



Stobart Group

Annual Report
and Accounts **2009**

Working together for **Greener** logistics solutions

Independent Auditor's Report

To the Members of Stobart Group Limited

We have audited the Group financial statements of Stobart Group Limited for the year ended 28 February 2009 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 28. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Stobart Group Limited for the year ended 28 February 2009.

This report is made solely to the Company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law 1994. 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 auditors' 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.

Respective responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law 1994. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, the Chief Executive Officer's Statement, the Business Review, the Financial Review and the Corporate Governance section. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion the Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU, of the state of the Group's affairs as at 28 February 2009 and of its loss for the year then ended and have been properly prepared in accordance with the Companies (Guernsey) Law 1994.

Ernst & Young LLP

Manchester

12 May 2009

Consolidated Income Statement

For the year to 28 February 2009

	Notes	Year to 28.02.2009 £'000	14 months from 1.01.2007 to 29.02.2008 £'000
Revenue	6	431,062	108,840
Operating expenses - underlying	3	(399,711)	(102,874)
Underlying operating profit		31,351	5,966
Share based payments	23	(716)	(49)
Restructuring costs	3	(2,722)	-
Credit for business purchase	5	3,609	-
Profit before interest and tax	3	31,522	5,917
Finance costs	9	(8,161)	(2,761)
Finance income	8	581	365
Profit before tax		23,942	3,521
Income tax	10	(2,797)	(729)
Profit for the period from continuing operations		21,145	2,792
Discontinued operations	7	(29,916)	(30,375)
Loss for the period attributable to equity holders of the parent		(8,771)	(27,583)
Earnings / (loss) per ordinary share			
From continuing operations			
Basic	11	9.81p	2.32p
Diluted	11	9.81p	2.32p
From continuing and discontinued operations			
Basic	11	(4.07p)	(22.92p)
Diluted	11	(4.07p)	(22.92p)

Consolidated Balance Sheet

As at 28 February 2009

	Notes	28.02.2009 £'000	(Restated) 29.02.2008 £'000
Non-current Assets			
Property, plant and equipment			
- Land and buildings	13	131,435	71,890
- Plant and machinery	13	15,302	9,445
- Fixtures, fittings and equipment	13	2,922	1,193
- Commercial vehicles	13	61,901	28,670
		211,560	111,198
Investment property	15	-	3,803
Intangible assets	14	223,258	164,540
Investments in joint ventures	17	-	161
Other investments		22	-
		434,840	279,702
Current Assets			
Inventories	18	1,700	1,120
Trade and other receivables	19	72,104	44,691
Cash and cash equivalents		7,251	4,519
		81,055	50,330
Assets of disposal groups classified as held for sale	7	2,900	25,925
		83,955	76,255
Total Assets		518,795	355,957
Non-current Liabilities			
Loans and borrowings	22	90,367	56,950
Other liabilities	21	15,420	8,966
Deferred tax liability	24	34,269	20,549
		140,056	86,465
Current Liabilities			
Trade and other payables	20	57,559	34,484
Loans and borrowings	22	37,775	23,451
Corporation tax liability		178	481
		95,512	58,416
Liabilities directly associated with the assets classified as held for sale	7	3,997	1,931
		99,509	60,347
Total Liabilities		239,565	146,812
Net Assets		279,230	209,145

Consolidated Balance Sheet Continued

As at 28 February 2009

	Notes	28.02.2009 £'000	(Restated) 29.02.2008 £'000
Capital and reserves			
Issued share capital	25	24,175	16,063
Share premium	25	155,805	70,535
Foreign currency exchange reserve	25	(468)	(132)
Reserve for own shares held by EBT	25	(803)	(803)
Revaluation reserve		-	340
Retained earnings		100,521	123,142
Total Equity		279,230	209,145

The financial statements were approved and authorised for issue by the Board of Directors on 12 May 2009 and were signed on its behalf by:



Rodney Baker-Bates, Chairman



Ben Whawell, Director

Consolidated Statement of Changes in Equity

For the year to 28 February 2009

Attributable to equity holders of the parent							
Notes	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
	16,063	70,535	(132)	(803)	340	123,142	209,145
	-	-	(336)	-	-	-	(336)
13	-	-	-	-	(340)	-	(340)
	-	-	(336)	-	(340)	-	(676)
	-	-	-	-	-	(8,771)	(8,771)
	-	-	(336)	-	(340)	(8,771)	(9,447)
25	8,112	88,366	-	-	-	-	96,478
	-	(3,096)	-	-	-	-	(3,096)
23	-	-	-	-	-	765	765
12	-	-	-	-	-	(14,615)	(14,615)
Balance at 28 February 2009	24,175	155,805	(468)	(803)	-	100,521	279,230

For the period to 29 February 2008

Attributable to equity holders of the parent							
Notes	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
	10,049	99,925	-	-	340	59,610	169,924
	-	-	(132)	-	-	-	(132)
	-	-	(132)	-	-	-	(132)
	-	-	-	-	-	(27,583)	(27,583)
	-	-	(132)	-	-	(27,583)	(27,715)
25	6,014	70,610	-	-	-	-	76,624
	-	(75)	-	-	-	-	(75)
	-	-	-	(803)	-	-	(803)
23	-	-	-	-	-	49	49
12	-	-	-	-	-	(8,859)	(8,859)
	-	(99,925)	-	-	-	99,925	-
Balance at 29 February 2008	16,063	70,535	(132)	(803)	340	123,142	209,145

Following an application to the Royal Court of Guernsey, £99,925,500 was transferred from Share Premium account to Distributable Reserves on 22 June 2007.

Consolidated Cash Flow Statement

For the year to 28 February 2009

	Notes	Year to 28.02.2009 £'000	14 months from 1.01.2007 to 28.02.2008 £'000
Cash generated from operations	27	47,946	(12,934)
Income taxes paid		(1,183)	(822)
Net cash flow from operating activities		46,763	(13,756)
Acquisition of subsidiaries and other businesses – net cash paid		(76,451)	(69,990)
Purchase of property, plant and equipment		(54,738)	(38,331)
Proceeds from the sale of property, plant and equipment		4,777	6,237
Dividends received from joint ventures		614	1,200
Net loans (advanced to) / repaid by joint ventures		(2,807)	8,962
Sales of investment properties		-	157,883
Interest received		650	2,222
Net cash flow from investing activities		(127,955)	68,183
Issue of ordinary shares less costs of issue	27	83,382	-
Dividend paid on ordinary shares		(14,615)	(8,859)
Proceeds from new finance leases		33,860	10,912
Repayment of finance leases		(15,751)	(7,832)
Proceeds from new long-term borrowings		4,581	-
Repayment of long-term borrowings		(2,684)	(90,241)
Interest paid		(8,355)	(6,578)
Net cash flow from financing activities		80,418	(102,598)
Decrease in cash and cash equivalents		(774)	(48,171)
Cash and cash equivalents at beginning of period		(8,340)	39,831
Cash and cash equivalents at end of period		(9,114)	(8,340)
Cash			
- Continuing		7,251	4,519
- Included in disposal group		207	728
Overdraft		(16,572)	(13,587)
Cash and cash equivalents at end of period		(9,114)	(8,340)

Notes to the Consolidated Financial Statements

For the year to 28 February 2009

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) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). The financial statements for the Company are also prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the accounting policies set out below. The financial statements for the Company are presented after the financial statements for the Group.

The financial statements of the Group and Company are also prepared in accordance with the Companies (Guernsey) Law 1994.

Stobart Group Limited is a Guernsey registered company. The Company's ordinary shares are traded on the London Stock Exchange.

Prior period adjustment

The prior period balance sheet and certain related notes have been restated for adjustments following completion of the acquisition accounting for the acquisition of Stobart Holdings Limited. This was only provisional in the prior period. This is in accordance with IFRS3 Business Combinations. Further details are set out in note 5. There is no effect on the comparative profit.

The principal activities of the Group are disclosed in note 6.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial period except as follows:

- (a) *New standards, amendments to published standards and interpretations to existing standards adopted by the Group:*

IFRIC 11 IFRS2 - Group and Treasury Share Transactions. The Group has adopted IFRIC 11 insofar as it applies to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party or the shareholders provide the equity instruments needed. There was no impact on the Group accounts from its adoption.

IFRIC 14 IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction are also mandatory for this period but the Group has no transactions relevant to these interpretations.

- IAS 23 Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009). The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. There was no impact on the Group accounts from its adoption.

- (b) *Standards, amendments and interpretations to published standards not yet effective:*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has decided not to adopt early. These are:

- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. It replaces IAS 14, Segmental Reporting. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.

IFRIC 12 Service Concession Arrangements has not yet been endorsed by the EU. It is not expected to impact upon the Group's accounts.

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. This is not expected to result in any reclassification of financial instruments in the balance sheet.

IAS 1 Presentation of Financial Statements. Whilst the revised IAS 1 will have no impact on the measurement of the Group's results or net assets, it is likely to result in certain changes in the presentation of the Group's financial statements from 2009 onwards.

IAS 16 Property, Plant and Equipment: Replace the term "net selling price" with "fair value less costs to sell". This is not expected to result in any change in the financial position of the Group.

IAS 28 Investment and Associates: If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. This amendment is not expected to impact on the Group as it does not account for its associates at fair value in accordance with IAS 39.

An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. This amendment is not expected to impact on the Group because this policy already applies.

IAS 31 Interest in Joint Ventures: If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply. This amendment is not expected to impact on the Group because it does not account for its joint ventures at fair value in accordance with IAS 39.

IAS 36 Impairment of Assets: When disclosed cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment is not expected to impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment is not expected to impact on the Group because this policy already applies.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. This is not expected to impact on the consolidated results of the Group because there are no intangible assets with definite lives.

IFRS 2 Share-based payment (amended): Clarification of the definition of a vesting condition. This amendment is not expected to impact on the Group because there are no relevant vesting conditions.

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

IFRS 3 Business Combinations (Revised): The Group does not anticipate early adopting the revised IFRS 3 and so will apply it prospectively to all business combinations on or after 1 January 2010. Whilst it is not possible to estimate the outcome of adoption, the key features of the revised IFRS 3 include a requirement for acquisition related costs to be expensed and not included in the purchase price; and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill). The standard also changes the treatment of non-controlling interests (formerly minority interests) with an option to recognise these at full fair value as at the acquisition date and a requirement for previously held non-controlling interests to be fair valued as at the date control is obtained, with gains and losses recognised in the income statement.

IAS 27 Consolidated and Separate Financial Statements (Amendment) is effective for annual periods beginning on or after 1 July 2009, with earlier application only permitted when the revised IFRS 3 is applied. The revised standard applies retrospectively with some exceptions. IAS 27 revised no longer restricts the allocation to minority interest of losses incurred by a subsidiary to the amount of the non-controlling equity investment in the subsidiary. A partial disposal of equity interest in a subsidiary that does not result in a loss of control will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to any gain or loss. Where there is loss of control of a subsidiary, any retained interest will have to be remeasured to fair value, which will impact the gain or loss recognised on disposal. The Group is currently assessing the impact on its financial statements from adopting IAS 27 revised.

IFRS 1 and IAS 27 Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate (amendment)

IFRS 7 Financial Instruments: Disclosure (amendment)

IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising On Liquidation (amendment)

IAS 39 Eligible hedged items

IFRIC 14 IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

IFRIC 13 Customer loyalty programmes

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 17 Distributions of Non-Cash Assets to Owners

IFRIC 18 Transfers of Assets from Customers

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Summary of significant accounting policies

Revenue

Revenue from the Eddie Stobart, Stobart Ports and Stobart Air business segments is recognised in the income statement as the fair value of consideration receivable on the delivery of services delivered at the balance sheet date net of discounts and VAT.

The accounting treatment for revenue from operating leases on investment properties (prior period only) is set out in 'Investment Properties' below.

Stobart Rail infrastructure engineering contract revenue is recognised to match the sales value of work performed up to the balance sheet date based on stage of completion.

Revenue is analysed by segment in note 6.

Functional and presentation currency

The Company's functional currency is Pounds Sterling (GBP) and it has adopted Pounds Sterling (GBP) as its presentational currency.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, 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.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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 assumed and equity instruments issued, plus any direct costs of acquisition.

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 exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other 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. Where the initial accounting for a business combination can only be determined provisionally by the first year end following the business combination then the test for impairment will be undertaken when the initial accounting is completed.

Impairment charges are included in the operating expenses line item in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of recognised income and expense. Impairment losses except losses relating to goodwill can be reversed in certain circumstances.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in 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.

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 balance sheet 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 Sterling at the rate of exchange prevailing at the balance sheet 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

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

Loans and Receivables

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 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

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

Loans, borrowings and the Group's income shares 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 balance sheet.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest 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 income shares include a contractual obligation on the Company to deliver cash in the form of the annual preference dividend and, in the absence of any other terms that would indicate an equity element, have been classified wholly as a financial liability (see 'Income Shares' below). The Group's ordinary shares are classified as equity instruments.

Own shares held by EBT

Stobart Group shares held by the Company 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.

Income Shares

Income Shares, which exhibit characteristics of liabilities, are recognised as liabilities in the Balance Sheet in accordance with IAS32. Income Shares are initially recognised at fair value less issue costs. After initial recognition, Income Shares are subsequently measured at amortised cost using the effective interest method. The corresponding distributions on these shares are charged as interest expense in the Consolidated Income Statement over the term of these shares.

Retirement Benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated income statement in the year to which they relate.

Share Based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

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.

The Group has a share based Long Term Incentive Plan accounted for as set out above. The shares held in trust under the LTIP scheme are denoted as treasury shares.

Leased Assets

Leases in terms of 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 balance sheet as tangible assets, initially at fair value or, if lower, at the present value of the minimum lease payments and depreciated over their estimated useful lives 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 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.

Restructuring Costs

Restructuring costs comprise costs of integration plans and other business reorganisation and restructuring undertaken by management including cost rationalisation, brand harmonisation, directly related management time, asset write downs and other related costs. These are principally expected to be one-off in nature.

Separately disclosed items

The Group presents separately on the face of the income statement material items of income and expense, 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 of the year.

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 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 balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

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 income statement in the period of retirement or disposal.

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.

Externally acquired intangible assets (excluding goodwill)

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful lives. The amortisation expense is included within the operating expenses line 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, judgments and assumptions below).

The significant intangibles recognised by the Group and their useful economic lives are as follows:

Intangible asset	Useful life
Brands	Indefinite

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 balance sheet date.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to 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 balance sheet 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 income statement to match the depreciation on 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.

Dividends on the income shares, which are classified as financial liabilities, are treated as finance costs and are recognised on an accruals basis when there is a liability to pay at the balance sheet date.

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. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred if the recognition criteria are met.

Depreciation is provided on all other items of property, plant and equipment 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	-	7% per annum straight line
Long life plant and machinery	-	5% per annum reducing balance
Other plant and machinery	-	10-14% per annum straight line
Vehicles and trailers	-	14-33% per annum straight line
Fixtures, fittings and equipment	-	20% 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 year the asset is derecognised.

Borrowing costs attributable to assets under construction are capitalised.

Inventories

Inventories are measured on a first in first out basis and are stated at the lower of cost and net realisable value.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups 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
- 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 and disposal groups 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 (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in the consolidated income statement up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented on the income statement (including the comparative period) as a single line which comprises the post tax profit or loss of the discontinued operation and the post tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

Provisions

Provisions are recognised for liabilities of uncertain timing or amounts that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

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.

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

Under the equity method, the investment in the associate is carried in the balance sheet 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. The income statement reflects the share of the results of operations 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. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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 balance sheet 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 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 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. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations 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. 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.

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 balance sheet 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 income statement.

2. Summary of significant accounting judgments, estimates and assumptions

The Group makes estimates and assumptions regarding the future. Estimates and judgments 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 estimates and assumptions. The estimates and assumptions 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, estimates and assumptions

- (a) Valuation of investment property
All property related assets held for sale are stated at lower of value at date of classification and fair value, which have been determined based on valuations performed by independent valuers or a qualified internal valuer on the basis of open market value.
- (b) Impairment of goodwill and indefinite life intangible assets
The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in note 14.
- (c) Useful lives of intangible assets and property, plant and equipment
Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the Directors' estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in note 13 and note 14.
- (d) Share-based payment
The Group has equity-settled share-based remuneration schemes for employees and Directors. Employee and Director services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options granted without market based vesting conditions is estimated by using a Black-Scholes model. The fair value of share options granted with market based vesting conditions is estimated by using a Monte Carlo model. These valuations are based on certain assumptions. Those assumptions are described in note 23 and include, among others, the dividend yield, expected volatility, expected life of the options and number of options expected to vest. More details are disclosed in note 23.
- (e) Determination of fair values of intangible assets acquired in business combinations
The fair value of brands acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the brands being owned.
- (f) Taxation
The taxation balances are calculated making certain tax assumptions about the tax treatment of incomes and costs, and the availability of certain losses for group relief. More details are disclosed in note 10.

3. Operating Expenses

Operating expenses comprise the following:

Notes	28.02.2009 £'000	29.02.2008 £'000
Employee benefits expenses excluding share based payments	158,029	35,404
Depreciation and amortisation expense	13,430	5,946
Other purchases and external expenses	228,252	61,524
Operating expenses underlying	399,711	102,874
Share based payments	716	49
Restructuring costs	2,722	-
Credit for business purchase	(3,609)	-
Operating expenses	399,540	102,923
Profit before interest and tax		
This has been arrived at after charging/(crediting):		
Staff costs (see note 4)	158,745	35,453
Depreciation of property, plant and equipment	13,430	5,946
Profit on disposal of property, plant and equipment	(678)	(1,057)
Impairment of investments in joint ventures	-	176
Operating lease expense:		
- Plant and machinery	14,194	4,712
- Property	11,813	4,424
Fees charged to the income statement relating to fees charged by Group auditors		
- Statutory audit fee relating to audit of Stobart Group Limited	58	91
- Statutory audit fee relating to audit of subsidiaries	142	125
- Other taxation services	59	61
- Services relating to corporate finance transactions	43	296
- Other services	28	28
	330	601
Restructuring costs		
Reorganisation and integration of James Irlam business	551	-
Reorganisation and integration of chilled business	1,510	-
Reorganisation and integration of the ports business	661	-
	2,722	-

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

4. Staff costs

	28.02.2009 £'000	29.02.2008 £'000
Staff costs		
Staff costs (including Directors) comprise:		
Wages and salaries	143,541	31,915
Social security costs	12,520	2,982
Other pension costs	1,968	507
Share based payment	716	49
	158,745	35,453
Average number of employees	2009	2008
Average number of persons employed by the Group (including Directors) during the period	4,977	990

During the period, the Group made a number of acquisitions (see note 5). Due to these acquisitions, the number of persons employed by the Group significantly increased. As at 28 February 2009, the Group employed 4,971 persons (29 February 2008: 2,609).

Directors' remuneration

Details of the Directors' remuneration are set out in the Directors' Remuneration Report.

5. Business combinations

Acquisitions in the period from 1 March 2008 to 28 February 2009

Acquisition of James Irlam & Sons Limited and Irlam Storage LLP

On 3 April 2008 the Group acquired 100% of the voting rights of James Irlam & Sons Limited and the trade, assets and liabilities of Irlam Storage LLP which together specialise in haulage, distribution, warehousing and process management services in the UK.

The fair value of the identifiable assets and liabilities of James Irlam & Sons Limited and Irlam Storage LLP as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair value recognised on acquisition £'000	Previous carrying value £'000
Property, plant and equipment	23,621	27,953
Investments	22	22
Cash and cash equivalents	678	678
Trade and other receivables	13,199	13,431
Inventories	557	557
	38,077	42,641
Bank loans and overdrafts	(9,369)	(9,369)
Trade payables	(5,831)	(5,822)
Other payables and deferred income	(2,599)	(2,599)
Finance leases	(7,843)	(7,843)
Corporation tax	(1,080)	1
Deferred tax	(1,228)	(1,574)
	(27,950)	(27,206)
Net assets	10,127	15,435
Goodwill arising on acquisition	52,311	
Total consideration	62,438	

The total cost of the combination was £62,438,000 and comprised the following:

	£'000
Cash	50,229
Shares issued	10,000
Costs associated with the acquisition	2,209
Total	62,438

The Group issued 7,692,306 ordinary shares with a fair value of £1.30 each. This price was the market value at the date of the acquisition.

The goodwill of £52,311,000 represents the fair value of the future earning potential of the business and other intangible assets, which cannot be individually separated and reliably measured due to their nature, in excess of the fair value of net assets identified. This has resulted from expected synergies through integration with our existing business, efficient location of properties, customer loyalty and the assembled workforce.

James Irlam & Sons Limited and Irlam Storage LLP contributed revenue of £59.7m in the current period (£65.2m if held from 1 March 2008) and profit before taxation of £6.9m (£7.3m if held from 1 March 2008).

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

Acquisition of WA Developments Limited (now renamed Stobart Rail Limited)

On 4 April 2008 the Group acquired 100% of the voting rights of WA Developments Limited (now renamed Stobart Rail Limited) which specialises in transport infrastructure engineering.

The fair value of the identifiable assets and liabilities of WA Developments Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair value recognised on acquisition £'000	Previous carrying value £'000
Property, plant and equipment	3,470	3,470
Investments	18	18
Cash and cash equivalents	-	-
Trade receivables	12,190	12,516
Other receivables	1,501	1,501
Inventories	115	115
	17,294	17,620
Bank loans and overdrafts	(4,601)	(4,601)
Trade payables	(2,192)	(2,192)
Other payables and deferred income	(3,808)	(3,808)
Finance leases	(187)	(187)
Corporation tax	(361)	(417)
Deferred tax	(237)	(228)
	(11,386)	(11,433)
Net assets	5,908	6,187
Goodwill arising on acquisition	4,375	
Total consideration	10,283	

The total cost of the combination was £10,283,000 and comprised the following:

	£'000
Cash	10,000
Costs associated with the acquisition	283
Total	10,283

The goodwill of £4,375,000 represents the fair value of the future earning potential of the business and other intangible assets, which cannot be individually separated and reliably measured due to their nature, in excess of the fair value of net assets identified. This has resulted from expected synergies with our existing business, especially in managing Group engineering projects, customer loyalty and the assembled workforce.

WA Developments Limited contributed revenue of £38.2m in the current period (£41.8m if held from 1 March 2008) and profit before taxation of £3.5m (£3.8m if held from 1 March 2008).

Acquisition of certain parts of the chilled and ambient operations of Innovate Logistics Limited

On 30 June 2008 and 4 July 2008 the Group acquired certain parts of the chilled and ambient operations of Innovate Logistics Limited which specialises in chilled and ambient haulage, distribution, warehousing and process management services in the UK.

The fair value of the identifiable assets and liabilities of the business acquired at the dates of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair value recognised on acquisition £'000	Previous carrying value £'000
Other receivables	633	-
Deferred tax	286	-
	919	-
Other payables and deferred income	(1,656)	-
	(1,656)	-
Net assets	(737)	-
Goodwill arising on acquisition	1,684	-
Total consideration	947	-

The total cost of the combination was £947,000 and comprised the following:

	£'000
Costs associated with the acquisition	947
Total	947

The goodwill of £1,684,000 represents the fair value of the future earning potential of the business and other intangible assets, which cannot be individually separated and reliably measured due to their nature, in excess of the fair value of net assets identified. This includes synergies with our existing business, customer loyalty and the assembled workforce.

The acquired operations of Innovate Logistics contributed revenue of £53.7m and loss before taxation of £1.1m.

It is not practicable to disclose the revenue or profit of acquired business from the beginning of the period as this information is not available for the parts of the business acquired.

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

Acquisition of London Southend Airport Company Limited

On 5 December 2008 the Group acquired 100% of the voting rights of London Southend Airport Company Limited which operates and manages a commercial airport.

The fair value of the identifiable assets and liabilities of London Southend Airport Company Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair value recognised on acquisition £'000	Previous carrying value £'000
Property, plant and equipment	36,439	2,484
Cash and cash equivalents	569	569
Trade receivables	753	763
Other receivables	560	560
Inventories	65	65
	38,386	4,441
Bank loans and overdrafts	(113)	(113)
Trade payables	(384)	(384)
Other payables and deferred income	(3,466)	(3,233)
Finance leases	-	-
Corporation tax	125	57
Deferred tax	(9,507)	-
	(13,345)	(3,673)
Net assets	25,041	768
Excess of net fair value acquired over cost	(3,609)	
Total consideration	21,432	

The total cost of the combination was £21,432,000 and comprised the following:

	£'000
Cash	10,020
Deferred contingent cash consideration	5,000
Loan notes issued	6,000
Costs associated with the acquisition	412
Total	21,432

The excess of the fair value of the assets and liabilities acquired over the cost of £3,609,000 represents a bargain purchase and has been recognised in the income statement, shown as credit for business purchase.

London Southend Airport Company Limited contributed revenue of £1.7m in the current period (£7.3m if held from 1 March 2008) and profit before taxation and credit for business purchase of £0.1m (loss £0.9m if held from 1 March 2008).

The deferred contingent consideration is dependent upon planning permission for an extension to the runway and ancillary facilities.

Acquisition of Irish trailer operation

On 1 April 2008 the Group acquired certain parts of the business which was part of the Irish trailer operation of TDG. The consideration totalled £347,800 comprising cash of £250,000 and fees of £97,800. Limited disclosures have been made in respect of this acquisition due its immateriality.

Summary of acquisitions in the year

The accounting for the acquisitions in the year to 28 February 2009 disclosed above has been completed except for the accounting for the Innovate Logistics acquisition and the London Southend Airport acquisition which have been determined only provisionally in this report. The accounting for the acquisition of London Southend airport has been determined only provisionally due to the proximity of the acquisition to the reporting date. The accounting for the acquisition of parts of the Innovate Logistics business has been determined only provisionally due to the limited access to accounting records prior to acquisition.

The acquisitions in the year (excluding the Innovate business where the information is not available) contributed revenue of £99.6m in the current period (£114.2m if held from 1 March 2008) and profit before taxation of £10.6m (£10.4m if held from 1 March 2008).

Acquisitions in the period from 1 January 2007 to 29 February 2008

Acquisition of Stobart Holdings Limited

On 21 September 2007 the Group acquired 100% of the voting rights of Stobart Holdings Limited, an unlisted company specialising in haulage, distribution, warehousing, property and process management services and merchandising throughout the UK.

The fair value of the identifiable assets and liabilities of Stobart Holdings Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair value recognised on acquisition £'000	Previous carrying value £'000
Property, plant and equipment	48,293	49,728
Cash and cash equivalents	4,557	4,557
Trade receivables	30,743	30,743
Other receivables	8,883	8,883
Inventories	887	887
Brands	60,000	-
	153,363	94,798
Bank loans and overdrafts	(19,291)	(19,291)
Trade payables	(20,140)	(20,140)
Other payables and deferred income	(22,854)	(20,027)
Finance leases	(23,427)	(23,427)
Corporation tax	(415)	(415)
Deferred tax	(15,457)	3,251
	(101,584)	(80,049)
Net assets	51,779	14,749
Goodwill arising on acquisition	79,271	
Total consideration	131,050	

The total cost of the combination was £131,050,000 and comprised of the following:

	£'000
Cash	61,741
Shares issued	66,532
Costs associated with the acquisition	2,679
Other	98
Total	131,050

The Group issued 45,726,535 ordinary shares with a fair value of £1.455 each. This price was the market value at the date of the acquisition.

In connection with this acquisition, the Group disposed of a substantial proportion of the investment property portfolio to WADI Properties Limited, a company with some ownership in common to the vendor company in the above acquisition. The portfolio was disposed of at market value.

The goodwill of £79,271,000 represents the fair value of the future earning potential of the business and other intangible assets, that cannot be individually separated and reliably measured due to their nature, in excess of the fair value of net assets identified. These intangible assets include customer loyalty and the assembled workforce.

The adjustments to the provisional values, on acquisition of Stobart Holdings Limited on 21 September 2007, shown in the prior period published financial statements are additional accruals of £2,827,000, associated deferred tax asset of £792,000 and further costs of acquisition of £147,000. This has been accounted for as a prior period adjustment with the comparative balances restated where appropriate in accordance with IFRS3 Business Combinations.

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

Acquisition of O'Connor Group Management Limited and subsidiary undertakings

On 21 September 2007 the Group acquired 100% of the voting rights of O'Connor Group Management Limited, an unlisted company based in North West England specialising in contract logistics throughout the UK.

The fair value of the identifiable assets and liabilities of the Group headed by O'Connor Group Management Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair value recognised on acquisition £'000	Previous carrying value £'000
Intangible assets	-	72
Property, plant and equipment	13,772	10,210
Cash and cash equivalents	299	299
Trade receivables	331	331
Other receivables	470	470
Inventories	953	953
	15,825	12,335
Bank loans and overdrafts	(4,000)	(4,000)
Trade payables	(621)	(621)
Other payables and deferred income	(2,430)	(2,430)
Finance leases	(835)	(835)
Corporation tax	(249)	(249)
Deferred taxation	(2,160)	(800)
	(10,295)	(8,935)
Net assets	5,530	3,400
Goodwill arising on acquisition	18,283	
Total consideration	23,813	

The total cost of the combination was £23,813,000 and comprised the following:

	£'000
Cash	2,695
Loan notes issued	20,420
Costs associated with the acquisition	698
Total	23,813

The goodwill of £18,283,000 comprises the fair value of the future earning potential of the business in excess of the fair value of net assets identified.

The accounting for the acquisition of O'Connor Group Management Limited which was determined only provisionally in the prior period has been completed during the period without further adjustment.

Acquisition of AHC (Warehousing) Limited and related companies

On 23 March 2007 the Group acquired 100% of the voting rights of AHC (Warehousing) Limited, Marsh Maintenance Limited and AHC (Isle of Man) Limited, unlisted companies based in North West England specialising in warehousing, transport and the operation of a railhead terminal throughout the UK. AHC (Warehousing) Limited changed its name to AHC Westlink Limited on 7 June 2007.

The fair value of the identifiable assets and liabilities of AHC Westlink Limited and related companies as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair value recognised on acquisition £'000	Previous carrying value £'000
Property, plant and equipment	10,906	10,551
Cash and cash equivalents	5,709	5,709
Trade receivables	1,094	1,094
Other receivables	6,509	6,509
Inventories	40	40
	24,258	23,903
Trade payables	(354)	(354)
Other payables including current tax	(12,150)	(12,150)
Deferred tax	(2,209)	(2,209)
	(14,713)	(14,713)
Net assets	9,545	9,190
Goodwill arising on acquisition	3,173	
Total consideration	12,718	

The total cost of the combination was £12,718,000 and comprised of the following:

	£'000
Cash	12,500
Costs associated with the acquisition	218
Total	12,718

The goodwill of £3,173,000 comprises the fair value of the future earning potential of the business in excess of the fair value of net assets identified.

On the same date the Company acquired land and buildings adjacent to the site at a cost of £19,964,000 being the market value of the land based on valuations performed by Knight Frank.

The accounting for the acquisitions of AHC Westlink Limited and related companies which was determined only provisionally in the prior period has been completed during the period without further adjustment.

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

6. Segmental information

The Group has taken further steps towards its multi-modal strategy during the year with acquisitions of James Irlam, Stobart Rail, the chilled business of Innovate Logistics and London Southend airport.

Following this and in line with the Group's multi-modal strategy, the Group has aligned its segments with the divisional structure within the business. The prior period segmental results have been restated in line with this structure. The Eddie Stobart and Stobart Ports segments were previously disclosed as one segment named Contract Logistics. Stobart Rail and Stobart Air are new segments arising in 2009 due to the acquisition of related businesses during the period.

The business segments within continuing operations are Eddie Stobart, Stobart Rail, Stobart Ports and Stobart Air.

The Eddie Stobart business segment comprises the Eddie Stobart contract logistics business including the acquired James Irlam, Innovate chilled and Irish trailer businesses.

The Stobart Rail business segment comprises the acquired rail infrastructure engineering business and rail freight business.

The Stobart Ports business segment comprises the inland port terminal and related transport at Widnes and the water port at the Port of Weston.

The Stobart Air business segment comprises London Southend airport.

The results relating to the property assets held for sale are included in a separate business segment included in discontinued activities as they are part of a coordinated plan to dispose of these assets. Also included in discontinued activities are the results in respect of discontinued rail services.

The Group's primary reporting format for reporting segments information is business segments. The Group's only geographical segment is the UK. The Group has overseas operations in Europe and Ireland which are not considered material for separate disclosure.

Further details of the discontinued segment are set out in note 7.

Segmental analysis for the year to 28 February 2009:

	Eddie Stobart £'000	Stobart Rail £'000	Stobart Ports £'000	Stobart Air £'000	Unallocated £'000	Eliminations £'000	Total contd. £'000	Discontd. £'000	Total £'000
Revenue									
External sales	387,259	27,539	14,574	1,690	-	-	431,062	731	431,793
Inter-segment sales	-	10,690	-	-	-	(10,690)	-	-	-
Total revenue	387,259	38,229	14,574	1,690	-	(10,690)	431,062	731	431,793
All revenue is from provision of services.									
Result									
Underlying operating profit	27,914	3,665	2,680	128	(2,689)	(347)	31,351	(1,203)	30,148
Share based payment	(306)	(128)	(49)	-	(233)	-	(716)	(16)	(732)
Restructuring costs	(2,061)	-	(661)	-	-	-	(2,722)	-	(2,722)
Credit for business purchase	-	-	-	3,609	-	-	3,609	-	3,609
Writedown of associates and joint ventures	-	-	-	-	-	-	-	(26,650)	(26,650)
Impairment of property asset	-	-	-	-	-	-	-	(1,803)	(1,803)
Profit before interest and tax	25,547	3,537	1,970	3,737	(2,922)	(347)	31,522	(29,672)	1,850
Fleet financing costs	(3,137)	(5)	(14)	(1)	-	-	(3,157)	-	(3,157)
Other net finance costs	(2,359)	(148)	(1,717)	1	(200)	-	(4,423)	(244)	(4,667)
Segment result	20,051	3,384	239	3,737	(3,122)	(347)	23,942	(29,916)	(5,974)
Taxation	-	-	-	-	-	-	(2,797)	-	(2,797)
Net profit for the year							21,145	(29,916)	(8,771)
Other information									
Segment assets	414,529	26,728	100,795	37,880	3,495	(67,532)	515,895	2,259	518,154
Investments in associates and joint ventures	-	-	-	-	-	-	-	641	641
Total assets	414,529	26,728	100,795	37,880	3,495	(67,532)	515,895	2,900	518,795
Segment liabilities	(145,187)	(13,294)	(101,919)	(13,616)	(29,084)	67,532	(235,568)	(3,997)	(239,565)
Net assets	269,342	13,434	(1,124)	24,264	(25,589)	-	280,327	(1,097)	279,230
Capital expenditure	61,809	4,375	14,844	36,557	645	-	118,230	-	118,230
Depreciation	11,959	768	586	41	76	-	13,430	4	13,434

Segmental analysis for the 14 months to 29 February 2008:

	Eddie Stobart £'000	Stobart Rail £'000	Stobart Ports £'000	Stobart Air £'000	Unallocated £'000	Eliminations £'000	Total contd. £'000	Discontd. £'000	Total £'000
Revenue									
External sales	96,994	-	11,846	-	-	-	108,840	8,177	117,017
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total revenue	96,994	-	11,846	-	-	-	108,840	8,177	117,017
Result									
Underlying operating profit	4,820	-	1,672	-	(526)	-	5,966	(9,914)	(3,948)
Share based payment	-	-	-	-	(49)	-	(49)	-	(49)
Restructuring costs	-	-	-	-	-	-	-	-	-
Credit for business purchase	-	-	-	-	-	-	-	-	-
Writedown of associates and joint ventures	-	-	-	-	-	-	-	(18,273)	(18,273)
Profit before interest and tax	4,820	-	1,672	-	(575)	-	5,917	(28,187)	(22,270)
Fleet financing costs	(694)	-	(5)	-	-	-	(699)	-	(699)
Other net finance costs	(1,556)	-	(538)	-	397	-	(1,697)	(2,278)	(3,975)
Segment result	2,570	-	1,129	-	(178)	-	3,521	(30,465)	(26,944)
Taxation	-	-	-	-	-	-	(729)	90	(639)
Net profit for the year							2,792	(30,375)	(27,583)
Other information									
Segment assets	243,958	-	82,625	-	1,106	-	327,689	1,699	329,388
Investments in associates and joint ventures	-	-	161	-	-	-	161	24,226	24,387
Total assets	243,958	-	82,786	-	1,106	-	327,850	25,925	353,775
Segment liabilities	(108,036)	-	(28,590)	-	(6,073)	-	(142,699)	(1,931)	(144,630)
Net assets	135,922	-	54,196	-	(4,967)	-	185,151	23,994	209,145
Capital expenditure	35,847	-	2,401	-	21	-	38,269	62	38,331
Depreciation	5,576	-	370	-	-	-	5,946	17	5,963
Amortisation	-	-	34	-	-	-	34	-	34

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

7. Discontinued operations

On 21 September 2007 the Group disposed of the substantial proportion of its investment property and related business. The remaining investment property and the joint venture and associate undertakings with investment property interests are classified as discontinued operations. The Directors intend to sell these properties within one year of the balance sheet date and are looking for purchasers. These assets remain classified as discontinued operations for an extended period as their potential commercial disposal has been adversely affected by the downturn in the commercial property market which is outside the control of the Group. The Group remains committed to the plan to sell the assets.

Discontinued rail services are also included in discontinued activities.

The results of the discontinued operations are presented below:

	Property trading business		Discontinued rail services		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Revenue	264	5,284	467	2,893	731	8,177
Expenses	(253)	(2,105)	(1,697)	(7,463)	(1,950)	(9,568)
Investment manager's fees	-	(11,995)	-	-	-	(11,995)
Profit / (loss) on disposal on investment property	-	4,507	-	-	-	4,507
Impairment of intangibles	-	-	-	(1,035)	-	(1,035)
Finance costs/income net	(247)	(2,282)	3	4	(244)	(2,278)
Writedowns of associates and joint ventures	(26,650)	(18,273)	-	-	(26,650)	(18,273)
Impairment of property asset	(1,803)	-	-	-	(1,803)	-
Loss before tax from discontinued operations	(28,689)	(24,864)	(1,227)	(5,601)	(29,916)	(30,465)
Taxation: related to the pre-tax profit/(loss)	-	90	-	-	-	90
Loss for the year from discontinued operations	(28,689)	(24,774)	(1,227)	(5,601)	(29,916)	(30,375)

The net cash flows incurred by discontinued operations are as follows:

	Property trading business		Discontinued rail services		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Operating activities	(153)	1,498	(175)	(4,555)	(328)	(3,057)
Investing activities	3	165,805	3	5	6	165,810
Financing activities	(250)	(90,275)	(71)	-	(321)	(90,275)
Total	(400)	77,028	(243)	(4,550)	(643)	72,478

The major classes of assets and liabilities of the disposal groups classified as held for sale as at 28 February 2009 are as follows:

	Property trading business		Discontinued rail services		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Assets						
Investment property	2,000	-	-	-	2,000	-
Investments in associates and joint ventures	641	23,976	-	-	641	23,976
Other investments	-	250	-	-	-	250
Property, plant and equipment	-	-	-	45	-	45
Debtors	52	475	-	451	52	926
Cash and short-term deposits	193	471	14	257	207	728
Assets classified as held for sale	2,886	25,172	14	753	2,900	25,925
Liabilities						
Liabilities directly associated with assets classified as held for sale	2,928	(722)	(6,925)	(1,209)	(3,997)	(1,931)
Net assets/(liabilities) directly associated with assets classified as held for sale	5,814	24,450	(6,911)	(456)	(1,097)	23,994

Earnings per share	2009	2008
Basic and diluted, from discontinued operations	(13.88p)	(25.24p)

8. Finance income

	2009 £'000	2008 £'000
Bank interest receivable	581	365
Total finance income	581	365

9. Finance costs

	2009 £'000	2008 £'000
Bank loans, loan notes and overdraft	4,553	1,606
Distributions on income shares	422	421
Amortisation of income shares issue costs	29	34
Finance charges payable under finance leases and hire purchase contracts	3,157	700
Total finance costs	8,161	2,761

During the year £229,000 (2008: £nil) of interest was capitalised.

10. Taxation

Taxation on profit on ordinary activities

Tax charged in the income statement	2009 £'000	2008 £'000
Current income tax:		
UK Corporation tax		
- Continuing operations	-	(34)
- Discontinued operations	-	-
Guernsey tax	-	5
Adjustment in respect of prior years	(399)	
Total current tax	(399)	(29)
Deferred tax:		
Origination and reversal of temporary differences	(1,149)	754
Impact of change in deferred tax rate	-	4
Impact of abolition of Industrial Buildings Allowances	3,978	-
Adjustment in respect of prior years	367	-
Total deferred tax charge	3,196	758
Total charge in the income statement	2,797	729

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

Reconciliation of income taxation 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:

	2009 £'000	2008 £'000
Profit from continuing operations before taxation	23,942	3,521
Loss from discontinued operations before taxation	(29,916)	(30,465)
Net profit / (loss) before taxation	(5,974)	(26,944)
UK income tax at rate of 28% (2008: 30%)	(1,673)	(8,083)
Effects of:		
Losses arising from discontinued operations not allowable for tax purposes	-	6,338
Impact of abolition of Industrial Buildings Allowances	3,978	-
Income not taxable including interest receivable and share of profits of associates and joint ventures	(1,062)	(1,273)
Losses arising not relievable against current tax	420	605
Expenses incurred not relievable against current tax	1,166	3,049
Adjustments in respect of prior years	(32)	-
Impact of change in UK tax rate	-	93
	2,797	729

With effect from 1 March 2008, the Company's affairs are conducted such that it is likely it will be considered to be resident in the UK for tax purposes. WPL Investments Limited and WPL Ventures Limited are subject to taxation in Guernsey. With effect from 1 January 2008, Guernsey abolished the exempt company regime. Thereafter, the Company will be taxed at the Company standard rate (0%). In the prior year the Company was exempt from taxation under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and was liable to an annual fee of £600.

The income tax charge is stated after Group relief of £25.5m which originated from a valuation of property related assets held in Stobart Properties Limited, a trading subsidiary undertaking. These property-related assets are classified as assets 'held for sale' in the balance sheet and the related results are included in discontinued operations in accordance with IFRS. Group relief has been taken where appropriate for nil payment.

Westlink Group Limited, Stobart Holdings Limited, James Irlam & Sons Limited, Stobart Rail Limited (previously WA Developments Limited), Stobart Airports Limited and their respective subsidiaries are subject to corporation tax in the UK.

11. 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 period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of shares that would have been issued on exercise of all the dilutive options into ordinary shares.

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

	Continuing Operations 2009 £'000	Discontinued Operations 2009 £'000	Total 2009 £'000	Continued Operations 2008 £'000	Discontinuing Operations 2008 £'000	Total 2008 £'000
Numerator						
Profit used for basic earnings	21,145	(29,916)	(8,771)	2,792	(30,375)	(27,583)
Effect on earnings of dilutive potential ordinary shares	-	-	-	-	-	-
Profit used for diluted earnings	21,145	(29,916)	(8,771)	2,792	(30,375)	(27,583)

The adjusted earnings per share is 7.7p (2008: 2.1p). The numerator used in calculating the normalised earnings per share of £16,600,000 (2008: £2,535,000) is the profit before tax from continuing operations of £23,942,000 (2008: £3,521,000) less the credit for business purchase of £3,609,000 (2008: £nil) plus the restructuring costs of £2,722,000 (2008: £nil) and allowing for tax at 28% of £6,455,000 (2008: £986,000).

Denominator	2009 Number	2008 Number
Weighted average number of shares used in basic EPS	215,585,798	120,349,347
Effects of employee share options	-	-
Weighted average number of shares used in diluted EPS	215,585,798	120,349,347

On 21 September 2007 1,504,120 options, with an exercise price of 166.2p, were granted. These are potentially dilutive instruments but were not included in the calculation of diluted earnings per share because they were anti-dilutive for the year and prior period as the average market price of the shares was lower than the exercise price.

On 10 March 2008 and 3 July 2008 respectively, 2.84m and 2.40m share options were granted to Directors and management under the Stobart Executive Incentive Plan with an exercise price of nil. These are not dilutive instruments as the vesting conditions have not been met unconditionally at the year end date.

12. Dividends

Dividends Paid on Ordinary Shares	2009		2008	
	Rate p	£	Rate p	£
Final dividend for 2008 paid 23 June 2008	5.3	8,513,146	-	-
Interim dividend paid 28 November 2008	2.7	6,101,808	-	-
Final dividend for 2006 paid 24 January 2007 (declared December 2006)	-	-	1.5	1,507,300
First interim dividend paid 3 May 2007 (declared March 2007)	-	-	1.5	1,507,300
Second interim dividend paid 20 July 2007 (declared June 2007)	-	-	1.5	1,507,300
Third interim dividend paid 26 October 2007 (declared September 2007)	-	-	2.7	4,336,886
Dividends paid	8.0	14,614,954	7.2	8,858,786

A final dividend of 3.3p per share totalling £7,977,629 was declared on 12 May 2009 and will be paid on 22 June 2009. This is not recognised as a liability as at 28 February 2009.

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

13. Property, Plant and Equipment

Year to 28 February 2009	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Total £'000
Cost or valuation					
At 1 March 2008	72,228	10,901	1,931	31,786	116,846
Acquisition of businesses	43,453	5,330	940	13,807	63,530
Additions	17,518	2,751	1,387	33,044	54,700
Disposals	(152)	(182)	(13)	(13,374)	(13,721)
Revaluations	(340)	-	-	-	(340)
At 28 February 2009	132,707	18,800	4,245	65,263	221,015
Aggregate depreciation and impairment losses					
At 1 March 2008	338	1,456	738	3,116	5,648
Charge for the period	1,034	2,105	585	9,706	13,430
Disposals	(100)	(63)	-	(9,460)	(9,623)
At 28 February 2009	1,272	3,498	1,323	3,362	9,455
Net book value at 28 February 2009	131,435	15,302	2,922	61,901	211,560

14 Months to 29 February 2008	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2007	11,000	77	20	-	11,097
Acquisition of subsidiaries	36,380	8,750	1,222	26,619	72,971
Additions	24,857	2,530	690	10,192	38,269
Disposals	(9)	(456)	(1)	(5,025)	(5,491)
Revaluations	-	-	-	-	-
At 29 February 2008	72,228	10,901	1,931	31,786	116,846
Aggregate depreciation and impairment losses					
At 1 January 2007	-	9	4	-	13
Charge for the period	343	1,523	735	3,345	5,946
Disposals	(5)	(76)	(1)	(229)	(311)
At 29 February 2008	338	1,456	738	3,116	5,648
Net book value at 29 February 2008	71,890	9,445	1,193	28,670	111,198
Net book value at 1 January 2007	11,000	68	16	-	11,084

The balance as at 1 January 2007 consisted only of land and buildings at Weston Point Docks in Runcorn, which were acquired through the acquisition of Westlink Group Limited in the year ended 31 December 2006. These properties were revalued by Knight Frank, an independent valuer, in prior periods and a revaluation uplift of £340,000 was recorded. Following the acquisition of the Eddie Stobart business in September 2007 the Group's policy is not to revalue operating land and buildings. Accordingly, this revaluation surplus has been reversed.

Other land and buildings were acquired through the business acquisitions and were subject to independent valuations as part of the fair value exercise, or were acquired during the period at market value.

Bank borrowings are secured on the Group's freehold land and buildings.

Included in land and buildings at 28 February 2009 are assets under construction of £7.5m.

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and are secured on the related assets:

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Total £'000
Cost	-	4,470	127	64,507	69,104
Aggregate depreciation	-	(781)	(61)	(8,934)	(9,776)
Net book value at 28 February 2009	-	3,689	66	55,573	59,328
Net book value at 29 February 2008	-	1,529	91	27,124	28,744

14. Intangible assets

	Goodwill	Brand names	Total
Cost			
At 1 January 2007	3,813	-	3,813
Acquisition of AHC (Warehousing) Limited and related companies	3,173	-	3,173
Acquisition of Stobart Holdings Limited (restated - see note 5)	79,271	60,000	139,271
Acquisition of O'Connor Group Management Limited	18,283	-	18,283
At 29 February 2008 (restated)	104,540	60,000	164,540
Acquisition of James Irlam & Sons Limited and Irlam Storage LLP	52,311	-	52,311
Acquisition of WA Developments	4,375	-	4,375
Acquisition of certain parts of the chilled and ambient operations of Innovate Logistics Limited	1,684	-	1,684
Acquisition of Irish trailer operation	348	-	348
At 28 February 2009	163,258	60,000	223,258
Impairment			
At 1 March 2008 and 28 February 2009	-	-	-
Net book value			
At 1 January 2007	3,813	-	3,813
At 29 February 2008 (restated)	104,540	60,000	164,540
At 28 February 2009	163,258	60,000	223,258

There are no internally generated intangible assets.

Brand names consist of the Eddie Stobart brand and other Stobart-associated brands. This brand name is considered to have an indefinite useful life as there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group. The Group invests significant amounts to support the brand profile and development.

Further details of the accounting for the acquisitions in the year are set out in note 5.

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Impairment testing of goodwill and intangible assets with indefinite lives

The goodwill and brands with indefinite lives from business combinations have been allocated to three cash generating units. Carrying amounts of goodwill and brands with indefinite lives allocated to each cash generating unit are set out below:

	Eddie Stobart		Stobart Rail		Stobart Ports		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Carrying amount of goodwill	133,614	-	4,375	-	25,269	3,813	163,258	3,813
Carrying amount of brands with indefinite useful lives	60,000	-	-	-	-	-	60,000	-

Eddie Stobart cash-generating unit

The recoverable amount of the goodwill in the Eddie Stobart cash-generating unit has been based on value in use calculations using projections from financial forecasts approved by senior management covering a 5-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 is 9.0% and cash flows beyond the 5-year period are deemed to be in perpetuity.

No impairment losses have been recognised in the period or the prior period. The calculation of the value in use is most sensitive to the discount rate and sales volumes. With regard to the assessment of value in the Eddie Stobart unit, management believes that no reasonably possible change in the discount rate or sales volumes would cause the carrying value of the unit to exceed its recoverable amount.

Stobart Rail cash-generating unit

The recoverable amount of the goodwill in the Stobart Rail cash-generating unit has been based on value in use calculations using projections from financial forecasts approved by senior management covering a 5-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 is 9.9% and cash flows beyond the 5-year period are deemed to be in perpetuity.

No impairment losses have been recognised in the period or the prior period. The calculation of the value in use is most sensitive to the discount rate. With regard to the assessment of value in the Stobart Ports unit, management believes that no reasonably possible change in the discount rate would cause the carrying value of the unit to exceed its recoverable amount.

Stobart Ports cash-generating unit

The recoverable amount of the goodwill in the Stobart Ports cash-generating unit has been based on value in use calculations using projections from financial forecasts approved by senior management covering a 5-year period. The main assumptions on which the forecasts were based include container volumes and profit margins. The pre-tax discount rate applied to the cash flow projections is 7.0% and cash flows beyond the 5-year period are deemed to be in perpetuity.

No impairment losses have been recognised in the period or the prior period. The calculation of the value in use is most sensitive to the discount rate and container volumes. With regard to the assessment of value in the Stobart Ports unit, management believes that no reasonably possible change in the discount rate would cause the carrying value of the unit to exceed its recoverable amount.

In determining the discount rates used, management used external sources of information as well as internal capital ratios. In determining the sales volumes, management used past experience adjusted for expected differences.

The period over which management has projected cash flows based on approved forecasts is two years for the Eddie Stobart cash generating unit and five years for the Stobart Rail and Stobart Ports cash generating units. The growth rate used to extrapolate the cash flows beyond five years is nil.

15. Investment Property

Investment property in the prior year was stated at fair value, determined based on valuations performed by Knight Frank, an accredited independent valuer, as at 29 February 2008 on the basis of open market value, supported by market evidence. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms 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.

	2009 £'000	2008 £'000
Opening balance	3,803	139,446
Additions	-	-
Disposals	-	(139,363)
Net gains from fair value adjustments	-	3,720
Reclassification to assets of disposal groups held for sale	(3,803)	-
Closing balance	-	3,803

The remaining investment property at 1 March 2008 was reclassified to assets of disposal groups held for sale during the year.

At 28 February 2009, there were no restrictions on the realisability of investment property or remittance of income and proceeds of disposal (2008: none).

At 28 February 2009, contractual obligations to purchase investment property amounted to £nil (2008: £nil).

16. Investments in Subsidiary Companies

The financial statements include the financial statements of Stobart Group Limited and the principal subsidiaries listed in the following table:

Name of Subsidiary	Place of incorporation	Proportion of ordinary shares held directly	Proportion of ordinary shares held indirectly	Business Activity
WPL Ventures Limited	Guernsey	100%	-	Holding company
WPL Investments Limited	Guernsey	100%	-	Holding company
Endeavour Guernsey Limited	Guernsey	-	100%	Property investment
Westlink Group Limited	England	100%	-	Holding company
Inhoco 3185 Limited	England	-	100%	Holding company
Westlink Holdings Limited	England	-	100%	Property investment
Westlink Storage & Shipping Limited	England	-	100%	Contract logistics
Victa Westlink Rail Limited	England	-	100%	Contract logistics
AHC Westlink Limited	England	-	100%	Contract logistics
AHC (Isle of Man) Limited	Isle of Man	-	100%	Holding company
Marsh Maintenance Limited	England	-	100%	Property investment
Stobart Properties Limited	England	100%	-	Trading company
Stobart Holdings Limited	England	100%	-	Holding company
Eddie Stobart Group Limited	England	-	100%	Contract logistics
Eddie Stobart Limited	England	-	100%	Contract logistics
Eddie Stobart Promotions Limited	England	-	100%	Corporate merchandising
Eddie Stobart Belgium NV	Belgium	-	100%	Contract logistics
Eddie Stobart Insurance Limited	Isle of Man	-	100%	Insurance
Stobart (Ireland) Limited	Ireland	-	100%	Contract logistics
O'Connor Group Management Limited	England	-	100%	Holding company
O'Connor Container Transport Limited	England	-	100%	Contract logistics
O'Connor Container Storage Limited	England	-	100%	Contract logistics
O'Connor Properties Limited	England	-	100%	Property investment
James Irlam & Sons Limited	England	100%	-	Contract logistics
Stobart Airports Limited	England	100%	-	Holding company
London Southend Airport Company Limited	England	-	100%	Commercial airport
Stobart Rail Limited	England	100%	-	Rail services
SPD1 Limited	England	-	100%	Contract Logistics

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17. Investments in Associates and Joint Ventures

	Year end	Issued Ordinary Shares of £1 each	Residence	Percentage of nominal value of issued shares or members' capital held
Ropewalks One LLP	30 September	n/a	UK	50%
One Plantation Place Unit Trust ¹	31 March	n/a	Jersey	22%
Westbury Fitness Limited	31 December	10,000	Guernsey	50%
Westbury Fitness Hull Limited	30 April	1	Isle of Man	50% (wholly owned by Westbury Fitness Limited).
Westar Limited	31 December	10,000	Guernsey	50%
Westar 2 Limited	31 December	10,000	Guernsey	50%
Burion Limited	31 December	2	Guernsey	50% (wholly owned by Westar Limited)
The Synergy Gateshead Unit Trust	31 December	n/a	Jersey	50% (Owned by Westar Limited and Burion Limited)
The Gateshead Unit Trust	31 December	n/a	Jersey	Wholly owned by The Synergy Gateshead Unit Trust
Endeavour Ware Limited ¹	31 December	10,000	Guernsey	47.5%
Endeavour Guildford Limited	31 December	2	Guernsey	50%
Weston Point Studios Limited	31 August	2	UK	50%
Convoy Limited	5 April	2	Isle of Man	50%
Starion Tottenham Court Road Limited	30 April	1	Isle of Man	50%

¹ This entity is an associate, all others are joint ventures.

The businesses of all of the above associates and joint ventures are property related businesses. The assets and liabilities of these businesses are classified as held for sale and they are classified as discontinued operations as they are all part of a co-ordinated plan to dispose of the property and related business operations. Disclosures in relation to discontinued operations are set out in note 7.

The above holdings are all held indirectly by Stobart Group Limited.

18. Inventories

	2009 £'000	2008 £'000
Consumable supplies	1,528	918
Goods held for resale	172	202
	1,700	1,120

19. Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables – net	55,658	34,426
Other receivables and prepayments	16,107	10,228
Loans to related parties	339	37
	72,104	44,691

All receivables are due within one year of the balance sheet date. The majority of our receivables are current. The amount of receivables past due but not impaired, is not material.

For terms and conditions relating to related party receivables see note 28.

20. Trade and other payables (current)

	2009 £'000	(Restated) 2008 £'000
Trade payables	26,364	17,190
Other taxes and social security	8,366	3,584
Other payables, accruals and deferred income	22,829	13,710
	57,559	34,484

21. Non-current payables

	2009 £'000	(Restated) 2008 £'000
Contingent consideration	5,000	-
Other payables, accruals and deferred income	10,420	8,966
	15,420	8,966

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

22. Financial assets and liabilities

Loans and borrowings	Interest Rate	2009 £'000	2008 £'000
Non-current			
Fixed rate:			
- Income shares	8%	5,240	5,211
- Obligations under finance leases and hire purchase contracts	Various	35,583	19,163
Variable rate:			
- Loan notes	Various	6,000	20,420
- Bank loans	Various	43,544	12,156
		90,367	56,950
Current			
Fixed rate:			
- Other borrowings	7.36%	658	-
- Obligations under finance leases and hire purchase contracts	Various	17,806	8,108
Variable rate			
- Overdrafts	Various	16,572	13,587
- Bank loans	Various	2,739	1,756
		37,775	23,451
Total loans and borrowings		128,142	80,401
Cash		7,458	5,247
Net debt		120,684	75,154

The income shares are entitled to a fixed preferential distribution of 8% per annum, payable quarterly in arrears. The holders of the income shares have options to redeem at par or convert to ordinary shares or neither at 31 March 2010. The holders of the income shares are entitled to £1 of capital per income share ranking ahead of the ordinary shares in the event of a liquidation.

The obligations under finance leases and hire purchase contracts are taken out with various lenders at fixed interest rates prevailing at the inception of the contracts.

Interest is charged on the loan notes outstanding at the year end at a rate of LIBOR plus 6%, rising by 1% each six months until repayable in December 2010. The Group may repay loan notes early. The loans outstanding at the prior period end were paid in the year.

The variable rate borrowings comprises a term loan, two property loans, a revolving credit facility, and overdraft facilities.

Interest is charged on the term loan and revolving credit facility based on a rate of LIBOR plus 1.5%. The term loan of £10.5m is to be partly repaid by £6,500,000 in 28 equal instalments payable quarterly commencing on 19 November 2007. In February 2013, the bank will obtain a valuation of the properties for which the term loan was used to finance and shall use such valuation to determine the timing of the loan repayments to maturity in August 2014. The loan will be repaid in full by 8 August 2014. The term loan may be prepaid (minimum £1m) by the Company by giving 10 business days' notice to the lender. There are certain financial covenants in the facility agreement.

Interest is charged on the property loans based on a rate of LIBOR plus 1.5%. The loans are repayable by equal quarterly instalments.

The revolving credit facility expires in August 2010.

The overdraft facility is secured on working capital and bears interest at 1.5% above the Bank of England base rate.

The Company was in compliance with financial covenants throughout the period and the previous period.

£207,000 of the cash balance is included in the assets of disposal groups classified as held for sale. Cash included in continuing operations of £7,251,000.

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

Continuing Operations 2009	Book value 2009 £'000	Fair value 2009 £'000
Financial assets		
Cash	7,251	7,251
Trade and other receivables	55,997	55,997
Financial liabilities		
Trade and other payables	26,364	26,364
Loans and borrowings	128,142	128,142

Continuing Operations 2008	Book value 2008 £'000	Fair value 2008 £'000
Financial assets		
Cash	4,519	4,519
Trade and other receivables	34,463	34,463
Financial liabilities		
Trade and other payables	17,190	17,190
Loans and borrowings	80,401	80,313

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.

Financial instruments - Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Fair value or cash flow interest rate risk
- Capital risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Bank overdrafts
- Floating-rate bank loans
- Finance leases
- Cash at bank
- Trade and other payables
- Income shares
- Loan notes

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:

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

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 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 risk from long-term borrowings and cash at variable rates. It is currently Group policy that finance lease borrowings are taken at fixed rates. There are loan facilities at variable rates. These borrowing policies are managed centrally. The Group has also used interest rate caps and collars to manage the risk of interest rate fluctuations though there are none in place at the year end. 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 2008 and 2009, the Group's borrowings at variable rate were denominated in Pounds Sterling.

At 28 February 2009, if interest rates on Pounds Sterling denominated borrowings had been 100 basis points higher/lower with all other variables held constant, the annualised effect on the Group's profit before tax from continuing operations would be £613,000 (2008: £479,000). The impact on retained earnings, reflecting the after tax impact, would not be materially different.

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 a gearing ratios. Gearing based on net debt divided by capital was 43.2% at 28 February 2009 (2008: 36.3%). Gearing excluding fleet finance and financed fleet assets was 29.8% at 28 February 2009 (2008: 26.7%). The Group includes the following within borrowings; bank loans and overdrafts, finance leases and hire purchase contracts, income shares 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.

Dividends are payable out of distributable profits after considering 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 also the maturity profile of loans and borrowings below.

The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on its finance lease borrowings at competitive prevailing rates.

The Group prepares rolling weekly 3-month cash flow projections and daily cash forecasts for the following week. Actual cash and debt positions along with available facilities and headroom are reported weekly. Working capital levels including analyses of receivables and payables profiles are reported by division weekly. These are monitored by Group management. For the largest part of the business, cash is monitored against forecast and reported to Group management on a daily basis.

In addition, full annual 2-year forecasts are prepared including cash flow and headroom forecasts. These are full detailed forecasts built up by 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 loans and borrowings at 28 February 2009 based on contractual undiscounted payments:

	< one year £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Period to 28 February 2009				
Loans and borrowings	38,239	84,887	5,016	128,142
Period to 29 February 2008				
Loans and borrowings	43,871	31,558	4,972	80,401

Trade and other payables are all due within one year.

23. Share-based payments

	2009 £'000	2008 £'000
Expenses arising from equity-settled share based payment transactions:		
Share options	115	49
Long term incentive plan	650	-
Performance fee (discontinued)	-	9,287
Total expense arising from share-based payment transactions	765	9,336

Of the share based payment charge above, £33,000 is included in restructuring costs, £16,000 is included in discontinued activities and £716,000 is included on the face of the income statement.

All of the share-based payment plans were introduced in the current and prior period and are described below.

Share options

On 21 September 2007 1,504,120 options over the 10p ordinary shares were granted with an exercise price of £1.66 each. The options vest over a 3 year period. These options lapse in September 2017.

Incentive Plan

On 10 March 2008, 2.84m share options were granted to Directors and management under the Stobart Executive Equity Incentive Plan (SEEIP). The exercise price of the options is nil.

On 3 July 2008 2.40m share options were granted to Directors and management under the Stobart Executive Equity Incentive Plan (SEEIP). The exercise price of the options is nil.

The Incentive Plan is designed to provide incentives to key employees of the Group who are selected to participate by the Group's remuneration committee. Participants will be allocated units, each of which will represent one 10p ordinary share and will vest on the third anniversary of the date of grant. Fifty and forty percent of the units granted 10 March 2008 and 3 July 2008 respectively will vest subject to the total shareholder return ("TSR") of the Group measured over a three year performance period from the date of grant relative to a comparator group. Fifty and Sixty percent of the units granted 10 March 2008 and 3 July 2008 respectively will vest subject to the achievement of a specified increase in the Company's earnings per share ("EPS") over three consecutive financial years starting in the year in which the grant is made.

The fair value of the options granted without market based vesting conditions are estimated using a Black-Scholes model taking in to account the terms and conditions upon which the options were granted. The fair value of the options granted with market based vesting conditions are estimated using a Monte Carlo model taking into account the terms and conditions upon which the options were granted.

The options under the Incentive Plan have no lapse date.

Performance fee

On 21 September 2007 a performance fee of £9,286,872 was paid to the Company's former Investment Managers. The consideration was settled by the issue of 6,382,474 10p ordinary shares at £145.5p per share representing market price at the date of issue.

Movements in the period

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the period:

	2009 No. '000	2009 WAEP	2008 No. '000	2008 WAEP
Outstanding at 1 March	1,504	£1.66	-	-
Granted during the period	5,240	£nil	1,504	£1.66
Outstanding at 28 February	6,744	£0.37	1,504	£1.66
Exercisable at 28 February	-		-	

The weighted average fair value of options granted during the period was £0.81.

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

The following table lists the inputs to the models used for the periods ended 28 February 2009 and 29 February 2008.

2009 Share options	SEEIP options subject to TSR	SEEIP options subject to EPS
Dividend yield (%)	6.0	6.0
Expected volatility (%)	35	35
Risk-free interest rate (%)	4.0	4.0
Expected life of options (years)	3	3
Weighted average share price (£)	1.21	1.17
Model used	Monte Carlo	Black-Scholes

2008 Share options	Share options
Dividend yield (%)	5.4
Expected volatility (%)	30
Risk-free interest rate (%)	4.9
Expected life of options (years)	3
Weighted average share price (£)	1.66
Model used	Black-Scholes

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.

24. Deferred tax

Deferred income tax liabilities	2009	(Restated) 2008
	£'000	£'000
Accelerated allowances on plant & machinery	4,037	942
Revaluation of properties to fair value on acquisition	15,439	5,860
Brands recognised on acquisition	16,800	16,800
Other temporary differences	(2,007)	(3,053)
	34,269	20,549

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.

Deferred tax totalling £2,184,210 has not been provided on trading losses carried forward in the Group on the basis that it is unlikely they will be relievable against chargeable profits in future.

25. Issued share capital and reserves

	2009 £'000	2008 £'000		
Authorised share capital – Ordinary Shares				
Authorised – 300,000,000 (2008: 218,839,381) shares of 10p each	30,000	21,884		
	£	£		
Authorised share capital – Deferred Shares				
Authorised – 1,000 shares of 0.1p each	1	1		
	Number of shares 2009 000	Share capital 2009 £'000	Number of shares 2008 000	Share capital 2008 £'000
Ordinary Shares of 10p each issued and fully paid				
At beginning of period	160,625	16,063	100,487	10,049
Issued during the period	81,121	8,112	60,138	6,014
Total share capital	241,746	24,175	160,625	16,063

On 4 April 2008 a further 65,367,494 ordinary shares were issued in relation to the acquisition of the Irlam businesses and Stobart Rail Limited. Of these, 7,692,306 ordinary shares were issued as considerations to the vendors. The remaining shares were issued for cash.

On 5 December 2008 a further 15,753,525 ordinary shares were issued in relation to the acquisition of London Southend Airport.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

On 21 September 2007 60,138,744 ordinary shares were issued in relation to the acquisition of Stobart Holdings Limited and O'Connor Group Management Limited.

Voting Rights

Ordinary shareholders are entitled to vote at all general meetings.

The Deferred Shares have no voting rights.

Capital Entitlement

The ordinary shareholders are entitled to all capital once the holders of Income Shares have been paid their entitlement of £1 of capital per Income Share.

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 £1m.

Nature and purpose of other reserves

Share premium

Following an application to the Royal Court of Guernsey, £99,925,600 was transferred from share premium account to distributable reserves on 22 June 2007.

Own shares held by EBT

This comprises the weighted average cost of own shares held by the employee benefit trust.

Foreign currency exchange reserve

Gains/losses arising on retranslating the net assets of overseas operations into Sterling.

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

26. Operating lease commitments

Group as lessee

The Group has operating lease agreements for land and buildings, used primarily for the provision of warehousing facilities to customers and as vehicle depot locations, and in respect of the Group's transport vehicle and trailer fleet. 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 balance sheet date, the Group had outstanding commitments for future minimum payments under non-cancellable operating leases, which fall due as follows:

	Property 2009 £'000	Vehicles, plant and equipment 2009 £'000	Property 2008 £'000	Vehicles, plant and equipment 2008 £'000
Within one year	13,826	12,834	11,090	9,641
After one year but not more than five years	47,264	26,306	32,446	19,161
More than five years	60,491	43	53,165	34
	121,581	39,183	96,701	28,836

Group as lessor

The Group has entered into commercial property leases on certain of its properties. These non-cancellable leases have remaining terms of between 1 and 30 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000
Within one year	4,280	1,125
After one year but not more than five years	10,799	451
More than five years	581	1,293
	15,660	2,869

Finance lease and hire purchase commitments:

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	Min. lease payments 2009 £'000	Interest 2009 £'000	Principal 2009 £'000	Min. lease payments 2008 £'000	Interest 2008 £'000	Principal 2008 £'000
Within one year	19,482	(1,676)	17,806	9,342	(1,234)	8,108
After one year but not more than five years	37,905	(2,322)	35,583	19,880	(717)	19,163
	57,387	(3,998)	53,389	29,222	(1,951)	27,271

Capital commitments:

At 29 February 2009, the Group had commitments of £9,832,159 (2008 - £12,104,034).

27. Notes to the consolidated cash flow statement

Cash generated from operations	Notes	Year to 28.02.2009	14 months from 1.01.2007 to 28.02.2008
		£'000	£'000
Non-current			
Profit before tax on continuing operations		23,942	3,521
Loss before tax on discontinued operations	7	(29,916)	(30,465)
Loss before tax		(5,974)	(26,944)
Adjustments to reconcile (loss) / profit before tax to net cash flows:			
Non-cash:			
Realised (profit) on sale of investment properties		-	(4,418)
Movement in unrealised loss on revaluation of investment properties		1,803	-
Realised profit on sale of property, plant and equipment		(678)	(1,057)
Writedown of associates and joint ventures		26,650	18,449
Depreciation of property, plant and equipment		13,430	5,963
Investment income		(650)	(1,536)
Interest expense		8,475	6,176
Amortisation of income share issue costs		29	34
Amortisation of loan issue costs		-	428
Impairment of intangibles		-	1,035
Credit for business purchase		(3,609)	-
Share option charge	23	765	49
Performance fee – share based payment	23	-	9,287
Working capital adjustments:			
Decrease in inventories		157	760
Decrease in trade and other receivables		4,440	5,211
Increase / (decrease) in trade and other payables		3,108	(26,371)
Cash generated from operations		47,946	(12,934)
Issue of ordinary shares		86,478	-
Issue costs paid on issuance of ordinary shares		(3,096)	-
		83,382	-

28. Related Parties

Relationships of Common Control or Significant Influence

Stobart Rail Limited (formerly WA Developments Limited) was owned by A Tinkler and W Stobart who are significant shareholders and Directors of Stobart Group. On 4 April 2008, WA Developments Limited was acquired by the Group for £10m (see note 5).

WA Developments International Limited is owned by A Tinkler and W Stobart. The Group made purchases totalling £375,000 (2008: £8,000) from and sales totalling £665,000 (2008: £401,000) to WA Developments International Limited. £624,000 (2008: £681,000) was due from and £9,000 (2008: £nil) was due to WA Developments International Limited at the period end.

Stobart Air Limited is a subsidiary of WA Developments International Limited. During the period, the Group made sales of £436,000 (2008: £9,000) to Stobart Air Limited of which £nil (2008: £2,000) was outstanding owed to the Group at the period end.

WA Developments International GMBH is a subsidiary of WA Developments International Limited. During the period, the Group made sales of £174,000 (2008: £nil) to WA Developments International GMBH of which £nil (2008: £nil) was outstanding owed to the Group at the period end.

Notes to the Consolidated Financial Statements Continued

For the year to 28 February 2009

Money Penny Limited is a subsidiary of WA Developments International Limited. During the period, the Group made purchases of £232,000 (2008: nil) from Money Penny Limited of which £29,000 (2008: £nil) was outstanding owed by the Group at the period end.

AstSigns Limited is 27% owned by W Stobart. During the period, the Group made purchases of £297,000 (2008: £64,000) from AstSigns Limited of which £4,000 (2008: £18,000) was outstanding owed by the Group at the period end.

On 21 September 2007 the Group disposed of a substantial proportion of its investment property portfolio to WADI Properties Limited, a subsidiary of WA Developments International Limited for £142m. The value of these properties were supported by independent third party valuations.

On 21 September 2007, Eddie Stobart Group Limited acquired two properties it had been leasing from WA Developments International Limited for their book value of £16m.

On 4 April 2008 the Group purchased for £50,000 an option to acquire Carlisle Airport from Stobart Air Holdings Limited, a subsidiary of WA Developments International Limited. The option was extended on 4 July 2008 for £50,000 and again on 4 January 2009 for £nil and allows the Group to purchase Carlisle Airport for consideration of up to £15m. The option expires on 31 May 2009. A circular has been posted to shareholders for approval.

Associates and Joint Ventures

The Group had loans outstanding from its joint venture interest, Starion Tottenham Court Road Limited of £2,053,000 (2008: £2,110,000) at the period end of which £2,053,000 (2008: £nil) has been provided for.

The Group had loans outstanding from its joint venture interest, Ropewalks One LLP of £512,000 (2008: £512,000) at the period end.

The Group received a dividend of £490,000 (2008: £nil) from Endeavour Guildford Limited, £384,000 (2008: £1,200,000) from Endeavor Ware Limited and £125,000 (2008: £nil) from Westbury Fitness Hull Limited.

The Group had loans outstanding from Endeavour Guildford Limited of £nil at the year end (2008: £135,000).

The Group bought additional units in One Plantation Place Unit Trust in April 2008 for £3,326,000. This was written down to a carrying value of £nil in the year.

There were no other transactions between the Group and the joint ventures and associates during the period ended 28 February 2009 and the period ended 29 February 2008.

Other Related Parties (previous period only)

The investment management arrangement that the Group previously had with subsidiaries of Assura Group Limited was terminated on 21 September 2007. Messrs R. Burrell and N. Rawlings, who were members of the Group's Investment Committee, were also representatives of Assura Fund Management LLP, a subsidiary of Assura Group Limited, prior to the termination and hold shares in Assura Group Limited. Prior to the termination the Group was charged investment managers fees, administration fees and Director fees totalling £203,639 by Assura Administration Limited, of which £nil was outstanding at the balance sheet date and investment managers' fees of £2,233,679 by Assura Fund Management LLP, of which £nil was outstanding at the balance sheet date.

On 21 September 2007, the accrued performance fee as at the date of termination of £9,286,872, payable to Assura Fund Management LLP, was satisfied by the issue of 6,382,474 10p ordinary shares. This is shown as a share-based payment in note 23.

On 21 September 2007, the Group paid Assura Fund Management LLP a termination fee of £9,942,404.

The investment managers' fees are shown as a charge within discontinued operations (see note 7).

Key Management Personnel

Key management personnel in the prior period included the Guernsey-based Directors of the Stobart Group whose remuneration is set out in the Directors' Report and three Directors of the UK incorporated Eddie Stobart Limited trading subsidiary whose total remuneration (including benefits) for the period to 29 February 2008 was £166,283.

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 28 February 2009, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2008 - £nil) except as noted above. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Independent Auditor's Report

To the Members of Stobart Group Limited

We have audited the Company's financial statements for the year ended 28 February 2009 which comprise the Company Income Statement, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related notes A to L. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Stobart Group Limited for the year ended 28 February 2009.

This report is made solely to the Company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law 1994. 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 auditors' 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.

Respective responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law 1994. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the Chairman's Statement, the Chief Executive Officer's Statement, the Business Review, the Financial Review and the Corporate Governance section. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU, of the state of the Company's affairs as at 28 February 2009 and of its loss for the year then ended and have been properly prepared in accordance with the Companies (Guernsey) Law 1994.

Ernst & Young LLP

Manchester

12 May 2009

Stobart Group Limited Company Income Statement

For year ended 28 February 2009

	Notes	Year to 28.02.2009 £'000	14 months from 1.01.2007 to 29.02.2008 £'000
- Impairment of investment in subsidiary		(59,225)	-
- Administrative expenses	B	(2,314)	(14,007)
- Profit on sale of investments	G	-	81,440
(Loss) / profit before taxation and interest		(61,539)	67,443
Finance costs	C	(603)	(4,456)
Finance income	D	344	10,302
(Loss) / profit before tax		(61,798)	73,279
Income tax	E	200	-
(Loss) / profit for the period		(61,598)	73,279

The notes (identified alphabetically) are an integral part of these separate financial statements. Where the same items appear in the Group Financial Statements, reference is made to the notes (identified numerically).

Stobart Group Limited Company Balance Sheet

For year ended 28 February 2009

	Notes	28.02.2009 £'000	29.02.2008 £'000
Non-current Assets			
Investments in subsidiaries	G	221,979	169,622
Loans to subsidiaries	H	69,999	79,295
Property, plant and equipment	I	634	21
Total non-current assets		292,612	248,938
Current Assets			
Other receivables		1,019	898
Cash and cash equivalents		2,968	187
Total current assets		3,987	1,085
Total Assets		296,599	250,023
Non-current Liabilities			
Loans and borrowings	J	11,240	5,211
Total non-current liabilities		11,240	5,211
Current Liabilities			
Loans and borrowings	J	449	-
Other payables	K	24,432	2,268
Total current liabilities		24,881	2,268
Total Liabilities		36,121	7,479
Total Net Assets		260,478	242,544
Capital and reserves attributable to equity holders of the Company			
Issued share capital	25	24,175	16,063
Share premium	25	155,805	70,535
Retained earnings		80,498	155,946
Total Equity		260,478	242,544

The financial statements on pages 79 to 87 were approved at a meeting of the Board of Directors held on 12 May 2009 and signed on its behalf by:



Rodney Baker-Bates, Chairman



Ben Whawell, Director

Company Statement of Changes in Equity

For year ended 28 February 2009

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 1 March 2008	16,063	70,535	155,946	242,544
Share based payment credit	-	-	765	765
Proceeds on share issue	8,112	88,366	-	96,478
Share issue costs	-	(3,096)	-	(3,096)
Dividends on Ordinary Shares	-	-	(14,615)	(14,615)
Loss attributable to equity holders	-	-	(61,598)	(61,598)
Balance at 28 February 2009	24,175	155,805	80,498	260,478

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2007	10,049	99,925	(8,448)	101,526
Transfer	-	(99,925)	99,925	-
Share based payment credit	-	-	49	49
Proceeds on share issue	6,014	70,610	-	76,624
Share issue costs	-	(75)	-	(75)
Dividends on Ordinary Shares	-	-	(8,859)	(8,859)
Profit attributable to equity holders	-	-	73,279	73,279
Balance at 29 February 2008	16,063	70,535	155,946	242,544

The notes (identified alphabetically) are an integral part of these separate financial statements. Where the same items appear in the Group Financial Statements, reference is made to the notes (identified numerically).

Company Cash Flow Statement

For year ended 28 February 2009

Notes	Year to 28.02.2009	14 months from 1.01.2007 to 29.02.2008
	£'000	£'000
Cash flows from operating activities		
(Loss) / profit before taxation	(61,798)	73,279
Adjustments for:		
Depreciation of property, plant and equipment	32	-
Investment income	(344)	(10,302)
Interest expense	574	4,422
Amortisation of income share issue costs	29	34
Amortisation of loan issue costs	-	428
Share option charge	249	49
Gain on sale of investments	-	(81,440)
Impairment of investment in subsidiary	59,225	-
	(2,033)	(13,530)
Increase/(decrease) in other receivables	79	(17)
Increase in payables	562	1,569
Cash generated from operations	(1,392)	(11,978)
Interest paid and similar charges, including distributions on Income Shares	(454)	(4,929)
Net cash flows from operating activities	(1,846)	(16,907)
Cash flows from investing activities		
Purchase of investments	(68,420)	(64,443)
Purchase of property, plant and equipment	(645)	(21)
Proceeds from the sale of investments	-	108,250
Repayment of loans advanced (from) / to subsidiaries	4,132	26,921
Bank and other interest received	344	10,302
Dividends received	-	-
Net cash flows from investing activities	(64,589)	81,009
Financing activities		
Issue of Ordinary Shares	86,478	-
Issue costs paid on issuance of Ordinary Shares	(3,096)	-
Dividends paid on Ordinary Shares	(14,615)	(8,859)
Proceeds from new finance leases	577	-
Repayment of finance leases	(128)	-
Draw down of long term loan	-	-
Repayment of long term loan	-	(79,828)
Additional loan issue costs	-	-
Net cash flows from financing activities	69,216	(88,687)
Increase/(decrease) in cash and cash equivalents	2,781	(24,585)
Cash and cash equivalents at 1 March	187	24,772
Cash and cash equivalents at 28 February / 29 February	2,968	187

Notes to the Company Financial Statements Continued

For the year to 28 February 2009

A Accounting policies of Stobart Group Limited

Basis of preparation

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("adopted IFRSs").

The separate financial statements are presented in Pounds Sterling (GBP) and all values are rounded to the nearest thousand (£'000) except where otherwise stated.

The accounting policies that are used in the preparation of these separate financial statements are consistent with accounting policies used in the preparation of the consolidated financial statements of Stobart Group Limited as set out in the consolidated financial statements. The Company's accounting policies are set out in note 1 of the Group financial statements.

The additional accounting policies that are specific to the separate financial statements of the Company are set out below.

The financial statements of the Group and Company are also prepared in accordance with the Companies (Guernsey) Law 1994.

Investment in subsidiaries

Investments in subsidiary undertakings are stated at cost less any provision for impairment. Where the recoverable amount is less than the carrying amount, an impairment is recognised.

B Administrative Expenses

	2009 £'000	2008 £'000
Other expenses comprise the following:		
- Management charge to subsidiary companies	(40)	-
- Investment Manager's fees	-	11,995
- Other expenses	2,233	1,840
- Audit fees	99	147
- Tax consultancy fees	22	25
	2,314	14,007

C Finance Costs

	2009 £'000	2008 £'000
Bank loans, loan notes and overdraft:		
Interest payable	152	3,472
Non-utilisation and related fees	-	101
Amortisation of loan issue costs	-	428
Income Shares:		
Distributions paid	422	421
Amortisation of issue costs	29	34
	603	4,456

D Finance Income

	2009 £'000	2008 £'000
Finance income comprises the following:		
- Dividends received from subsidiary companies	-	-
- Interest receivable from subsidiary companies	299	9,719
- Bank and other interest	45	583
	344	10,302

E Taxation

Taxation on profit on ordinary activities

	2009 £'000	2008 £'000
Current tax:		
UK corporation tax	-	-
Guernsey tax	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	(200)	-
Total deferred tax	(200)	-
Total credit in the income statement	(200)	-

With effect from 1 January 2008, Guernsey abolished the exempt company regime. Thereafter, the Company will be taxed at the Company standard rate (0%). In the prior year the Company was exempt from taxation under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and was liable to an annual fee of £600.

F Dividends

See note 12 of the Group financial statements.

G Investments in Subsidiary Companies

	2009 £'000	2008 £'000
WPL Ventures Limited	130	130
WPL Investments Limited	37,579	37,579
Westlink Group Limited	1,092	1,010
Stobart Holdings Limited	131,344	130,903
Stobart Properties Limited	-	-
James Irlam & Sons Limited	57,570	-
Stobart Rail Limited	10,411	-
Stobart Airports Limited	21,432	-
Less provision for impairment	(37,579)	-
	221,979	169,622
Cost of valuation	2009 £'000	2008 £'000
At 1 March 2008	169,622	27,950
Additions	89,420	168,482
Disposals	-	(26,810)
Share based payment	516	-
At 28 February 2009	259,558	169,622
Amounts provided:		
At 1 March 2008	-	-
Provision for impairment	(37,579)	-
At 28 February 2009	(37,579)	-
Net book value at 28 February 2009	221,979	169,622
Net book value at 1 March 2008	169,622	27,950

A table listing all the subsidiaries owned by the Company is set out in note 16.

The provision for impairment has been made following the fall in value of the property related assets by WPL Investments Limited.

Notes to the Company Financial Statements Continued

For the year to 28 February 2009

H Non current loans to Subsidiaries

	2009 £'000	2008 £'000
Westlink Group Limited	39,781	37,910
Westlink Holdings Limited	22,976	22,976
WPL Investments Limited	23,646	18,743
WPL Ventures Limited	1,013	1,166
Eddie Stobart Group Limited	5,309	-
Stobart Properties Limited	61	-
O'Connor Transport Limited	3	-
London Southend Airport Company Limited	356	-
Less provision for impairment	(23,146)	(1,500)
	69,999	79,295

Interest charged for the year, included within the loan balances, amounted to £298,835 (2008: £9,718,616). Interest is charged on the loans at base rate plus a margin between 2% and 3% (2008: between 2% and 3%).

I Property, plant and equipment

	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Total £'000
Cost			
At 1 March 2008	-	21	21
Additions	634	11	645
At 28 February 2009	634	32	666
Aggregate depreciation and impairment losses			
At 1 March 2008	-	-	-
Charge	9	23	32
At 28 February 2009	9	23	32
Net book amount at 28 February 2009	625	9	634
Net book amount at 29 February 2008	-	21	21

J Loans and borrowings

	Interest Rate	2009 £'000	2008 £'000
Non-current			
Fixed rate borrowings			
- Loan notes	8%	6,000	-
- Income shares	8%	5,240	5,211
		11,240	5,211
Current			
Fixed rate borrowings			
- Obligations under finance leases and hire purchase contracts	Various	449	-
		449	-

Income shares

The Income Shares are entitled to a fixed preferential distribution of 8% per annum, payable quarterly in arrears over their life. The Income Shares are due to be redeemed by the Company on 31 March 2010 at their issue price together with arrears of distribution (if any). The holders of the Income Shares are entitled to £1 of capital per Income Share ranking ahead of the ordinary shares in the event of a liquidation.

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

	Book value 2009 £'000	Fair value 2009 £'000	Book value 2008 £'000	Fair value 2008 £'000
Financial assets				
Cash	2,968	2,968	187	187
Trade and other receivables	819	819	33,179	33,179
Loans	69,999	69,999	79,295	79,295
Financial liabilities				
Trade and other payables	18,453	18,453	1,432	1,432
Other liabilities	-	-	-	-
Loans and borrowings	11,689	11,689	5,211	5,123

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 have been calculated by discounting the expected future cash flows at prevailing interest rates.

The table below summarises the maturity analysis of loans and borrowings at 28 February 2009 based on contractual undiscounted payments:

	Less than 1 year £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
Period to 28 February 2009				
Loans and borrowings	449	11,240	-	11,689
Period to 29 February 2008				
Loans and borrowings	-	5,211	-	5,211

Notes to the Company Financial Statements Continued

For the year to 28 February 2009

K Trade and other payables

	2009 £'000	2008 £'000
Trade payables	565	26
Accruals	859	836
Deferred consideration	5,000	-
Amounts owed to subsidiaries	17,888	1,406
Interest payable and similar charges	120	-
	24,432	2,268

L Related party transactions

During the year the Company has received interest from subsidiaries of £298,835 (2008: £9,718,616) and dividends from subsidiaries of £nil (2008: £nil). The following balances were outstanding at period end.

Year end balances with related parties are set out below:

	2009 £'000	2008 £'000
Receivable from related parties:		
Receivable from subsidiaries, interest bearing loans	28,955	18,743
Receivable from subsidiaries, non interest bearing	64,190	62,052
Total receivable from related parties	93,145	80,795
Payable to related parties:		
Payable to subsidiaries, interest bearing loans	14,973	-
Payable to subsidiaries, non interest bearing	2,915	1,406
Total payable to related parties	17,888	1,406

Interest is charged on interest bearing loans at rates between 2% and 3% over base rate.

Other related party transactions in the prior period

The investment management arrangement that the Company previously had with subsidiaries of Assura Group Limited was terminated on 21 September 2007. Messrs R. Burrell and N. Rawlings, who were members of the Company's Investment Committee, were also representatives of Assura Fund Management LLP, a subsidiary of Assura Group Limited, prior to the termination and hold shares in Assura Group Limited.

Prior to the termination the Company was charged investment managers' fees, administration fees and Director fees totalling £203,639 by Assura Administration Limited, of which £nil was outstanding at 28 February 2009 and investment managers' fees of £2,233,679 by Assura Fund Management LLP, of which £nil was outstanding at the 28 February 2009.

On 21 September 2007, the accrued performance fee as at the date of termination of £9,286,872, payable to Assura Fund Management LLP, was satisfied by the issue of 6,382,474 10p ordinary shares. This is shown as a share-based payment in note 23.

On 21 September 2007, the Company paid Assura Fund Management LLP a termination fee of £9,942,404.

For key management and personnel see Note 28.

There were no other related party transactions.

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Registered in Guernsey, registered number 39117.

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Photography David Mulholland 07770 676 766. Cover photograph Val Corbett 01931 712 293.



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