill and intangible assets with indefinite lives

In accordance with IAS 36 Impairment of Assets, the Group has undertaken impairment testing for each CGU. The key assumptions applied in respect of each CGU are set out below. A sensitivity analysis has been performed, at the individual CGU level, in order to review the effect of changes in key assumptions.

#### Stobart Energy cash-generating unit

The recoverable amount of the goodwill and intangible assets in the Stobart Energy CGU has been based on value-in-use calculations using projections from financial forecasts approved by senior management covering a five-year (2018: five-year) period. The main assumptions on which the forecasts were based include sales volumes and profit margins. The pre-tax discount rate applied to the cash flow projections was 10.4% (2018: 9.7%) based on the weighted average cost of capital for the CGU, taking into account the cost of equity and debt for the CGU, and adjusting for risk specific to the CGU. Cash flows beyond the five-year period are deemed to be in perpetuity but an annual growth rate of 2.0% (2018: 2.0%) is assumed in the calculations.

No impairment losses have been recognised in the current or prior year. The calculation of the value-in-use is most sensitive to the discount rate. With regard to the assessment of value in the CGU, management believes that no reasonably possible change in the discount rate would cause the carrying value of the CGU to exceed its recoverable amount.

### **Stobart Rail & Civils cash-generating unit**

The recoverable amount of the goodwill, tangible and intangible assets in the Stobart Rail & Civils CGU has been based on value-in-use calculations using projections from financial forecasts approved by senior management covering a five-year (2018: five-year) period. The main assumptions on which the forecasts were based include Network Rail work volumes. The pre-tax discount rate applied to the cash flow projections was 11.0% (2018: 11.5%) based on the weighted average cost of capital for the CGU, taking into account the cost of equity and debt for the CGU, and adjusting for risk specific to the CGU. Cash flows beyond the five-year period are deemed to be in perpetuity but an annual growth rate of 2.0% (2018: 2.0%) is assumed in the calculations.

No impairment losses have been recognised in the current or the prior period. The calculation of the value-in-use is most sensitive to the discount rate and cash flow generation from contracts, including significant contracts under Network Rail framework agreements. In order for the estimated recoverable amount of the CGU to be equal to the carrying amount, the discount rate would need to be individually increased by 7.5 (2018: 20.7) percentage points to 18.9% (2018: 32.2%). If the estimated cash flow generation from contracts were reduced by 39% (2018: 296%), the estimated recoverable amount of the CGU would equal the carrying amount. The carrying value of property, plant and equipment included in this CGU for impairment testing at 28 February 2019 was £6.3m (2018: £4.7m).

#### **Other**

The brands with indefinite life in the 'other' column in the table relate to Stobart brands for which the Group obtained an independent valuation in 2014 which supports these values. This asset has been tested for impairment at the year end using a pre-tax discount rate of 11.6% (2018: 11.2%). No impairment losses have been recognised and in order for the estimated recoverable amount of the CGU to be equal to the carrying amounts the discount rate would need to be individually increased by 59.6 (2018: 11.2) percentage points to 48.0% (2018: 22.4%).

The balance of the brands of £26,815,000 (2018: £30,532,000), not included in the above table, represents the value of expected receipts under the licence agreement with a trading subsidiary of Eddie Stobart Logistics plc for the right to use the Eddie Stobart brand. This is not included in the table in the current year because this asset is not considered to have an indefinite life, but instead will be amortised to a residual value of £23.1m over its useful economic life of six years, of which one year is remaining at the year end. The licence agreement allows a trading subsidiary of Eddie Stobart Logistics plc to use certain Eddie Stobart trademarks and designs for an initial period of 15 years with options to extend the licence period, terminate within four years, or purchase the trademarks and designs for use in the logistics business for £15m or purchase the trademarks and designs for unlimited use for £50m. The Directors have made a judgement that the likely outcome is that Eddie Stobart Logistics plc will either purchase the brand or continue the license agreement such that the future cash flows support the carrying amount of the brand. The licence fee for the first six years to February 2020 was satisfied by the premium received in 2014. From March 2020, a £3m annual royalty fee is payable, unless either of the above purchase options are exercised or the licensee terminates the agreement.

The discount rates used in the impairment workings for most of the CGUs are in line with those used in the prior year. The methods used to determine the factors within the discount rate calculations were consistent with the prior year. Reasons for changes in some of the discount rates include a decrease in size premium and variations in gearing and beta values for comparative companies used to calculate cost of equity.

The Stobart Energy CGU is part of the Energy segment. The Stobart Rail & Civils CGU is part of the Rail & Civils segment and the Other CGU is part of the Adjustments and eliminations segment.

### **20 Inventories**

	2019 £'000	2018 £'000
Consumable supplies	917	5,300
Goods held for resale	108	255
Property inventories	21,534	46,246
	<b>22,559</b>	<b>51,801</b>

There has been a significant reduction in consumable supplies following the disposal of our regional airline, Everdeal Holdings Limited, in February 2019.

Property inventories includes development land and buildings at Widnes, some of which was sold during the year, Carlisle and Chelford. The net realisable values of the development assets at Carlisle and Chelford are expected to be higher than the carrying values. The net realisable values of these property inventories are based on certain estimates. The assets are at different stages of development.

The Widnes development land and buildings were subject to an external independent development valuation at the year end carried out by Avison Young. The valuation was performed in accordance with the RICS Valuation Standards issued by the Royal Institution of Chartered Surveyors. The valuation indicated a value of £18.3m compared to a carrying value of £19.6m; consequently an impairment charge of £1.3m has been recognised in current year. The estimates included in the year end value include build costs and the price obtainable from customers for the developed land. Development plans are expected to begin in the year ending February 2020.

The key estimation uncertainties are timing and type of development, build costs, rental values and exit yield, although the Directors consider that the calculations are most sensitive to the exit yield. A movement in the exit yield of 0.25% percentage points would result in a valuation range of £15.9m to £20.9m.

### **21 Trade and other receivables**

	2019 £'000	2018 £'000
<b>Non-current</b>		
Amounts owed by associates and joint ventures	44,642	12,634
	<b>44,642</b>	<b>12,634</b>
<b>Current</b>		
Trade receivables – net	23,600	28,031
Other receivables and prepayments	17,671	37,396
	<b>41,271</b>	<b>65,427</b>
<b>Movement in the provision for doubtful debts</b>		
At 1 March	156	2,068
Movement in the year	26	(1,912)
<b>At 28 February</b>	<b>182</b>	<b>156</b>

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 21 Trade and other receivables continued

The analysis of trade receivables due is as follows:

	2019 Receivable £'000	2019 Provision £'000	2018 Receivable £'000	2018 Provision £'000
Current	9,853	–	16,693	(5)
1 month	11,164	(4)	4,230	(7)
2 months	354	(2)	1,969	(6)
3+ months	2,411	(176)	5,295	(138)
	<b>23,782</b>	<b>(182)</b>	<b>28,187</b>	<b>(156)</b>

The standard period for credit sales varies from 30 days to 60 days. The Group assesses creditworthiness of all trade debts on an ongoing basis. New customers are subject to stringent credit checks.

The analysis of trade receivables past due but not impaired is as follows:

	2019 £'000	2018 £'000
Neither past due nor impaired	18,967	9,976
<30 days	1,019	8,943
31–60 days	1,215	3,038
61–90 days	1,878	1,061
91–120 days	491	431
>120 days	212	4,738
	<b>23,782</b>	<b>28,187</b>

## 22 Assets classified as held for sale

On 22 February 2019, the aircraft leasing business, Propius Holdings Limited, was reclassified as a disposal group held for sale (see note 5). During the year, the one remaining property, previously classified as an investment property, was sold, generating net proceeds of £6,217,000.

The major classes of assets and liabilities of the disposal groups classified as held for sale at 28 February 2019 are as follows:

	2019 £'000	2018 £'000
<b>Assets</b>		
Investment properties	–	6,900
Other receivables	1,474	–
<b>Total assets classified as held for sale</b>	<b>1,474</b>	<b>6,900</b>
<b>Liabilities</b>		
Corporation tax	(1,030)	–
Deferred tax liability	(2,498)	–
Maintenance reserves	(17,889)	–
Other payables	(6,128)	–
<b>Total liabilities classified as held for sale</b>	<b>(27,545)</b>	<b>–</b>

There is an intercompany receivable of £19,689,000 which is not included in the disposal group held for sale, as it is eliminated under IFRS 10. However, when Propius Holdings Limited is disposed of, the continuing group will recognise the above amount as a payable.

There was no loss on the measurement of fair value less costs to sell in relation to the assets and liabilities of the Propius aircraft leasing business.

## 23 Trade and other payables (current)

	2019 £'000	2018 £'000
Trade payables	28,637	23,432
Other taxes and social security	1,298	6,198
Other payables, accruals and deferred income	23,044	50,565
Government grants	669	625
	<b>53,648</b>	<b>80,820</b>

## 24 Non-current payables

	2019 £'000	2018 £'000
Other payables, accruals and deferred income	167	14,287
Government grants	10,929	10,668
Maintenance reserves	–	22,304
	<b>11,096</b>	<b>47,259</b>

Following our aircraft leasing business, Propius Holdings Limited, being classified as held for sale, the maintenance reserves are also classified as held for sale at the year end (see note 22).

During the year, government grants of £5,400,000 were received in cash. In addition, £5,139,000 of grants were released in the consolidated income statement.

## 25 Financial assets and liabilities

	2019 £'000	2018 £'000
<b>Loans and borrowings</b>		
<b>Non-current</b>		
Fixed rate:		
– Obligations under finance leases and hire purchase contracts	20,668	14,873
Variable rate:		
– Obligations under finance leases and hire purchase contracts	5,886	8,466
– Revolving credit facility (net of arrangement fees)	57,567	39,684
	<b>84,121</b>	<b>63,023</b>
<b>Current</b>		
Fixed rate:		
– Obligations under finance leases and hire purchase contracts	6,663	3,932
Variable rate:		
– Obligations under finance lease and hire purchase contracts	6,770	12,778
	<b>13,433</b>	<b>16,710</b>
<b>Total loans and borrowings</b>	<b>97,554</b>	<b>79,733</b>
Cash	14,432	43,108
<b>Net debt</b>	<b>83,122</b>	<b>36,625</b>

The obligations under finance leases and hire purchase contracts are taken out with various lenders at fixed or variable interest rates prevailing at the inception of the contracts. During the year, £14,178,000 of new finance leases were taken out (2018: £13,855,000), £14,382,000 repayments made (2018: £12,365,000) and £142,000 of unwind of discount (2018: £148,000).

During the year, the variable rate committed revolving credit facility was amended from £65m to £80m and the facility end date was extended from January 2020 to January 2022. This facility was drawn at £58,000,000 (2018: £40,000,000) at the year end, with net cash drawdown in the year of £18,000,000 and non-cash release of deferred debt issue costs of £311,000 offset by cash-settled debt issue costs capitalised of £428,000.

In relation to the revolving credit facility, Stobart Group Limited and all material subsidiaries have charged security to the lenders via a debenture, the material subsidiaries are also guarantors and obligors in relation to the facility agreement. There are fixed charges over properties including London Southend Airport, Widnes and Runcorn and in addition floating charges and charges over shares. The facility agreement contains typical security protections for the lender including negative pledge and restrictions on disposals and financial indebtedness together with allowances for permitted disposals, permitted security and permitted financial indebtedness.

Stobart Group 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.

The Group was in compliance with all financial covenants throughout both the current and prior year.

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

	Book value 2019 £'000	Fair value 2019 £'000
<b>Financial assets</b>		
Cash	14,432	14,432
Other investments	44,918	44,918
Amounts owed by associates and joint ventures	48,342	48,342
Trade receivables	23,600	23,600
Other receivables	790	790
Swaps	850	850
<b>Financial liabilities</b>		
Trade payables	28,589	28,589
Loans and borrowings	57,567	57,567
Finance leases and hire purchase arrangements	39,987	38,858
Other payables	1,746	1,746
Swaps	602	602

	Book value 2018 £'000	Fair value 2018 £'000
<b>Financial assets</b>		
Cash	43,108	43,108
Other investments	63,690	63,690
Amounts owed by associates and joint ventures	17,561	17,561
Trade receivables	28,031	28,031
Other receivables	5,172	5,172
Swaps	1,611	1,611
<b>Financial liabilities</b>		
Trade payables	23,432	23,432
Loans and borrowings	39,684	39,684
Finance leases and hire purchase arrangements	40,049	41,317
Swaps	197	197

For trade and other receivables/payables with a remaining life of less than one year, the carrying amount is considered to reflect the fair value.

The fair values of loans and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of finance leases and hire purchase arrangements and of loans and borrowings are classified as level 2 in the fair value hierarchy.

The Group entered into a put option with fellow shareholder Cyrus Capital Partners (Cyrus). This agreement gave Cyrus the option to exchange £23m of second ranking six-year 8% revolving credit facility debt with Connect, with equity shares in Stobart Group Limited at 250p per share. The option can only be exercised after two years following the acquisition of Flybe plc by Connect and requires 30 days' notice. Another requirement that must be satisfied to allow the option to be exercised includes a measure of passenger volumes at London Southend Airport driven by Connect over a 12-month rolling period.

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

#### Financial assets and liabilities measured at fair value

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
As at 28 February 2019				
<b>Financial assets</b>				
Other financial assets	44,918	44,918	–	–
Swaps	248	–	248	–

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 25 Financial assets and liabilities continued

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
As at 28 February 2018				
<b>Financial assets</b>				
Other financial assets	63,690	63,690	–	–
Swaps	1,414	–	1,414	–

### Investment properties

In addition to the financial assets disclosed above, investment properties are also measured at fair value. The Group's investment property was subject to an independent valuation as at 28 February 2019 by Avison Young, on the basis of open market value, supported by market evidence. The open market value represents the amount at which the asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of the valuation. The valuation was performed in accordance with the RICS Valuation Standards issued by the Royal Institution of Chartered Surveyors and is based on available market evidence and comparables, and therefore falls within level 3 of the fair value hierarchy.

### Assets classified as held for sale

Following the disposal during the year of a property previously classified as investment property, there are no property assets classified as held for sale at the year end. Prior to its disposal, this property was subject to the above valuations and falls within level 3 of the fair value hierarchy.

### Fair value calculation methodology

Other investments are valued based on quoted market price. Swaps are valued based on market rates and market-accepted models. Fair value for financial instruments held at amortised cost has been estimated by discounting cash flows at prevailing interest rates.

During the current and prior year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

### Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Diesel price risk
- Currency price risk
- Fair value or cash flow interest rate risk
- Capital risk
- Jet fuel price risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Bank overdrafts
- Floating-rate bank loans
- Cash at bank
- Trade and other payables
- Finance leases

### General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

All credit sales are made under Group payment and delivery terms and conditions and are mostly covered by insurance. All credit limits are formally set and are in agreement with the bank.

The recoverability of the net trade and other receivables book is considered highly likely. This is supported by the history of collection by the Group.

### Interest rate risk

The Group is exposed to cash flow interest rate risk from long-term borrowings and cash at variable rates. There are loan facilities at variable rates as well as amounts held on deposit. These borrowing policies are managed centrally. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

During the current and prior year, the Group's borrowings at variable rate were denominated in GBP. During the current year, the Group's borrowings at fixed rate were denominated in USD and GBP.

### Capital risk

The Group is exposed to capital risk in relation to its shareholding in Eddie Stobart Logistics plc. Any adverse movement in the quoted share price will directly impact the fair value of the investment held.

### Diesel price risk

The Group is exposed to diesel price risk as diesel fuel is a key supply to the transport fleet of vehicles in the Energy business. If diesel prices rise, there will be increases in the base costs that cannot be fully passed on to customers. In order to mitigate this risk, the Group has taken out diesel swap contracts to manage its exposure.

The fair value of diesel swap contracts falling within level 2 of the fair value hierarchy as at 28 February 2019 is £53,000 asset (2018: £250,000) and the gross swap coverage was £2,435,000 (2018: £1,835,000). The fair value of the swaps is calculated by Lloyds Banking Group and Mitsui Bussan Commodities Ltd based on mid-market levels as of the close of business on 28 February 2019.

### Jet fuel price risk

Following the disposal of Everdeal Holdings Limited, the Group's exposure to jet fuel risk has significantly reduced, with the Group no longer being exposed to jet fuel price risk as jet fuel was a key supply to the fleet of aeroplane, disposed with Everdeal Holdings Limited.

The fair value of jet fuel swap contracts falling within level 2 of the fair value hierarchy as at 28 February 2019 is £nil (2018: £778,000) and the gross swap coverage was £nil (2018: £14,600,000).

The 2018 fair value of the swaps is calculated by Mitsui Bussan Commodities Ltd and Lloyds Banking Group based on mid-market levels as of the close of business on 28 February 2018.

### Currency price risk

Following the disposal of Everdeal Holdings Limited, the Group's exposure to currency price risk has significantly reduced, with the Group no longer being exposed to a significant amount of certain transactions denominated in foreign currencies, primarily the leasing and purchasing of aircraft, spare parts, maintenance and fuel in US Dollars and Euros. In order to mitigate this risk, the Group has taken out currency swap contracts to manage its exposure. In addition, the Group holds US Dollar and Euro cash and money market deposits.

The fair value of currency swap contracts falling within level 2 of the fair value hierarchy as at 28 February 2019 is £431,000 liability (2018: £386,000) and the gross swap coverage was £15,682,000 (2018: £26,656,000).

The fair value of the swaps is calculated by Lloyds Banking Group based on mid-market levels as of the close of business on 28 February 2019.

### Sensitivity analysis

The sensitivity analysis set out in the following table summarises the sensitivity of the market value of financial instruments to hypothetical changes in market rates and prices. Sensitivity is calculated based on all other variables remaining constant.

The interest rate analysis assumes a 1% change in interest rates, the currency analysis assumes a 1% change in currency price and the diesel and jet fuel analysis assume a 10% price change. The diesel and jet fuel and currency price sensitivity analysis is based on diesel, jet fuel and currency-related derivative instruments held at the end of each reporting period.

The impact of a 1% increase in interest rates, a 1% increase in currency price and a 10% increase in the diesel and jet fuel price is disclosed. A corresponding decrease results in an equal and opposite impact on the consolidated income statement.

	Interest rate 1% increase £'000	Diesel price 10% increase £'000	Jet fuel price 10% increase £'000	Currency price 1% increase £'000
--	--	--	--	---

#### At 28 February 2019

Increase in fair value of financial instruments	679	249	–	158
Impact on profit: (loss)/gain	(673)	249	–	158

#### At 28 February 2018

Increase in fair value of financial instruments	467	209	1,538	266
Impact on profit: (loss)/gain	(681)	209	1,538	266

### Capital management

The objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group monitors capital using gearing ratios. Gearing (excluding net debt in disposal groups) based on net debt divided by capital was 28.0% at 28 February 2019 (2018: 9.0%). The Group includes the following within borrowings: bank loans and overdrafts, finance leases and hire purchase contracts and loan notes. Capital comprises equity attributable to the equity holders of the Parent.

The Group uses share capital to partly fund major acquisitions where considered appropriate.

The Group is not subject to any externally imposed capital restraints except compliance with normal bank covenants.

Dividends are payable after considering the solvency of the Group and the forecast funding requirements and headroom.

### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. See the maturity profile of loans and borrowings below.

The Group prepares and reviews rolling weekly cash flow projections. Actual cash and debt positions along with available facilities and headroom are reported weekly. These are monitored by Group management.

In addition, full annual five-year forecasts are prepared including cash flow and headroom forecasts. These are full, detailed forecasts prepared by each division and consolidated for the Group.

The financial statements have been prepared using the going concern basis as the financial forecasts support the assumption that the Group will be able to meet its obligations when they fall due.

The table below summarises the maturity analysis of financial liabilities based on contractual undiscounted payments:

	1 to 5 years £'000			>5 years £'000			Total £'000
<b>At 28 February 2019</b>							
Loans and borrowings	1,052	59,634	–	–	60,686		
Finance lease borrowings	13,932	24,014	7,888	45,834			
Trade payables	28,589	–	–	–	28,589		
Swaps	949	–	–	–	949		
	<b>44,522</b>	<b>83,648</b>	<b>7,888</b>	<b>136,058</b>			
<b>At 28 February 2018</b>							
Loans and borrowings	1,297	40,938	–	–	42,235		
Finance lease borrowings	17,709	22,752	7,736	48,197			
Trade payables	23,432	–	–	–	23,432		
Swaps	197	–	–	–	197		
	<b>42,635</b>	<b>63,690</b>	<b>7,736</b>	<b>114,061</b>			

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 26 Employee benefits – pension schemes

The Ansa plan remains open for employees of Ansa Logistics Limited. The latest actuarial valuation of the Ansa plan was as at 31 December 2016 and was carried out by an independent qualified actuary using the projected unit method. At the date of the latest actuarial valuation, the realisable value of assets was £24,424,000, which was sufficient to cover 74% of the value of benefits that had accrued to members, measured on the continuing basis. Total contributions payable for the year to 28 February 2019 amounted to £1,111,000 (2018: £1,163,000) with £92,000 (2018: £606,000) of contributions due to the plan at 28 February 2019.

The scheme is established under trust law and has a corporate trustee that is required to run the scheme in accordance with the scheme's trust deed and rules and to comply with all the relevant legislation. Responsibility for governance of the scheme lies with the trustee. The trustee is a company whose Directors comprise representatives of the Group and the scheme participants, in accordance with its Articles of Association and UK pension law.

The scheme was formed after 1997 and therefore Guaranteed Minimum Pension (GMP) is not an issue.

The principal assumptions for the purpose of the actuarial valuations used in these consolidated financial statements were as follows:

	2019	2018
Discount rate for scheme liabilities	2.70%	2.70%
Rate of inflation (RPI)	3.45%	3.50%
Rate of inflation (CPI)	2.45%	2.50%
Rate of general increase in salaries	n/a	3.50%
S2NA, CMI_2017, 1.25%	S2NA, CMI_2016, 1.25%	minimum annual annual
Mortality table used	improvement	improvement

### Longevity assumptions for members of the Ansa plan

The life expectancies based on the plan's IAS 19 mortality assumptions at the plan's normal retirement age of 65 are as follows:

	Male life expectancy	Female life expectancy
28 February 2019	86.5	88.6
28 February 2039	87.9	90.1
28 February 2018	86.6	88.6
28 February 2038	88.1	90.2

The figures for the members 20 years in the future show how the expected future improvements in longevity, as a result of the CMI projections and the 1.25% p.a. minimum annual improvements, affect life expectancies. An 'improvement' means the decrease in the rate of mortality at a given age over the time period.

The mortality projection has changed in the year to ensure the new demographic assumptions reflect the Scheme Actuary's view of best estimate assumptions for the 2017 actuarial valuation.

### Sensitivities to principal assumptions

The principal risk to the Group in relation to the plan is that the Group would be required to fund any deficits in the plan, the level of which is variable and depends upon mortality rates, inflation and returns on plan assets.

The most significant sensitivity stems from the following assumptions:

- **Discount rate.** This is a key assumption because it is applied to the future pension payments.
- **Price inflation.** This is a key assumption because it is used to determine increases to pensions in payment and in deferment, and increases to pensionable salaries for the one active member.
- **Mortality after retirement.** This is a key assumption because it determines how long pensions are paid for when they come into payment. The central assumptions are the S2NA base tables, with the CMI\_2017 projections of future experience, subject to a 1.25% p.a. minimum annual improvement with no age rating.

Sensitising the assumptions listed above would have the following effects on the total liabilities, assets and deficit positions. For the purposes of the mortality sensitivity illustrations, we have varied the minimum annual improvement.

	2.45% £'000	2.70% £'000	2.95% £'000
Liabilities	30,044	28,850	27,723
Assets	25,680	25,680	25,680
Deficit	(4,364)	(3,170)	(2,043)
RPI inflation assumption			
Liabilities	27,958	28,850	29,779
Assets	25,680	25,680	25,680
Deficit	(2,278)	(3,170)	(4,099)
Minimum annual improvement			
Liabilities	28,305	28,850	29,409
Assets	25,680	25,680	25,680
Deficit	(2,625)	(3,170)	(3,729)

### Amounts recognised in the consolidated statement of financial position

	2019 £'000	2018 £'000
Present value of funded obligations	28,850	29,311
Fair value of scheme assets	25,680	25,659
<b>Net liability recognised in the consolidated statement of financial position</b>	<b>(3,170)</b>	<b>(3,652)</b>

### Amounts recognised in the consolidated income statement

	2019 £'000	2018 £'000
Return on scheme assets	691	636
Interest expense	(778)	(771)
<b>Finance expense</b>	<b>(87)</b>	<b>(135)</b>
<b>Current service cost (included in staff costs)</b>	<b>(2)</b>	<b>(2)</b>

**Amounts recognised in the consolidated statement of comprehensive income**

	2019 £'000	2018 £'000
Actual return less return recognised in profit or loss	(524)	61
Experience losses arising on the scheme liabilities	(4)	(604)
Changes in financial assumptions underlying the present value of the scheme liabilities	268	1,854
Changes in mortality assumptions underlying the present value of the scheme liabilities	–	–
<b>Amounts recognised in the consolidated statement of comprehensive income</b>	<b>(260)</b>	<b>1,311</b>
Deferred tax	45	(226)
<b>Remeasurement on defined benefit plan</b>	<b>(215)</b>	<b>1,085</b>
<b>Cumulative net gains recognised</b>	<b>(2,245)</b>	<b>(2,030)</b>

**Actual return less return recognised in profit or loss**

Actual return on scheme assets	167	697
Less return recognised in profit or loss	(691)	(636)
	<b>(524)</b>	<b>61</b>

Changes in the present value of defined benefit obligations and the fair value of scheme assets are as follows:

	2019 £'000	2018 £'000
<b>Defined benefit obligation</b>		
Opening defined benefit obligation	29,311	30,692
Current service cost	2	2
Interest expense	778	771
Actuarial gains	(264)	(1,250)
Employee contributions	1	1
Benefits paid	(978)	(905)
<b>Closing defined benefit obligation</b>	<b>28,850</b>	<b>29,311</b>
<b>Fair value of scheme assets</b>		
Opening fair value of scheme assets	25,659	24,987
Return recognised in profit or loss	691	636
Actuarial gains	(524)	61
Contributions made by the Group	1,111	1,166
Employee contributions	1	1
Benefits paid	(978)	(905)
Expenses	(280)	(287)
<b>Closing fair value of scheme assets</b>	<b>25,680</b>	<b>25,659</b>

The fair value of the scheme assets at the year end is analysed as follows:

	2019 £'000	2018 £'000
Equity instruments	6,552	9,695
Bonds	12,632	11,987
Diversified Growth Funds	6,218	3,285
Other (including cash)	278	692
<b>Fair value of scheme assets</b>	<b>25,680</b>	<b>25,659</b>

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. The trustees of the Ansa plan regularly review their investment strategies to ensure that wherever possible the nature of assets held in each scheme is appropriate to the maturity profile of the underlying pension obligation. The types of assets held are shown above, all of which have quoted prices in active markets with the exception of other assets. The age profile of the Ansa plan members, which provides an indication of the maturity profile of the defined benefit obligation, is shown below:

	2019 Years	2018 Years
Normal retirement age	65	65
Average age of deferred members	56	56
Average age of pensioner members	68	68

The Group expects to contribute £1,136,000 to the Ansa plan in the year ending 28 February 2020. A schedule of contributions was agreed with the trustees in the year ending 29 February 2016 to cover a 16-year period to 28 February 2031, setting out the deficit contributions payable into the scheme. The trustees seek to align the investment strategies with the maturity profile of the liabilities in the schemes. An additional liability for any surplus contributions payable as a result of this agreement has not been recognised as the Group has the right to a refund of any surplus. The Group operates a defined contribution plan. The charge in the year to the consolidated income statement was £1,093,000 (2018: £1,048,000). The value of contributions outstanding as at 28 February 2019 and included in other payables is £257,000 (2018: £737,000).

**27 Deferred tax**  
**Deferred tax liabilities**

	2019 £'000	2018 £'000
Accelerated allowances on plant and machinery	(2,213)	3,993
Roll-over relief	2,543	580
Revaluation of properties to fair value on acquisition	7,077	7,612
Brands recognised on acquisition	7,041	7,673
Other temporary differences	(888)	(423)
	<b>13,560</b>	<b>19,435</b>

Deferred tax assets have been recognised in respect of certain tax losses and other temporary differences giving rise to deferred tax assets because it is probable that the assets will be recovered.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 27 Deferred tax continued

Deferred tax has not been recognised in respect of tax losses of certain Group entities of £49,451,000 as at 28 February 2019 (2018: £10,412,000) on the basis that there is uncertainty over whether taxable profit will be available within the trades operated by these entities against which the unused tax losses can be utilised in future periods.

The deferred tax balances have been calculated at 17%, as this was the rate that was substantively enacted at the statement of financial position date. The main rate of corporation tax reduced to 19% from 1 April 2017, and will reduce further to 17% from 1 April 2020.

## Movement in deferred tax balances during the year

	Balance 28 February 2017 £'000	Recognised in profit or loss £'000	Foreign exchange adjustment £'000	Recognised in other comprehen- sive income £'000	Balance 28 February 2018 £'000	Recognised in profit or loss £'000	Foreign exchange adjustment £'000	Recognised in other comprehen- sive income £'000	Recognised in retained earnings £'000	Transfer to assets held for sale £'000	Balance 28 February 2019 £'000
Provisions	(1,252)	122	–	–	(1,130)	(381)	–	–	673	1,252	414
Tax losses	3,270	(2,739)	–	–	531	(42)	–	–	–	–	489
Share-based payments	1,188	205	–	–	793	2,186	(34)	–	–	(925)	–
Pension	970	(126)	–	(226)	–	618	(123)	–	45	–	540
Roll-over relief	(2,542)	1,962	–	–	(580)	(341)	–	–	–	(1,622)	(2,543)
Revaluation of properties to fair value on acquisition	(6,352)	(1,260)	–	–	(7,612)	535	–	–	–	–	(7,077)
Brands recognised on acquisition	(8,304)	631	–	–	(7,673)	632	–	–	–	–	(7,041)
Accelerated allowances on plant and machinery	(6,317)	2,125	199	–	(3,993)	2,452	(141)	–	–	3,895	2,213
Capitalised interest	(1,744)	(38)	–	–	(1,782)	–	–	–	–	–	(1,782)
	<b>(21,083)</b>	<b>882</b>	<b>199</b>	<b>(226)</b>	<b>793</b>	<b>(19,435)</b>	<b>2,698</b>	<b>(141)</b>	<b>45</b>	<b>(252)</b>	<b>3,525 (13,560)</b>

## 28 Provisions

	Site restoration £'000	Onerous leases/ contracts £'000	Litigation and claims £'000	Capital commitment £'000	Total £'000
At 1 March 2018	2,822	1,276	4,870	–	8,968
Provisions used	–	(592)	(3,377)	–	(3,969)
Provisions made	–	20,099	8,493	4,000	32,592
Provisions utilised	–	(22)	–	–	(22)
Unwind of discount	68	19	–	–	87
Currency translation differences	–	21	–	–	21
Disposal of subsidiary	–	(574)	(5,890)	–	(6,464)
<b>At 28 February 2019</b>	<b>2,890</b>	<b>20,227</b>	<b>4,096</b>	<b>4,000</b>	<b>31,213</b>

### Analysis of provisions:

Current	–	–	1,438	4,000	5,438
Non-current	2,890	20,227	2,658	–	25,775

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. Details of each provision category are as follows:

### Site restoration

The Group leases a long leasehold property which is currently unoccupied, in respect of which it has annual holding costs and dilapidation obligations. The estimated liability is discounted to its present value.

### Onerous leases/contracts

The opening provision includes a lease for underutilised hours in a flight simulator, of which a further provision was made and some was used in the year, and holding costs of an unoccupied property.

Following the disposal of Everdeal Holdings Limited, who operate the UK Flybe Franchise Operation (UKFFO), the Group has an agreement to part fund the operation. The Directors estimate the onerous contract to be £7,031,000 (2018: £nil). This operation, for which tickets went on sale in December 2016 and which commenced flights in May 2017, is being withdrawn following the agreement with easyJet and Ryanair to expand their operation at London Southend Airport. The operation is expected to be withdrawn by the end of February 2020.

In addition, a provision of £12.3m for an onerous lease contract was made in the year in connection with the disposal of Propius Holdings Limited (see note 5). The amount of this liability is not known but has been estimated as an amount to cover the difference between the lease rentals for certain aircraft payable to a lessor between 2023 and 2027, and a lower amount agreed as a sub-lease to Connect Airways. The amount in US dollars has been translated at the year end rate and discounted to the year end date. The disposal of subsidiary relates to the remaining flight simulator provision disposed of with Everdeal Holdings Limited.

The Directors do not believe that the present value of the future payments will be materially greater than the amounts provided for the two provisions above.

### Litigation and claims

The opening provision relates to claims against Everdeal Holdings Limited. A further provision was made in the year and some was used during the year before it was disposed. Other provisions made during the year relate to indemnities provided by the Group to Connect Airways Limited in relation to the disposal of Everdeal Holdings Limited and Propius Holdings Limited, for cases that are being defended.

### Capital commitment

The Group has entered into a commitment to its landlord to undertake the development of a leasehold site. The provision represents the estimated cost of the required development works.

### 29 Share-based payments

The table below shows the expenses arising from equity-settled share-based payment transactions, (credited)/charged to operating profit.

	2019 £'000	2018 £'000
Long-Term Incentive Plan 2014 to date	(45)	1,611
SAYE schemes to date	64	31
Stobart Energy Incentive Plan	41	36
Stobart Aviation Incentive Plan	324	–
Services rendered	330	–
<b>714</b>	<b>1,678</b>	

The share-based payment plans are described as follows.

### Long-Term Incentive Plan 2014 to date

During the current and prior years, performance shares were awarded to Executive Directors and other senior management under a Long-Term Incentive Plan. These performance shares vest subject to the TSR and the cumulative earnings per share (EPS), both measured over three-year periods. 50% of the share awards vest dependent on the TSR performance of the Group. None of these share awards will vest if the TSR performance of the Group is less than that of the comparator group (the TSR of the FTSE 250). 25% of the awards will vest if the TSR performance of the Group equals that of the comparator group and the remaining 75% will vest proportionately in line with how the TSR performance of the Group exceeds that of the comparator group between 0% and 10%. 50% of the share awards vest dependent on the cumulative EPS over the three financial years ending at the end of the third February after grant. None of these share awards will vest if the cumulative EPS is less than threshold, 25% of the shares will vest if the cumulative EPS is threshold and the remaining 75% will vest proportionately in line with how the cumulative EPS performs between threshold and stretch. If both elements of the performance conditions are achieved in full, the awards will be subject to a multiple up to a maximum of 2x multiplier if the Group's three-year TSR outperforms the index by 40% per annum or more. Further details are included in the Directors' Remuneration Report on pages 58 to 75.

### EPS threshold and EPS stretch for each issue

Grant date	Number of awards	EPS threshold	EPS stretch
1 November 2014	479,395	17.0p	21.0p
22 June 2015	1,308,941	23.5p	27.5p
6 November 2015	1,520,772	23.5p	27.5p
17 June 2016	1,683,764	20.0p	28.0p
22 June 2017	896,721	52.0p	60.0p
1 November 2017	2,333	52.0p	60.0p
20 June 2018	726,522	20.0p	28.0p

### 2015 Save As You Earn (SAYE)

On 1 September 2015, the Group introduced a SAYE scheme which was available to all qualifying employees and Directors. The scheme was approved by HM Revenue & Customs. Participants entered into a contract to save a fixed amount per month of up to a maximum of £500 for three years and are granted an option over shares at a fixed option price, set at a 20% discount to average market price for the three days prior to the invitation to participate. The number of shares comprising the option is determined by the monthly amount saved on maturity of the savings contract. Options granted under the SAYE scheme are not subject to any performance conditions. During the year, the 2015 SAYE vested, and 747,335 options were exercised. There are 852 options outstanding at the year end.

### 2018 Save As You Earn (SAYE)

During the year, qualifying employees and Directors were invited to join the 2018 SAYE scheme, where participants enter into a contract to save a fixed amount per month of up to a maximum of £500 for three years and are granted an option over shares at a fixed option price, set at a 20% discount to average market price for the three days prior to the invitation to participate. The number of shares comprising the option is determined by the monthly amount saved on maturity of the savings contract. Options granted under the SAYE scheme are not subject to any performance conditions. The maximum number of shares, if all vest, is 1,178,794.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 29 Share-based payments continued

### Stobart Energy Incentive Plan (SEIP)

During the prior year, eligible participants were invited to purchase shares in a subsidiary company under the SEIP. Ownership of these shares gives the participants the opportunity to benefit from a potential increase in value of the Energy division. Further details were set out in the Notice of Annual General Meeting and Approval of the Stobart Energy Incentive Plan document circulated in advance of the 2016 AGM.

### Stobart Aviation Incentive Plan (SAIP)

During the prior year, an eligible participant entered into a cash-settled incentive plan, giving the participant the opportunity to benefit from a potential increase in value of the Aviation division. Further details are included in the Directors' Remuneration Report on pages 58 to 75.

### Services rendered

The Group has used share options as partial consideration for services received. The fair value was determined using a market price for the services received. These share options will vest dependent on the market capitalisation of the Group during the performance period.

### Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, outstanding share awards during the year:

	2019 No. '000	2019 WAEP	2018 No. '000	2018 WAEP
Outstanding at 1 March	5,968	£0.11	6,813	£0.47
Granted during the year	1,923	£1.01	897	£nil
Exercised during the year	(2,626)	£0.24	(1,548)	£1.62
Lapsed during the year	(260)	£0.00	(194)	£0.36
Forfeited during the year	(1,428)	£0.01	–	–
Cancelled during the year	(224)	£0.08	–	–
<b>Outstanding at end of year</b>	<b>3,353</b>	<b>£0.57</b>	<b>5,968</b>	<b>£0.11</b>
<b>Exercisable at end of year</b>	<b>1</b>	<b>£0.84</b>	<b>106</b>	<b>£nil</b>

The 2014 LTIPs that were dependent on EPS performance were exercised during the year. The 2015 LTIPs vested in full and were exercised during the year.

The weighted average contractual life of awards/options outstanding at the year end is two months (2018: eight months).

### Valuation details

The fair value of the options granted without market-based performance conditions is estimated using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The fair value of the options granted with market-based performance conditions are estimated using a Monte Carlo model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the models used for the current and prior year.

	Long-Term Incentive Plan subject to TSR	Long-Term Incentive Plan subject to EPS
2014 LTIP share awards		
Dividend yield (%)	5.37	5.37
Expected volatility (%)	30.02	30.02
Risk-free interest rate (%)	1.01	1.01
Expected life of options (years)	3	3
Weighted average share price (£)	0.99	0.99
Fair value at date of grant (£)	0.40	0.88
Model used	Monte Carlo	Black-Scholes

	Long-Term Incentive Plan subject to TSR	Long-Term Incentive Plan subject to EPS
2015 LTIP share awards		
Dividend yield (%)	6.04	6.04
Expected volatility (%)	30.87	30.87
Risk-free interest rate (%)	0.92	0.92
Expected life of options (years)	3	3
Weighted average share price (£)	1.02	1.02
Fair value at date of grant (£)	0.40	0.85
Model used	Monte Carlo	Black-Scholes

	Long-Term Incentive Plan subject to TSR	Long-Term Incentive Plan subject to EPS
2016 LTIP share awards		
Dividend yield (%)	6.00	6.00
Expected volatility (%)	30.07	30.07
Risk-free interest rate (%)	0.90	0.90
Expected life of options (years)	3	3
Weighted average share price (£)	1.27	1.27
Fair value at date of grant (£)	0.52	1.06
Model used	Monte Carlo	Black-Scholes

	Long-Term Incentive Plan subject to TSR	Long-Term Incentive Plan subject to EPS
2017 LTIP share awards		
Dividend yield (%)	5.74	5.74
Expected volatility (%)	25.46	25.46
Risk-free interest rate (%)	0.24	0.24
Expected life of options (years)	3	3
Weighted average share price (£)	2.925	2.925
Fair value at date of grant (£)	1.453	2.462
Model used	Monte Carlo	Black-Scholes

	Long-Term Incentive Plan subject to TSR	Long-Term Incentive Plan subject to EPS
2018 LTIP share awards		
Dividend yield (%)	5.74	5.74
Expected volatility (%)	25.46	25.46
Risk-free interest rate (%)	0.24	0.24
Expected life of options (years)	3	3
Weighted average share price (£)	2.568	2.568
Fair value at date of grant (£)	1.258	2.132
Model used	Monte Carlo	Black-Scholes

2015 SAYE scheme	SAYE plan
Dividend yield (%)	5.98
Expected volatility (%)	30.10
Risk-free interest rate (%)	0.91
Expected life of options (years)	3
Weighted average share price (£)	1.09
Fair value at date of grant (£)	0.16
Model used	Black-Scholes

2018 SAYE scheme	SAYE plan
Dividend yield (%)	3.97
Expected volatility (%)	36.13
Risk-free interest rate (%)	0.83
Expected life of options (years)	3.5
Weighted average share price (£)	1.51
Fair value at date of grant (£)	0.29
Model used	Black-Scholes

Stobart Energy Incentive Plan	SEIP
Dividend yield (%)	nil
Expected volatility (%)	27
Average risk-free interest rate (%)	0.12
Expected life of options (years)	3.4
Fair value at date of grant (£)	109.93
Model used	Monte Carlo

Stobart Aviation Incentive Plan	SAIP
Dividend yield (%)	nil
Expected volatility (%)	30
Average risk-free interest rate (%)	0.456
Expected life of options (years)	0.842
Model used	Monte Carlo

The fair value at the date of grant of the awards subject to the multiplier was £0.02 (2018: £0.02).

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

### 30 Issued share capital and reserves

	2019 £'000	2018 £'000
<b>Ordinary share capital</b>		
Authorised – 505,272,670 (2018: 505,272,670) shares of 10p each	50,527	50,527
<b>Ordinary share capital – deferred shares</b>		
Authorised – 1,000 shares of 0.1p each	1	1

	Number of shares 2019 '000	Share capital 2019 £'000	Number of shares 2018 '000	Share capital 2018 £'000
Ordinary shares of 10p each issued and fully paid	354,329	35,434	354,329	35,434
At 1 March	354,329	35,434	354,329	35,434
Share issue	16,493	1,648	–	–
<b>At 28 February</b>	<b>370,822</b>	<b>37,082</b>	<b>354,329</b>	<b>35,434</b>

During the year ended 28 February 2019, the Company bought 1,450,000 (2018: 7,000,000) of its own shares for a net consideration of £3,416,000 (2018: £18,483,000) and sold none (2018: 1,414,575) of its own shares for a net consideration of £nil (2018: £2,500,000). The Group transferred 7,035,425 (2018: none) to the employee benefit trust for nil consideration (2018: £nil). At 28 February 2019, the Group held no (2018: 5,585,425) shares with a market value of £nil (2018: £13,321,000) in treasury and 5,059,362 (2018: 3,006,339) shares were held by the employee benefit trust.

During the year ended 28 February 2019, the Company issued 16,492,884 ordinary shares of 10p each generating cash of £24,702,000 (2018: £nil).

The Group has a retained deficit at 28 February 2019, however, this does not prevent dividends being paid. Stobart Group Limited is registered in Guernsey and under Guernsey Law, prior to making payments to shareholders, a company must satisfy the solvency test, which requires that it is able to meet its liabilities as they fall due and has assets which are greater than its liabilities, and the Directors must certify that this is the case. Taking into account the significant Share Premium account, the Company continues to satisfy these requirements.

### Voting rights

Ordinary shareholders are entitled to vote at all general meetings.

The deferred shares and treasury shares have no voting rights.

### Capital entitlement

The deferred shareholders are entitled to the repayment of the amounts paid up on the deferred shares after payment in respect of each ordinary share and £1,000,000.

### Nature and purpose of other reserves

#### Own shares held by employee benefit trust

This comprises the weighted average cost of own shares held by the employee benefit trust.

### 31 Lease commitments

#### Group as lessee

The Group has various operating lease agreements for land and buildings, in respect of both operational and office premises. These leases typically have terms of renewal but do not contain purchase options. Property leases typically include rent review clauses which allow for upward revision to the rental charge on a periodic basis, according to prevailing market conditions. Where escalation clauses are present that stipulate specific increases to the rental amount, the operating lease expense is recorded on a straight-line basis. Similarly, lease incentives are recorded on a straight-line basis.

At the year end, the Group had outstanding commitments for future minimum payments under non-cancellable operating leases, which fall due as follows:

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 31 Lease commitments continued

	Property 2019 £'000	Aircraft 2019 £'000	Vehicles, plant and equipment 2019 £'000	Property 2018 £'000	Aircraft 2018 £'000	Vehicles, plant and equipment 2018 £'000
Within one year	5,435	–	241	4,306	20,292	165
After one year but not more than five years	24,169	–	22	16,830	58,420	39
More than five years	109,812	–	–	89,373	48,029	–
	<b>139,416</b>	–	<b>263</b>	<b>110,509</b>	<b>126,741</b>	<b>204</b>

In addition to the above commitments, Propius Holdings Limited, presented with assets held for sale, has commitments of £94,064,000 as at 28 February 2019.

### Group as lessor

The Group has entered into commercial property leases on some of its properties. These non-cancellable leases have remaining terms of between one and 25 years. Certain leases include a clause to enable upward revision of the rental charge on an annual periodic basis according to prevailing market conditions. Where escalation clauses are present that stipulate specific increases to the rental amount, the operating lease expense is recorded on a straight-line basis. Similarly, lease incentives are recorded on a straight-line basis. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2019 £'000	2018 £'000
Within one year	2,374	17,088
After one year but not more than five years	5,707	9,660
More than five years	18,716	18,032
	<b>26,797</b>	<b>44,780</b>

The reduction in the year is primarily due to the disposal of Everdeal Holdings Limited and Propius Holdings Limited.

### Finance lease and hire purchase commitments

The minimum lease payments under hire purchase and finance leases fall due as follows:

	2019 £'000	2018 £'000
Within one year	15,256	17,709
After one year but not more than five years	24,762	22,754
More than five years	7,888	7,736
	<b>47,906</b>	<b>48,199</b>
Future finance charges on hire purchase and finance leases	(7,919)	(8,150)
Present value of hire purchase and finance lease liabilities	<b>39,987</b>	<b>40,049</b>

### Capital commitments

At 28 February 2019, the Group had commitments of £971,000 (2018: £4,500,000) relating to development work at a leasehold site in Widnes in the Infrastructure division, development and expansion works at London Southend Airport in the Aviation division and development works at the Port Clarence processing site in Stobart Energy.

### 32 Contingent liabilities

The Group is party to a number of ongoing legal cases, principally in relation to general employment, transaction and property-related matters. The Group will continue to defend any litigation in respect of such claims and, whilst the outcome of any claim, and therefore any future liability, cannot be certain, it is the Directors' opinion, based on external legal and property advice, that no material liabilities exist in respect of legal claims at year end beyond those included in provisions.

During the year a third party has threatened proceedings against the Group for alleged failure to comply with repair and maintenance obligations relating to waterway infrastructure at one of the Group's freehold properties. The potential claim has not been quantified by the third party. No provision has been made in respect of this claim in accordance with IAS 37 since an obligation to replace assets is only recognised as a liability only to the extent of the performance of the obligation.

### 33 Notes to the consolidated cash flow statement

	Notes	Year ended 28 February 2019 £'000	Restated Year ended 28 February 2018 £'000	
<b>(Loss)/profit before tax from continuing operations</b>		<b>(42,114)</b>	<b>109,324</b>	
Adjustments to reconcile (loss)/profit before tax to net cash flows:				
<b>Non-cash:</b>				
Loss/(gain) in value of investment properties	18	715	(939)	WA Developments International Limited is owned by W A Tinkler. During the period, the Group made purchases of £20,000 (2018: £170,000) relating to the provision of passenger transport and the Group levied recharges of £5,000 (2018: £87,000) relating to the recovery of staff costs and expenses to WA Developments International Limited. £63,000 (2018: £75,000) was due from and £nil (2018: £7,000) was due to WA Developments International Limited at the year end. As of 14 June 2018, WA Developments International Limited was no longer a related party.
Realised profit on sale of property, plant and equipment and investment properties		(584)	(148)	
Share of post-tax profits of associates and joint ventures accounted for using the equity method	16	1,740	(474)	Apollo Air Services Limited is owned by W A Tinkler. During the period, the Group made purchases of £185,000 (2018: £368,000) relating to the provision of passenger transport and sales of £21,000 (2018: £396,000) relating to fuel to Apollo Air Services Limited. £83,000 (2018: £56,000) was owed by the Group and £46,000 (2018: £202,000) was owed to the Group by this company at the year end. As of 14 June 2018, Apollo Air Services Limited was no longer a related party.
Gain on conversion of loan	7	(1,095)	–	
Loss/(gain) in value/loss/(profit) on disposal of assets held for sale		683	(3,942)	During the period, the Group made purchases of £nil (2018: £nil) and sales of £27,000 (2018: £34,000) to WA Tinkler Racing, a business owned by W A Tinkler, relating to car and race box hire. £26,000 (2018: £3,000) was owed to the Group at the year end. As of 14 June 2018, WA Tinkler Racing was no longer a related party.
Profit on disposal of associate		–	(123,892)	
Profit on sale and leaseback		(629)	(4,064)	
Profit on sale of property inventories	20	–	(540)	During the period, transactions with W A Tinkler and close family members of W A Tinkler totalled £10,000 (2018: £47,000) and £7,000 (2018: £16,000) was owed to the Group at the year end. As of 14 June 2018, W A Tinkler and his close family members were no longer a related party.
Depreciation of property, plant and equipment	15	16,305	13,405	
Finance income	10	(63)	(1,624)	During the period, the Group made purchases of £150,000 (2018: £600,000) and sales of £3,000 (2018: £11,000) to Stobart Capital Limited, a business part-owned by W A Tinkler, relating to investment management. £6,000 (2018: £3,000) was owed to the Group and £nil (2018: £150,000) was owed by the Group at the year end. As of 14 June 2018, Stobart Capital Limited was no longer a related party.
Finance costs	11	4,512	2,753	
Release of grant income	7	(609)	(890)	
Release of deferred premiums		(2,617)	(2,346)	
Impairment		7,800	–	
Amortisation of intangibles	7	3,938	3,938	
Charge for share-based payments	7	714	1,678	
Loss/(gain) on swaps mark to market valuation	25	353	(971)	
Retirement benefits and other provisions		87	(1,921)	
IFRS 15 transition adjustment		(3,949)	–	
<b>Working capital adjustments:</b>				
Increase in inventories		(127)	(298)	
Decrease in trade and other receivables		4,196	20,687	
Increase/(decrease) in trade and other payables		9,007	(1,584)	
<b>Cash (used in)/generated from continuing operations</b>		<b>(1,737)</b>	<b>8,152</b>	

In addition to the cash flow statement disclosures, there were material non-cash transactions in the year. These predominantly relate to the £40m disposal proceeds received from Connect Airways Limited following the disposal of Everdeal Holdings Limited and certain assets of Propius Holdings Limited. These proceeds were immediately loaned to Connect Airways Limited. See note 5 for more details.

### 34 Related parties

#### Relationships of common control or significant influence

W A Tinkler was a related party until 14 June 2018 when he ceased to be a Director of the Group. The sales and purchases disclosed below cover the period from 1 March 2018 until 14 June 2018. The amounts outstanding are unsecured and were entered into under normal commercial terms.

WA Developments International Limited is owned by W A Tinkler. During the period, the Group made purchases of £20,000 (2018: £170,000) relating to the provision of passenger transport and the Group levied recharges of £5,000 (2018: £87,000) relating to the recovery of staff costs and expenses to WA Developments International Limited. £63,000 (2018: £75,000) was due from and £nil (2018: £7,000) was due to WA Developments International Limited at the year end. As of 14 June 2018, WA Developments International Limited was no longer a related party.

Apollo Air Services Limited is owned by W A Tinkler. During the period, the Group made purchases of £185,000 (2018: £368,000) relating to the provision of passenger transport and sales of £21,000 (2018: £396,000) relating to fuel to Apollo Air Services Limited. £83,000 (2018: £56,000) was owed by the Group and £46,000 (2018: £202,000) was owed to the Group by this company at the year end. As of 14 June 2018, Apollo Air Services Limited was no longer a related party.

During the period, the Group made purchases of £nil (2018: £nil) and sales of £27,000 (2018: £34,000) to WA Tinkler Racing, a business owned by W A Tinkler, relating to car and race box hire. £26,000 (2018: £3,000) was owed to the Group at the year end. As of 14 June 2018, WA Tinkler Racing was no longer a related party.

During the period, transactions with W A Tinkler and close family members of W A Tinkler totalled £10,000 (2018: £47,000) and £7,000 (2018: £16,000) was owed to the Group at the year end. As of 14 June 2018, W A Tinkler and his close family members were no longer a related party.

During the period, the Group made purchases of £150,000 (2018: £600,000) and sales of £3,000 (2018: £11,000) to Stobart Capital Limited, a business part-owned by W A Tinkler, relating to investment management. £6,000 (2018: £3,000) was owed to the Group and £nil (2018: £150,000) was owed by the Group at the year end. As of 14 June 2018, Stobart Capital Limited was no longer a related party.

#### Associates and joint ventures

The Group had loans, not part of the net investment, outstanding from its associate interest, Shuban Power Limited, of £3,700,000 (2018: £5,332,000) at the year end, disclosed within trade and other receivables in current assets. The interest outstanding at the year end was £nil (2018: £1,475,000) and is disclosed within trade and other receivables. The loans are unsecured, will be settled in cash and have no fixed repayment date. Refer to note 11 for details of impairment in the year. These amounts were fully repaid in cash after the year end.

The Group had loans, not part of the net investment, outstanding from its associate interest, Mersey Bioenergy Holdings Limited, of £7,302,000 (2018: £7,302,000) at the year end which is disclosed within trade and other receivables in non-current assets. The interest outstanding at the year end was £3,451,000 (2018: £3,451,000) and is disclosed within trade and other receivables in non-current assets. The loans are unsecured, have a ten-year term ending in November 2024 and will be settled in cash. In addition, the Group made sales of £33,000 (2018: £nil) to Mersey Bioenergy Holdings Limited relating to director fees. At the year end, £10,000 (2018: £nil) was owed to the Group.

# Notes to the consolidated financial statements continued

For the year ended 28 February 2019

## 34 Related parties continued

During the year, the Group made sales of £5,171,000 (2018: £5,413,000) to Mersey Bioenergy Limited (a subsidiary of Mersey Bioenergy Holdings Limited) relating to the sale of material. At the year end, £885,000 (2018: £1,265,000) was owed to the Group.

The Group had loans, not part of the net investment, outstanding from its joint venture interest, Connect Airways Limited, of £33,888,000 (2018: £nil) at the year end. This balance was shown within trade and other receivables in non-current assets. £18,745,000 (2018: £nil) is an unsecured loan note and £15,143,000 (2018: £nil) is part of a second-ranking facility, both with a six-year term ending February 2025 and will be settled in cash.

During the year, the Group made sales of £488,000 (2018: £nil) to subsidiaries of Connect Airways Limited relating to passenger handling services and cost recharges. At the year end, £488,000 (2018: £nil) was owed to the Group.

There were no other balances between the Group and its joint ventures and associates during the current or prior year.

All loans are unsecured and all sales and purchases are settled in cash on the Group's standard commercial terms.

## Key management personnel

Key management personnel are the Executive and Non-Executive Directors and the Chief Financial Officer. Total aggregate emoluments were £1,909,000 (2018: £2,577,000) and consisted of:

	2019 £'000	2018 £'000
Emoluments	1,937	2,388
Share-based payment	(184)	832
Company contribution to money purchase pension plan	144	189
<b>1,897</b>	<b>3,409</b>	

Further details of the Executive and Non-Executive Directors' remuneration are set out in the Directors' Remuneration Report.

## 35 Post balance sheet events

On 3 May 2019, the Group placed £53.1m of secured guaranteed exchangeable bonds (Bonds) issued out of its wholly owned subsidiary Stobart Finance PLC. The Bonds will have a five-year maturity and will be unconditionally and irrevocably guaranteed by the Company and will be exchangeable into ordinary shares of 1 penny each in the capital of Eddie Stobart Logistics plc (ESL). The Bonds were issued at par, in principal amounts of £100,000 and integral multiples of £1,000 in excess thereof, and will bear interest at 2.75% per annum, payable semi-annually in arrears in equal instalments. The issuer will also pay holders of the Bonds a cash amount equal to the gross value of all cash dividends attributable to the ESL shares during the term of the Bonds. Unless previously exchanged, redeemed, or purchased and cancelled, and subject to a share redemption option of the Group, the Bonds will be redeemed at par on 8 May 2024. The Group intends to make the ESL shares underlying the Bonds available to bondholders for hedging purposes and will lend such ESL shares under a stock lending arrangement.

In March 2019, Stobart Group was announced as the operator for Durham Tees Valley Airport. The Group is responsible for the oversight and strategic development of the airport and will receive an annual fee for services provided.

## 36 Changes in significant accounting policies

The Group has applied IFRS 15 using the retrospective with cumulative effect method by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 March 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

The quantitative impact of adopting IFRS 15 on the Group's financial statements for the year ending 28 February 2018 was a £3,433,000 reduction in revenue and an additional £516,000 of operating expenses. These gave rise to an equity adjustment of £3,949,000, presented in the consolidated statement of changes in equity. The opened retained earnings balance as at 1 March 2018 without adoption of IFRS 15 was £71,374,000 and as reported was £67,425,000. The pre-tax adjustment of £3,949,000 relates to the timing of revenue recognised (£3,433,000) and recognition of capitalised costs (£516,000).

There has been no impact on the reported statement of comprehensive income or cash flow statement. The impact on retained earnings brought forward on 1 March 2018 was a decrease of £3,278,000, net of tax. The Group has transitioned using the cumulative effect method and has applied practical expedites relating to disclosure of performance obligations and the incremental costs.

## 37 Reconciliation of performance measures

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

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Non-GAAP APMs are used as they are considered to be both useful and necessary as well as enhancing the comparability of information between reporting periods, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

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

### Underlying EBITDA

Underlying EBITDA is the key profitability measure used by management for performance review in the day-to-day operations of the Group.

Underlying EBITDA represents profit/(loss) before interest, tax, depreciation, amortisation, swaps and non-underlying items. Refer to note 3 for reconciliation to statutory (loss)/profit before tax.

### Underlying profit before tax

Underlying profit before tax represents profit before tax and before non-underlying items. Refer to note 3 for reconciliation to statutory loss/(profit) for the period.

### Earnings per share from underlying continuing operations

This APM is based on underlying profit after tax which is (loss)/profit for the year from continuing operations before non-underlying items (see note 13 for further details).

# Directors, officers and advisors

## Executive Directors

Warwick Brady Chief Executive Officer	Appointed 01 July 2017
Nick Dilworth Chief Operating Officer	Appointed 01 September 2018
Lewis Girdwood Chief Financial Officer	Appointed 01 April 2019

## Non-Executive Directors

Iain Ferguson	Appointed 01 October 2013
Andrew Wood	Appointed 01 November 2013
John Coombs	Appointed 01 July 2014
Ginny Pulbrook	Appointed 01 October 2018
David Blackwood	Appointed 01 March 2019
David Shearer	Appointed 01 June 2019

## Company Secretary

Louise Brace	Appointed 23 October 2017
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## Registered office

Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY

## Administrator

Estera Administration (Guernsey) Limited  
Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY

## Auditor

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

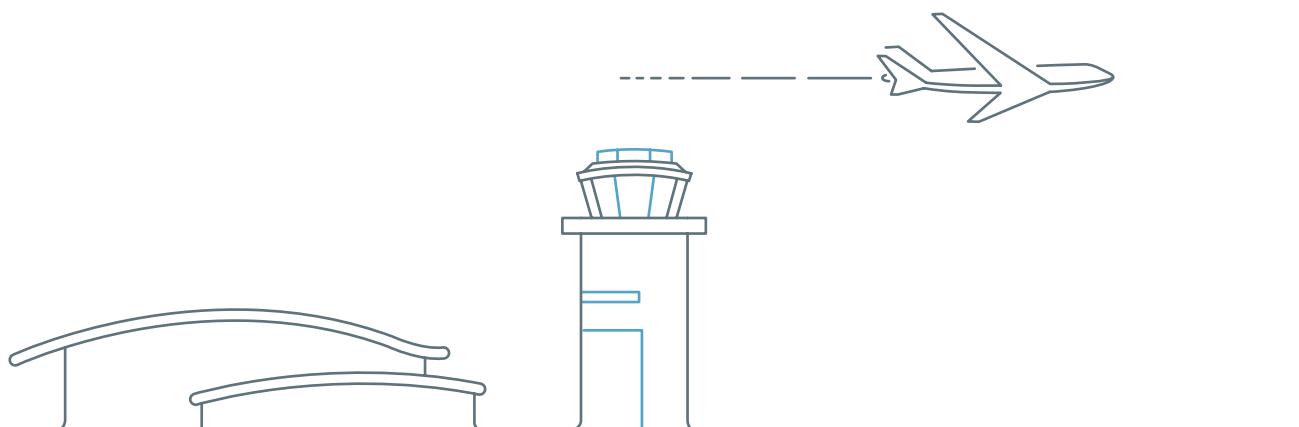
## Banker

Lloyds Bank plc  
Black Horse House, 91 Sandyford Road, Newcastle upon Tyne NE1 8HQ

## Sponsor, financial advisor and broker

Canaccord Genuity Limited  
88 Wood Street, London EC2V 7QR

Stifel Nicolaus Europe Limited  
150 Cheapside, London EC2V 6ET



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Registered in Guernsey  
Registered number 39117



# Stopart Group Limited Annual Report and Accounts 2019