27 October 2016

Stobart Group Limited
(“Stobart” or the “Group”)

Interim Results for the six months ended 31 August 2016

Stobart Group Limited, the infrastructure and support services group, today announces its interim results for the six months to 31 August 2016.

Group Overview

Stobart is an entrepreneurial business applying its recognised logistics and customer service expertise to create:

- The UK’s leading supplier of waste wood biomass fuel to renewable energy plants
- A major new London airport in Southend with peak time capacity
- A leading civil engineering provider to Network Rail
- A portfolio of investments, infrastructure and property assets

Financial Highlights

- Revenue from continuing operations up 13% to £65.3m (2015: £57.6m)
- Underlying EBITDA[1] increased by 102% to £20.2m (2015: £10.0m)
- Underlying profit before tax[2] increased by 252% to £16.2m (2015: £4.6m)
- Profit before tax increased to £10.8m (2015: £0.6m)
- A property realisation generated £36.9m in net cash proceeds (2015: £6.2m)
- Underlying earnings per share increased to 4.03p (2015: 1.58p)
- First quarterly dividend of 3.0p per share paid in October

Operational Highlights

- Post period end, heads of terms signed with CityJet to operate flights to up to 18 new destinations starting April 2017, bringing up to 600,000 new passengers through our award winning London Southend Airport
- Ben Whawell appointed CEO of Stobart Energy as the division continues preparations to deliver in excess of 2m tonnes of biomass fuel by 2018
- Mark Adams appointed CFO and will join the Group on 28 November 2016
- Stobart Rail reports a £61m order pipeline, winning a number of new contracts including BAM’s Highlands Enhancements Programme and the Alliance on the Northern Hub
- Stobart Infrastructure sold 47 acres of investment property at Speke in May 2016 resulting in a profit on disposal during the period of £11.6m in addition to the £9.1m revaluation gain recognised last year
- The Group’s investment in Eddie Stobart continues to perform well with the business growing strongly

[1]Underlying EBITDA represents underlying earnings before diesel swap, interest, tax, depreciation, amortisation and non-underlying items.
[2]Underlying profit before tax represents profit before tax before non-underlying items.

Chief Executive Andrew Tinkler commented:

"Stobart has continued to work towards delivering its clear targets for its three growth divisions; Energy, Aviation and Rail.

We have appointed Ben Whawell as CEO of the Energy division to make sure we have the right leadership in place to achieve our target of delivering 2 million tonnes of biomass by 2018. I also look forward to working with Mark Adams as our new CFO whose broad experience will be very valuable as we grow our operating businesses.

We are very pleased to be working with CityJet to add new flights at London Southend Airport. This arrangement will open up around 18 new destinations, giving our customers more choice. These additional services could bring up to 600,000 passengers per year to the airport providing us with further momentum towards achieving our target run rate of 2.5 million passengers by 2018.

Stobart Rail continues to cement its position as a leading partner to Network Rail and to secure further civil engineering contracts for other major projects.

It is extremely pleasing to see that we have achieved significant returns on investment from our property assets. The Speke transaction is an excellent example of this. The total gain since the acquisition of this investment property is £20.7 million, taking into account the £9.1 million revaluation gain in 2016."

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Stobart Group Limited
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Interim Results for the six months ended 31 August 2016

HALF YEAR REVIEW

Results Summary

Results for the six months to 31 August 2016 were as follows:

	31 August 2016 £'m	31 August 2015 £'m
Revenue	65.3	57.6
Underlying EBITDA[1]	20.2	10.0
Underlying profit before tax[2]	16.2	4.6
Profit before tax	10.8	0.6
Underlying earnings per share	4.03p	1.58p
Earnings per share	2.65p	0.35p

Divisional underlying profit summary

Underlying divisional EBITDA[1]	31 August 2016 £'m	31 August 2015 £'m	Growth
Energy	4.9	4.2	+16.7%
Aviation	0.7	0.4	+75.0%
Rail	1.0	0.9	+11.1%
Investments	5.5	6.4	-14.1%
Infrastructure	11.9	0.7	+1600%
Central costs and eliminations	(3.8)	(2.6)	
Underlying EBITDA[1]	**20.2**	**10.0**	**+102%**
Gain/(loss) on diesel swap	0.7	(1.0)	
Depreciation	(4.5)	(3.9)	
Finance costs (net)	(0.2)	(0.5)	
Underlying profit before tax[2]	**16.2**	**4.6**	**+252%**
Non-underlying items	(5.4)	(4.0)	
Profit before tax	10.8	0.6	+1700%
Tax	(1.8)	0.5	
Profit for the period	**9.0**	**1.1**	**+718%**

Strategy

Stobart Group is one of the UK's leading infrastructure and support service businesses operating in the biomass energy, aviation and railway maintenance sectors as well as having investments in a national property and logistics portfolio.

Our vision is to deliver superior growth and shareholder returns by enhancing and realising our Infrastructure and Investments assets and creating new growth platforms in Energy, Aviation and Rail.

[1]Underlying EBITDA represents underlying earnings before diesel swap, interest, tax, depreciation, amortisation and non-underlying items.
[2]Underlying profit before tax represents profit before tax before non-underlying items.

Developments in each of the divisions are set out in the following Divisional Review.

Divisional Review

Stobart Energy

Stobart Energy is the number one supplier of biomass in the UK, sourcing and supplying fuel to biomass plants under a mix of short and long-term contracts.

	31 August 2016 £'m	31 August 2015 £'m
Revenue	36.0	35.6
Divisional underlying EBITDA[1]	4.9	4.2
Tonnes sold	469,259	468,742
Underlying EBITDA per tonne	£10.44	£8.96

On 8 July, Ben Whawell was appointed Chief Executive Officer of Stobart Energy. Previously Chief Financial Officer of the Group, Ben took the decision to step into the role in order to provide strong, experienced, dedicated leadership at a very important phase of the division's development. Stobart Energy is expected to see strong growth over the next two years as existing fuel supply contracts come on stream to meet the contracted demand from the new biomass power generating plants as they are commissioned over that period. Ben has made a number of appointments to strengthen the management team of the Energy division, and will focus on service delivery and improving operating margins.

As expected, both revenue and volumes supplied in the first half of the year were at a similar level to the same period last year with 469,259 tonnes supplied during the period. Increased volumes on certain contracts, combined with improved margin performance, were offset by a reduction in volume on certain export contracts.

The contract with Speyside Biomass Plant in Scotland commenced during the period with 4,260 tonnes of biomass delivered. These volumes are expected to increase significantly during the second half of the year as it ramps up to full operational volumes.

Margin performance was bolstered by the implementation of a number of cost efficiency measures including an exercise to streamline the transport business in preparation for the division's growth towards supplying 2 million tonnes per annum by 2018.

Non-underlying costs in the period included £1.5 million of contract setup costs, of which £1.0 million related to costs incurred in prior years.

Stobart Energy also aims to maximise the service and value of its biomass contracts by investing in complementary infrastructure and assets in order to process around 50% of the total volume required. For example, construction is well underway for a wood processing facility on the same site as the Widnes CHP (Combined Heat and Power) plant where Stobart Energy has a contract to deliver biomass fuel. A large storage and processing site in Tilbury is operational with further sites in Yorkshire and the North East secured.

[1]Underlying EBITDA represents underlying earnings before diesel swap, interest, tax, depreciation, amortisation and non-underlying items.

We are pleased to be working with the Environment Agency to promote the professional and safe storage of waste wood on our sites.

Outlook

We expect the majority of new plants to open on time in 2017, allowing us to deliver our target of 2 million tonnes per annum by 2018. Full year results for Stobart Energy are expected to be in line with management expectations and the division expects to achieve its strategic target of generating EBITDA of £10 per tonne of biomass fuel supplied during the period.

Stobart Aviation

Stobart Aviation aims to grow passenger numbers at London Southend Airport to a run rate of 2.5 million per year by calendar year 2018.

	31 August 2016 £'m	31 August 2015 £'m
Revenue	12.0	11.9
Divisional underlying EBITDA[1]	0.7	0.4
Passenger numbers	487,000	504,000
Revenue per passenger	£22.67	£22.43
Load factor	84.6%	83.9%
On time performance	85.9%	88.5%

The UK's decision to leave the European Union has had a short-term impact on business development, with some airlines delaying further investment in their UK operations. However, the Group remains confident that it has the relationships in place to deliver the anticipated growth in passenger volumes, as evidenced by easyJet's growth and the new arrangement with CityJet.

We are pleased to advise that since the end of the period, we have signed heads of terms with CityJet to work with them to operate flights from London Southend Airport to up to 18 new destinations starting in Spring 2017. This collaboration is expected to lead to CityJet operating up to four aircraft from London Southend Airport with the support of Stobart, generating up to an additional 600,000 passenger journeys per annum through our award-winning airport.

We continue to work with our existing and new operators to grow passenger numbers by offering further destinations through London Southend Airport.

Stobart Aviation has also continued to manage its costs, maintain its market leading customer service proposition and put in place a strong commercial team. These initiatives, combined with investments in car parking and food and beverage outlets, have led to an improvement in revenue per passenger compared to the same period last year and the investment in an enlarged duty free store, by World Duty Free, is anticipated to further improve that position in 2017.

[1]Underlying EBITDA represents underlying earnings before diesel swap, interest, tax, depreciation, amortisation and non-underlying items.

Outlook

For the remainder of the financial year, passenger volumes are expected to remain broadly in line with last year, with EBITDA expected to improve thanks to tight cost controls and enhanced commercial performance. We remain focused on increasing both the number of airlines and passengers that we attract to London Southend Airport and through the proposed collaboration with CityJet and the discussions that are underway with other airlines for additional capacity we expect to increase passenger numbers in 2017 towards our target run rate of 2.5 million per year by calendar year 2018.

Stobart Rail

Stobart Rail is one of the UK's leading providers of innovative and efficient rail and non-rail civil engineering projects.

	31 August 2016 £'m	**31 August 2015 £'m**
Revenue		
– External customers	14.4	9.0
– Internal customers	9.5	11.9
– Total	23.9	20.9
Divisional underlying EBITDA[1]	1.0	0.9
Consolidation adjustment	(0.2)	0.3
Divisional underlying EBITDA[1] from external customers	0.8	1.2

During the period, Stobart Rail secured a number of new contracts. These include the Highlands Enhancements Programme with BAM Nuttall worth in excess of £25 million over three years with major works expected to start in January 2017 and a contract with the alliance partners BAM, Skanska and Amey Sersa worth over £2 million to support their ongoing work on the Northern Hub from Spring 2018.

Stobart Rail made a successful start to maintenance works in March of this year on the Far North Plain Line, under a three-year framework worth £2 million per annum. In addition, the Gospel Oak to Barking Electrification blockade, worth £12 million, is underway and on plan.

Stobart Rail entered into an initial one-year "Major Incident Response" contract with the Environment Agency starting in September 2016. Under the contract we will use logistics, storage and transport expertise across the Group and will be working together with the Environment Agency delivering resilience to defend communities threatened by flooding, with a flexible 24/7 response.

Outlook

Stobart Rail is targeting long-term frameworks and solid client relationships, and has a £61 million pipeline of work. These long-term, high-volume projects translate into lower margins but provide a higher level of secured work and increased recognition within the industry.

[1]Underlying EBITDA represents underlying earnings before diesel swap, interest, tax, depreciation, amortisation and non-underlying items.

Stobart Infrastructure

Our Infrastructure division has a strong track record of enhancing the value of the Group's assets. It holds our portfolio of commercial properties and our investments in renewable energy plants.

	31 August 2016 £'m	**31 August 2015 £'m**
Revenue	3.9	2.3
Divisional underlying EBITDA[1]	11.9	0.7
Net cash generated from property disposals	36.9	6.2

	31 August 2016 £'m	**29 February 2016 £'m**
Investment and operational properties	92.5	117.4
Green Energy and other property related investments	17.0	16.2
Infrastructure asset value	109.5	133.6

The sale of 47 acres of an investment property at Speke in Liverpool to Ford in May 2016, resulted in profit on disposal of £11.6 million. The total gain since the acquisition is £20.7 million, taking into account the £9.1 million revaluation gain recognised in the financial statements for the year ended 29 February 2016. Stobart Infrastructure retains six acres of land at Speke and is currently pursuing a number of development options.

After the period end, Stobart Infrastructure extended, by ten years, a lease on an investment property at Hull with B&Q increasing the unexpired term to twelve years.

Outlook

The sale of a site at Chelford is expected to complete in November 2016, realising a further £7.4 million of disposal proceeds. We also expect a profitable disposal of the investment property at Hull in November 2016 following the successful extension of the lease with B&Q. Site-specific plans are underway with a view to achieving further disposals in 2017 and beyond.

Stobart Investments

Our Investments division holds investments of 49% in Eddie Stobart Logistics and 33% (moving to 66% in November 2016) in Propius (aircraft leasing).

The Eddie Stobart Logistics group continues to trade in line with management expectations and ahead of the prior year. Underlying trading has benefited from strong volumes with existing customers. In addition, Eddie Stobart Logistics has been successful in securing new contracts with a number of high-profile customers in the retail, consumer and construction sectors.

The existing contract for the Tesco distribution work in the UK has been renewed for a further three years and, along with the new contracts secured in the period, this provides a strong platform for continued profitable growth.

[1]Underlying EBITDA represents underlying earnings before diesel swap, interest, tax, depreciation, amortisation and non-underlying items.

The Group's decision in 2014 to sell a controlling stake in Eddie Stobart, revitalising the business and enabling it to attract new capital and new management, has proved successful. Since the transaction, Eddie Stobart's profitability has increased significantly and we would expect that improvement to result in a significant increase in the value of our investment. In addition, Stobart Group retains the ownership of the valuable Eddie Stobart trademarks and designs.

Propius continues to trade profitably and in line with expectations generating a fixed income stream from the lease of eight ATR 72-600 aircraft to its lessee Stobart Air.

The Group has been working on a range of measures to improve the effectiveness of its aviation investments in driving its strategy for the core business and enhancing the value of London Southend Airport.

As announced on 19 October 2016, the Group agreed to acquire all of the interests of Invesco Asset Management Limited (acting as agent for and on behalf of its discretionary managed clients) in Stobart Air and Propius. The Group has agreed to acquire unconditionally all of Invesco's interest in Propius for £12.0 million increasing the Group's holding in Propius to 66.6% with the remainder being owned by our partner Aer Lingus. The Group has also entered into a conditional agreement to acquire between 36% and 40% of Everdeal Holdings Limited for £0.5 million from Invesco increasing Stobart's holding to in excess of 80%. Completion of the Everdeal acquisition and the Propius transaction are both expected to occur in November 2016. This transaction gives us greater control over these investments and greater flexibility over the role of Stobart Air and Propius in supporting our investment in London Southend Airport.

As described under 'Stobart Aviation' above, we are working with CityJet to add new services at London Southend Airport and we are also in negotiations which could extend this relationship to a change in the ownership of Stobart Air. Stobart Air operates regional air passenger services between a variety of centres in Europe and the UK, including Stobart's award-winning London Southend Airport.

Central Costs, Eliminations and Other

	31 August 2016 £'m	**31 August 2015 £'m**
Central costs	(3.5)	(2.9)
Intercompany elimination	(0.3)	0.3
Divisional underlying EBITDA[1]	(3.8)	(2.6)

Central costs increased to £3.5m (2015: £2.9m) mainly due to an increase in compliance costs. Intercompany elimination represents the elimination of the intercompany profits on internal infrastructure projects.

The diesel fuel hedge generated a gain of £0.7m (2015: loss £1.0m), partially reversing prior year losses.

[1]Underlying EBITDA represents underlying earnings before diesel swap, interest, tax, depreciation, amortisation and non-underlying items.

Financial Review

Finance income of £0.9m (2015: £0.6m) shows increased returns on the Group's Green energy investments.

Taxation
The tax charge of £1.8m (2015: credit £0.5m) represents an effective rate of 16.6%. See note 6 for further details.

Non-underlying items
During the period, the Group expensed new contract and new business set up costs of £1.5m, mainly in the Energy division. £1.0m of these costs were incurred in prior periods. Other non-underlying items relate to transaction costs, restructuring and amortisation. See note 5 for further details.

Balance sheet, cash flow, debt and gearing
The Group has net assets at the period end of £407.2m (29 February 2016: £413.7m). This includes infrastructure assets with a total book value of £109.5m (29 February 2016: £133.6m).

There was an operating cash outflow in the period of £7.7m (2015: £3.5m inflow) due to the timing of payments on some large civil engineering projects, seasonal timing differences and volume increases. We expect the majority of this outflow to reverse in the second half.

There was a cash inflow of £37.5m (2015: £5.6m) from disposals of property. This was mainly in relation to the disposal of the site at Speke near Liverpool for £36.9m. There were cash outflows of £7.7m for capital expenditure, principally relating to the development of processing sites for the Energy business, dividends of £13.8m and finance lease repayments of £5.5m.

Net debt of £47.7m (29 February 2016: £48.0m) comprised vehicle and asset financing of £30.7m and other debt of £17.0m, giving a gearing ratio (net debt/equity) of 11.7% (29 February 2016: 11.6%).

At 31 August 2016, the committed undrawn headroom in the Lloyds RCF was £28.0m (29 February 2016: £23.0m), with cash balances of £4.4m (29 February 2016: £9.9m), total headroom was £32.4m (29 February 2016: £32.9m).

Brands

The book value of the brand at 31 August 2016 was £50.7m (29 February 2016: £52.6m).

Dividend

A final dividend for the year ended 29 February 2016 of 4.0p per share was paid on 8 July 2016. The Board has since announced it expects dividends will be paid in quarterly instalments of 3.0p per share, taking the total dividend for the year ahead to 12.0p per share (full year dividend for the year ended 29 February 2016 was 6.0p). The first quarterly dividend of 3.0p per share was paid on 7 October 2016 and further quarterly dividend payments of 3.0p per share are expected to be made on 20 January 2017 and 7 April 2017 subject to Board approval.

Key risks and uncertainties

As with any business, risk assessment and the implementation of mitigating actions and controls are vital to successfully achieving the Group's strategy. The Board has overall responsibility for risk management and internal control within the context of achieving the Group's objectives. The key risks are set out in our 2016 Annual Report and are broadly unchanged. Potential additional risks in relation to 'Brexit' are being considered.

During the period, a programme of financial and commercial internal audit was introduced across all divisions.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the interim financial statements have been prepared on a going concern basis.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and

- The interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The above statement of Directors' responsibilities was approved by the Board on 27 October 2016.

Iain Ferguson	**Andrew Tinkler**	**Richard Butcher**
Andrew Wood	**John Garbutt**	**John Coombs**

Stobart Group Limited

Condensed Consolidated Income Statement
For the six months ended 31 August 2016

	Notes	Unaudited Six months ended 31 August 2016			Unaudited Six months ended 31 August 2015		
		Underlying £'000	**Non-underlying £'000**	**Total £'000**	**Underlying £'000**	**Non-underlying £'000**	**Total £'000**
Revenue	3	65,261	-	65,261	57,615	-	57,615
Profit on disposal/(loss in value) of investment properties	4	11,370	-	11,370	(326)	-	(326)
Gain/(loss) on diesel swap		688	-	688	(994)	-	(994)
Other		(66,395)	(3,911)	(70,306)	(57,636)	(2,569)	(60,205)
Total operating expenses		(54,337)	(3,911)	(58,248)	(58,956)	(2,569)	(61,525)
Share of post-tax profits of associates and joint ventures		5,459	(1,421)	4,038	6,401	(1,417)	4,984
Operating profit		**16,383**	**(5,332)**	**11,051**	**5,060**	**(3,986)**	**1,074**
Finance costs		(1,103)	-	(1,103)	(1,069)	-	(1,069)
Finance income		887	-	887	601	-	601
Profit before tax		**16,167**	**(5,332)**	**10,835**	**4,592**	**(3,986)**	**606**
Tax	6	(2,402)	607	(1,795)	534	-	534
Profit for the period		**13,765**	**(4,725)**	**9,040**	**5,126**	**(3,986)**	**1,140**
Earnings per share							
Basic	8	4.03p		2.65p	1.58p		0.35p
Diluted	8	4.02p		2.64p	1.58p		0.35p

Stobart Group Limited

Condensed Consolidated Income Statement
For the six months ended 31 August 2016

		Audited Year ended 29 February 2016		
	Notes	**Underlying £'000**	**Non-underlying £'000**	**Total £'000**
Revenue	3	126,730	-	126,730
Gain in value of investment properties		8,441	-	8,441
Loss on diesel swap		(2,184)	-	(2,184)
Other		(124,785)	(5,547)	(130,332)
Total operating expenses		(118,528)	(5,547)	(124,075)
Share of post-tax profits of associates and joint ventures		11,130	(2,835)	8,295
Operating profit		**19,332**	**(8,382)**	**10,950**
Finance costs		(2,302)	-	(2,302)
Finance income		1,343	-	1,343
Profit before tax		**18,373**	**(8,382)**	**9,991**
Tax	6	(2,124)	927	(1,197)
Profit for the period		**16,249**	**(7,455)**	**8,794**
Earnings per share				
Basic	8	4.95p		2.68p
Diluted	8	4.94p		2.68p

Stobart Group Limited

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 August 2016

	Six months ended 31 August 2016 Unaudited £'000	Six months ended 31 August 2015 Unaudited £'000	Year ended 29 February 2016 Audited £'000
Profit for the period	**9,040**	**1,140**	**8,794**
Foreign currency translation differences:			
Equity accounted joint ventures	666	60	1,564
Equity accounted associates	51	(227)	(727)
Tax on items relating to components of other comprehensive income	-	(5)	-
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods, net of tax	**717**	**(172)**	**837**
Re-measurement of defined benefit plan	(3,730)	(331)	(681)
Tax on items relating to components of other comprehensive income	868	66	60
Other comprehensive expense not being reclassified to profit or loss in subsequent periods, net of tax	**(2,862)**	**(265)**	**(621)**
Other comprehensive (expense)/income for the period, net of tax	**(2,145)**	**(437)**	**216**
Total comprehensive income for the period	**6,895**	**703**	**9,010**

Stobart Group Limited

Condensed Consolidated Statement of Financial Position
As at 31 August 2016

	Notes	31 August 2016 Unaudited £'000	29 February 2016 Audited £'000
Non-current assets			
Property, plant and equipment			
- Land and buildings	9	167,332	169,327
- Plant and machinery	9	34,904	28,246
- Fixtures, fittings and equipment	9	56	705
- Commercial vehicles	9	19,302	19,689
		221,594	**217,967**
Investment in associates and joint ventures		67,425	62,699
Investment property		21,515	46,965
Intangible assets		110,327	112,296
Other receivables		13,401	13,401
		434,262	**453,328**
Current assets			
Inventories		45,305	45,083
Trade and other receivables		55,639	48,950
Cash and cash equivalents	10	4,425	9,858
Assets held for sale		5,357	5,354
		110,726	**109,245**
Total assets		**544,988**	**562,573**
Non-current liabilities			
Loans and borrowings	10	(46,027)	(48,892)
Defined benefit pension scheme		(6,302)	(2,708)
Other liabilities		(18,103)	(19,786)
Deferred tax		(19,218)	(18,290)
Provisions		(4,281)	(4,699)
		(93,931)	**(94,375)**
Current liabilities			
Trade and other payables		(30,686)	(38,239)
Loans and borrowings	10	(6,119)	(8,958)
Corporation tax		(7,089)	(7,090)
Provisions		-	(242)
		(43,894)	**(54,529)**
Total liabilities		**(137,825)**	**(148,904)**
Net assets		**407,163**	**413,669**
Capital and reserves			
Issued share capital		35,434	35,434
Share premium		301,326	301,326
Foreign currency exchange reserve		538	(179)
Reserve for own shares held by employee benefit trust		(330)	(330)
Retained earnings		70,195	77,418
Total Equity		**407,163**	**413,669**

Stobart Group Limited

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2016

For the six months ended 31 August 2016
Unaudited

	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2016	35,434	301,326	(179)	(330)	77,418	413,669
Profit for the period	-	-	-	-	9,040	9,040
Other comprehensive income/(expense) for the period	-	-	717	-	(2,862)	(2,145)
Total comprehensive income for the period	-	-	717	-	6,178	6,895
Share-based payment credit	-	-	-	-	450	450
Purchase of treasury shares	-	-	-	-	(81)	(81)
Dividends	-	-	-	-	(13,770)	(13,770)
Balance at 31 August 2016	**35,434**	**301,326**	**538**	**(330)**	**70,195**	**407,163**

For the six months ended 31 August 2015
Unaudited

	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2015	35,434	301,326	(1,016)	(330)	70,834	406,248
Profit for the period	-	-	-	-	1,140	1,140
Other comprehensive expense for the period	-	-	(167)	-	(270)	(437)
Total comprehensive (expense)/income for the period	-	-	(167)	-	870	703
Share-based payment credit	-	-	-	-	450	450
Dividends	-	-	-	-	(13,117)	(13,117)
Balance at 31 August 2015	**35,434**	**301,326**	**(1,183)**	**(330)**	**59,037**	**394,284**

Stobart Group Limited

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2016

For the year ended 29 February 2016
Audited

	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2015	35,434	301,326	(1,016)	(330)	70,834	406,248
Profit for the period	-	-	-	-	8,794	8,794
Other comprehensive income/(expense) for the period	-	-	837	-	(621)	216
Total comprehensive income for the period	-	-	837	-	8,173	9,010
Share-based payment credit	-	-	-	-	648	648
Tax on share-based payment credit	-	-	-	-	79	79
Sale of treasury shares	-	-	-	-	17,360	17,360
Dividends	-	-	-	-	(19,676)	(19,676)
Balance at 29 February 2016	**35,434**	**301,326**	**(179)**	**(330)**	**77,418**	**413,669**

Stobart Group Limited

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 August 2016

	Notes	Six months ended 31 August 2016 Unaudited £'000	Six months ended 31 August 2015 Unaudited £'000	Year ended 29 February 2016 Audited £'000
Cash generated from operations	12	**(7,668)**	**3,465**	**2,442**
Income taxes received		-	3,246	3,246
Net cash flow from operating activities		**(7,668)**	**6,711**	**5,688**
Purchase of property, plant and equipment and investment property		(7,651)	(24,895)	(45,283)
Proceeds from the sale of property, plant and equipment and investment property		37,523	5,579	7,340
Release of license premium		(1,142)	(1,142)	(2,283)
Non-underlying transaction and restructuring costs		(478)	-	-
Proceeds from disposal of assets held for sale		-	6,172	7,359
Proceeds from sale and leaseback, net of fees		-	-	16,769
Distributions from joint ventures		29	-	4,264
Net amounts advanced to joint ventures		-	(2,714)	(3,768)
Other loans advanced		-	(300)	(300)
Interest received		-	26	29
Cash outflow from discontinued operations		(829)	-	-
Net cash flow from investing activities		**27,452**	**(17,274)**	**(15,873)**
Dividend paid on ordinary shares		(13,770)	(13,117)	(19,676)
Repayment of capital element of finance leases		(5,541)	(4,025)	(8,402)
Net (repayment of)/drawdown from revolving credit facility		(5,000)	30,812	26,812
(Purchase)/sale of treasury shares, net of fees		(81)	-	17,360
Interest paid		(825)	(798)	(1,767)
Net cash flow from financing activities		**(25,217)**	**12,872**	**14,327**
(Decrease)/increase in cash and cash equivalents		(5,433)	2,309	4,142
Cash and cash equivalents at beginning of period		9,858	5,716	5,716
Cash and cash equivalents at end of period		**4,425**	**8,025**	**9,858**

1 Accounting policies of Stobart Group Limited

Corporate information

The condensed consolidated financial statements of the Group for the six months ended 31 August 2016 were authorised for issue in accordance with a resolution of the Directors on 27 October 2016. Stobart Group Limited is a Guernsey registered company whose ordinary shares are publicly traded on the London Stock Exchange. The principal activities of the Group are described in note 3.

Basis of preparation

The condensed consolidated financial statements of the Group for the six months ended 31 August 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 29 February 2016. Except for the 29 February 2016 comparatives, the financial information set out herein is unaudited but has been reviewed by the auditors, KPMG LLP, and their report to the Company is attached.

The comparative financial information set out in these interim consolidated financial statements does not constitute the Group's statutory accounts for the year ended 29 February 2016 but has been derived from those accounts. Statutory accounts for the period ended 29 February 2016 have been published and KPMG LLP has reported on those accounts. Their audit report was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union.

Going concern

The Group has considerable financial resources, together with contracts with a number of customers and suppliers. The financial forecasts show that borrowing facilities are adequate such that the Group can operate within these facilities and meet its obligations when they fall due for the foreseeable future. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Significant accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 29 February 2016. These accounting policies are expected to be applied for the full year to 28 February 2017.

The following new standards and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2018:

Standard, amendment and interpretation	Effective for accounting periods commencing on or after
IFRS 9 – Financial instruments	1 January 2018
IFRS 15 – Revenue from contracts with customers	1 January 2018
IFRS 16 – Leases	1 January 2019

The Group is currently assessing the potential impact of these new standards, has not applied them early and does not expect to adopt them before the effective dates above. As noted in the annual report, IFRS 16 *Leases* is expected to have a significant impact on the Group's consolidated financial statements although, given the timing of the issue of this standard, at this stage it has not been practicable to quantify the full effect this standard will have upon transition.

A number of standards have been modified on miscellaneous points. None of these amendments is expected to have a material effect on the Group's financial statements.

2 Seasonality of operations

There is no significant seasonal effect on revenues and profits between the first and second six months of the financial year for the Group as a whole. The higher seasonal sales in summer in Stobart Aviation are expected to be approximately balanced by the higher seasonal sales in winter in Stobart Energy.

3 Segmental information

The reporting segments are Stobart Energy, Stobart Aviation, Stobart Rail, Stobart Investments and Stobart Infrastructure.

The Stobart Energy segment specialises in supply of sustainable biomass for the generation of renewable energy.

The Stobart Aviation segment specialises in the operation of commercial airports and includes a joint venture investment in an airline.

The Stobart Rail segment specialises in delivering internal and external civil engineering development projects including rail network operations.

The Stobart Investments segment holds non-controlling interests in a transport & distribution business and an aircraft leasing business.

The Stobart Infrastructure segment specialises in management, development and realisation of Group land and buildings assets as well as investments in energy plants.

The Executive Directors are regarded as the Chief Operating Decision Maker. The Directors monitor the results of each business unit separately for the purposes of making decisions about resource allocation and performance assessment. The main segmental profit measure is earnings before interest, tax, diesel swap, depreciation and amortisation and is shown before non-underlying items. The airport land and buildings, and associated depreciation, were included in the Infrastructure segment in the prior period ended 31 August 2015 but are now included in the Aviation segment and so the prior period ended 31 August 2015 has been restated to be consistent.

This is also consistent with the disclosure in the financial statements for the year to 29 February 2016. This is considered to better reflect the management of the business.

Income taxes, finance costs and certain central costs are managed on a Group basis and are not allocated to operating segments.

Period ended 31 August 2016	**Energy £'000**	**Aviation £'000**	**Rail £'000**	**Investments £'000**	**Infrastructure £'000**	**Adjustments and eliminations £'000**	**Group £'000**
Revenue							
External	32,350	11,978	14,382	-	3,684	2,867	65,261
Internal	3,621	-	9,500	-	208	(13,329)	-
Total revenue	**35,971**	**11,978**	**23,882**	**-**	**3,892**	**(10,462)**	**65,261**
Underlying EBITDA[1]	**4,915**	**653**	**1,039**	**5,459**	**11,973**	**(3,829)**	**20,210**
Underlying PBT[2]	**3,270**	**(1,549)**	**315**	**5,459**	**12,991**	**(4,319)**	**16,167**

New business and new contract set up costs	(1,489)
Transaction costs	(400)
Restructuring costs	(53)
Amortisation of acquired intangibles	(1,969)
Non-underlying items included in share of post-tax profits of associates and joint ventures	(1,421)
Profit before tax	**10,835**

Inter-segment revenues are eliminated on consolidation.

Included in adjustments and eliminations are central costs of £4,087,000 (2015: £4,772,000) and intragroup profit of £232,000 (2015 loss: £329,000). Central costs include a gain of £688,000 (2015: loss £994,000) relating to the diesel swap.

Restated **Period ended 31 August 2015**	**Energy £'000**	**Aviation £'000**	**Rail £'000**	**Investments £'000**	**Infrastructure £'000**	**Adjustments and eliminations £'000**	**Group £'000**
Revenue							
External	32,167	11,895	9,000	-	2,056	2,497	57,615
Internal	3,385	-	11,895	-	212	(15,492)	-
Total revenue	**35,552**	**11,895**	**20,895**	**-**	**2,268**	**(12,995)**	**57,615**
Underlying EBITDA[1]	**4,216**	**366**	**945**	**6,401**	**735**	**(2,662)**	**10,001**
Underlying PBT[2]	**2,968**	**(1,671)**	**206**	**6,401**	**1,131**	**(4,443)**	**4,592**

New business and new contract set up costs	(600)
Amortisation of acquired intangibles	(1,969)
Non-underlying items included in share of post-tax profits of associates and joint ventures	(1,417)
Profit before tax	**606**

[1]Underlying EBITDA represents underlying earnings before diesel swap, interest, tax, depreciation, amortisation and non-underlying items.
[2]Underlying profit before tax represents profit before tax before non-underlying items.

4 Profit on disposal of investment property

In May 2016 the group disposed of an investment property at Speke for net proceeds of £36.9m, realising a profit on disposal during the period of £11.6m.

5 Non-underlying items

Non-underlying items included in the consolidated income statement comprise the items set out and described below.

	Six months ended 31 August 2016 Unaudited £'000	Six months ended 31 August 2015 Unaudited £'000	Year ended 29 February 2016 Audited £'000
Operating expenses – other:			
- New business and new contract set up costs	1,489	600	1,214
- Transaction costs	400	-	395
- Restructuring costs	53	-	-
- Amortisation of acquired intangibles	1,969	1,969	3,938
	3,911	**2,569**	**5,547**
Share of post-tax profits of associates and joint ventures:			
- Amortisation of acquired intangibles	1,421	1,417	2,835
	1,421	**1,417**	**2,835**

New business and new contract set up costs comprise costs of investing in major new business areas or major new contracts to commence or accelerate development of our business presence. These costs include marketing costs, establishment costs, legal and professional fees, losses and certain staff and training costs. The costs in the current half year period are principally in relation to the energy business.

Transaction costs comprise costs of making investments or costs of financing transactions that are not permitted to be debited to the cost of investment or as issue costs. These costs include costs of any aborted transactions.

Restructuring costs comprise costs of business reorganisation and restructuring undertaken by management. Costs include site relocation costs and are principally expected to be one-off in nature.

Amortisation of acquired intangibles comprises the amortisation of intangible assets including those identified as fair value adjustments in acquisition accounting. The charge in the period is principally in connection with amortisation of the brand assets.

Non-underlying items included in the share of post-tax profits of associates and joint ventures all relate to the investment in Greenwhitestar Holding Company 1 Limited. Amortisation of acquired intangibles includes amortisation of the customer relationships.

6 Taxation

Taxation on profit on ordinary activities

Total tax in the Condensed Consolidated Income Statement	Six months ended 31 August 2016 Unaudited £'000	Six months ended 31 August 2015 Unaudited £'000	Year ended 29 February 2016 Audited £'000
Current income tax:			
UK corporation tax	-	-	-
Adjustment in respect of prior years	-	-	3,130
Total current tax	**-**	**-**	**3,130**
Deferred tax:			
Origination and reversal of temporary differences	1,858	(527)	1,106
Impact of change in rate	-	-	(1,938)
Adjustment in respect of prior years	(63)	(7)	(1,101)
Total deferred tax	**1,795**	**(534)**	**(1,933)**
Total charge/(credit) in the income statement	**1,795**	**(534)**	**1,197**

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and from 19% to 18% (effective from 1 April 2020) were announced in the Summer Budget 2015. These reductions will reduce the Group's future current tax charge accordingly. These rate reductions were substantively enacted in legislation in October 2015. The deferred tax liability at 31 August 2016 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

7 Dividends

A final dividend of 4.0p per share (2015: 4.0p) totalling £13,769,882 (2015: £13,117,033) was declared on 12 May 2016 and was paid on 8 July 2016.

Our first quarterly dividend of 3.0p per share has been declared and was paid on 7 October 2016 to shareholders on the register as at 16 September 2016.

8 Earnings per share

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

	Six months ended 31 August 2016 Unaudited	Six months ended 31 August 2015 Unaudited	Year ended 29 February 2016 Audited
Numerator	**£'000**	**£'000**	**£'000**
Profit used for basic and diluted earnings	9,040	1,140	8,794
Denominator	**Number**	**Number**	**Number**
Weighted average number of shares used in basic EPS	341,160,922	324,752,939	328,068,045
Effects of employee share options	1,113,367	-	550,600
Weighted average number of shares used in diluted EPS	**342,274,289**	**324,752,939**	**328,618,645**
Own shares held and therefore excluded from weighted average number	10,081,778	29,575,892	26,260,786

The numerator used for the basic and diluted underlying earnings per share is the underlying profit of £13,765,000 (Aug 2015: £5,126,000 / Feb 2016: £16,249,000).

9 Property, plant and equipment

Additions and disposals

During the six months ended 31 August 2016, the Group acquired or developed property, plant and equipment assets with a cost of £8,674,000 (2015: £23,427,000). This included the development of biomass storage and processing sites and new trucks and trailers.

Property, plant and equipment assets with a book value of £532,000 (2015: £5,579,000) were disposed of by the Group during the six months ended 31 August 2016, resulting in a profit of £132,000 (2015: £nil).

Capital commitments

At 31 August 2016, the Group had capital commitments of £2,703,000 (2015: £588,000), principally relating to biomass processing sites and development of a land asset.

10 Analysis of net debt

Loans and borrowings	31 August 2016 Unaudited £'000	29 February 2016 Audited £'000
Non-current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	5,992	6,608
Variable rate:		
- Obligations under finance leases and hire purchase contracts	18,541	15,902
- Bank loans	21,494	26,382
	46,027	**48,892**
Current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	1,448	2,295
Variable rate:		
- Obligations under finance leases and hire purchase contracts	4,671	6,663
	6,119	**8,958**
Total loans and borrowings	**52,146**	**57,850**
Cash	4,425	9,858
Net debt	**47,721**	**47,992**

Bank loans relate to a variable rate revolving credit limit facility provided by Lloyds of £50.0m, offset by the related debt issue costs, with £22.0m drawn down at the period end. This facility has an end date of January 2019. The facility is secured against group properties at London Southend Airport, Carlisle Airport, Widnes and Runcorn.

11 Fair values

Financial Assets and Liabilities

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

	Book Value 31 August 2016 Unaudited £'000	Fair Value 31 August 2016 Unaudited £'000
Financial Assets		
Cash	4,425	4,425
Amounts owed by associates and joint ventures	16,225	16,225
Trade receivables	26,666	26,666
Other receivables	3,288	3,288
Financial Liabilities		
Trade payables	11,924	11,924
Loans and borrowings	21,494	21,494
Finance leases and hire purchase arrangements	30,652	30,169
Diesel swap	277	277

	Book Value 29 February 2016 Audited £'000	Fair Value 29 February 2016 Audited £'000
Financial Assets		
Cash	9,858	9,858
Amounts owed by associates and joint ventures	15,339	15,339
Trade receivables	24,167	24,167
Other receivables	638	638
Financial Liabilities		
Trade payables	17,568	17,568
Loans and borrowings	26,382	26,382
Finance leases and hire purchase arrangements	31,468	30,124
Diesel swap	1,381	1,381

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.

Fair Value Hierarchy

The fair value hierarchy is explained in the Annual Report.

11 Fair values (continued)

Financial Liabilities measured at Fair Value

As at 31 August 2016	**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Diesel swap	277	-	277	-

As at 29 February 2016	**Total £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Diesel swap	1,381	-	1,381	-

During the six months ended 31 August 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

12 Cash generated from operations

	Six months ended 31 August 2016 Unaudited £'000	**Six months ended 31 August 2015 Unaudited £'000**	**Year ended 29 February 2016 Audited £'000**
Profit before tax	**10,835**	**606**	**9,991**
Adjustments to reconcile profit before tax to net cash flows:			
Non-cash:			
Loss/(gain) in value of investment properties	250	326	(8,441)
Realised profit on sale of property, plant and equipment and investment properties	(11,752)	-	(183)
Share of post-tax profits of associates and joint ventures accounted for using the equity method	(4,038)	(4,984)	(8,295)
(Profit)/loss on disposal/loss in value of assets held for sale	-	(96)	16
Profit on sale and leaseback	-	-	(1,893)
Depreciation of property, plant and equipment	4,515	3,947	8,435
Finance income	(887)	(601)	(1,343)
Finance cost	1,103	1,069	2,302
Release of grant income	(89)	(151)	(302)
Amortisation of intangibles	1,969	1,969	3,938
Share option charge	450	450	648
(Gain)/loss on diesel swap mark to market valuation	(1,104)	864	1,497
Working capital adjustments:			
Decrease/(increase) in inventories	9	(210)	1,535
Increase in trade and other receivables	(3,292)	(548)	(3,747)
(Decrease)/increase in trade and other payables	(5,637)	824	(1,716)
Cash (used)/generated from operations	**(7,668)**	**3,465**	**2,442**

13 Related parties

Associates and joint ventures

During the period ended 31 August 2016, the Group made purchases of £778,000, mainly relating to the recharge of costs, and sales of £2,327,000, mainly relating to rent of properties and assets and subcontract transport work, to the group headed by its associate interest Greenwhitestar Holding Company 1 Limited.

INDEPENDENT REVIEW REPORT TO STOBART GROUP LIMITED

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2016 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity and the Condensed Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Nicola Quayle
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square, Manchester, M2 3AE
27 October 2016