19 October 2017

Stobart Group Limited
("Stobart" or the "Group")

Interim Results for the six months ended 31 August 2017

Stobart Group Limited, the infrastructure and support services group, today announces its Interim Results for the six months to 31 August 2017.

Stobart has increased its dividend from 3.0p to 4.5p per quarter and increased its underlying EBITDA to £131.8m, which includes £123.9m of profit following the partial disposal of its investment in Eddie Stobart Logistics (ESL). This partial disposal of investment generated £112m in net cash proceeds.

Financial Highlights

	31 August 2017 £m	**31 August 2016 £m**
Revenue	124.6	65.3
Underlying EBITDA[1] (inc. £123.9m profit on disposal of investment)	131.8	20.2
Underlying PBT[2] (inc. £123.9m profit on disposal of investment)	122.2	16.2
Profit before tax	111.6	10.8
Underlying basic EPS[3]	34.98p	4.03p
Quarterly dividend	4.5p	3.0p
Net cash/(debt)	2.9	(120.7)

Operational Highlights

- Stobart Aviation saw good progress, with passenger numbers growing 25% year-on-year to 610,492 through London Southend Airport.
- Stobart Energy experienced delays in the commissioning of new third party biomass power stations which have impacted short-term volumes by 33%, but EBITDA per tonne is ahead of target and long-term volume unaffected.
- Stobart Rail & Civil Engineering is on track to deliver target EBITDA on rail and non-rail civil engineering projects, against a reduction in external revenue.
- Stobart Infrastructure and Stobart Investments benefited from significant uplift in value of over £120m and cash generation of £112m following the partial disposal of the investment in ESL, in which the Group retains a 12.5% stake.

[1] Underlying EBITDA represents profit/(loss) before tax, interest, depreciation, amortisation, foreign exchange, swaps and non-underlying items. Refer to note 3 for reconciliation to profit/(loss) before tax.
[2]Underlying profit before tax represents profit before tax and non-underlying items.
[3]Underlying basic EPS is based on profit for the period before non-underlying items (see note 8).

Group Overview and Strategy

Stobart is an entrepreneurial listed business that continues to deliver strong returns to shareholders. Stobart's strategy is to invest and grow its core operating divisions using its logistics and customer service expertise.

- Aviation: Its Aviation division focuses on airports (including a London airport) and aviation services that are forecast to grow and create significant value for the Group.
- Energy: Its Energy division has established a renewable energy supply chain to deliver and process 2m tonnes of biomass by end of calendar year 2018.
- Rail & Civil Engineering: Its Rail division is providing tier 2 services to Network Rail and specialist services to the construction industry.

The Group has the financial resources in place to support the dividend to 2022 at which point the dividend will be supported through operating income.

Warwick Brady, Stobart Group Chief Executive Officer, commented:

"Stobart Group continues to work towards its clear targets for its three growth divisions – Energy, Aviation and Rail & Civil Engineering – as well as driving growth in cash generation and returns to our shareholders.

"In the first half of the year, we achieved significant returns, in excess of £120m, from our investment in Eddie Stobart Logistics, in which we still hold a 12.5% investment. The sale and leaseback of eight ATR aircraft also generated significant cash, allowing us to further increase our quarterly dividends to 4.5p per share.

"Passenger numbers at London Southend Airport and our regional airline are up year-on-year as we continue to invest across the sector to meet the demands for increased capacity and improved customer experience. We are exploring ways to further develop this portfolio across our airport and airline asset base.

"Our Energy business has improved EBITDA per tonne, despite experiencing delays by our partners in commissioning new power stations. This has caused some volatility and impacted short-term performance, with no impact on the duration of our long-term contracts which begin post commissioning."

Enquiries:

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Interim Results for the six months ended 31 August 2017

HALF YEAR REVIEW

Results Summary

Results for the six months to 31 August 2017 were as follows:

	31 August 2017 £m	31 August 2016 £m
Revenue	124.6	65.3
Underlying EBITDA[1] (inc. £123.9m profit on disposal of investment)	131.8	20.2
Underlying PBT[2] (inc. £123.9m profit on disposal of investment)	122.2	16.2
Profit before tax	111.6	10.8
Underlying earnings per share[3]	34.98p	4.03p
Earnings per share	32.03p	2.65p

Divisional Underlying Profit Summary

Divisional Underlying EBITDA[1]	31 August 2017 £m	31 August 2016 £m
Energy	4.6	4.9
Aviation	6.2	1.0
Rail	1.4	1.0
Investments	124.6	5.2
Infrastructure	0.5	11.9
Central costs and eliminations	(5.5)	(3.8)
Underlying EBITDA[1] (inc. £123.9m profit on disposal of investment)	**131.8**	**20.2**
Foreign exchange gains and losses	(0.5)	-
(Loss)/gain on swaps	(1.3)	0.7
Depreciation	(6.6)	(4.5)
Finance costs (net)	(1.2)	(0.2)
Underlying PBT[2] (inc. £123.9m profit on disposal of investment)	**122.2**	**16.2**
Non-underlying items	(10.6)	(5.4)
Profit before tax	**111.6**	**10.8**
Tax	0.3	(1.8)
Profit for the period	**111.9**	**9.0**

DIVISIONAL REVIEWS

The following reviews focus on the KPIs and performance in the period of each division. A full reconciliation of divisional underlying EBITDA[1] to profit before tax can be seen in note 3: Segmental information.

Stobart Energy

Stobart Energy is the number one supplier of biomass in the UK, sourcing and supplying fuel to more than 30 biomass plants under a mix of short and long-term contracts.

	31 August 2017 £m	31 August 2016 £m
Revenue	29.7	36.0
Divisional underlying EBITDA[1]	4.6	4.9
Tonnes sold	382,775	469,259
Underlying EBITDA per tonne	£12.01	£10.44

Volumes for the six months to 31 August 2017 were lower than expected due to plant commissioning issues. However, we have delivered a margin ahead of our targets and we have invested in sites and plant at Tilbury, Rotherham, Pollington and Widnes, which will contribute significantly to our supply.

Performance against our key metrics over this period:

(i) Underlying EBITDA per tonne was £1.57 higher than the prior year at £12.01 driven by higher margin volumes from the new plants, the strategic decision to exit the lower margin export market and a large (low margin) customer going into administration in November 2016.

(ii) Volumes were 0.1m tonnes lower than the same period last year. The positive impact of the commissioning of the new plants (0.02m) was offset by the impact of the large customer that went into administration (0.06m), the strategic decision to exit the export market in anticipation of the expected volumes from the new plants in the UK (0.04m) and a net decrease in other customers (0.01m).

Both the Mersey Bioenergy (MBE) and Tilbury Green Power (TGP) plants have experienced longer than expected commissioning periods. The MBE plant completed its 28-day continuous commissioning period in May 2017, after which commercial operations should have commenced. However, commercial takeover on this plant has yet to happen. TGP started its commissioning period in March 2017. However, major damage to the plant in July 2017 means the commissioning period is not expected to re-commence until October 2017. In addition, we continue to experience challenges in the form of severe delays, far more than could have been anticipated, in relation to the remaining three new plants at Templeborough, Margam and Port Clarence.

As a result of these factors, delivered volumes to 31 August 2017 were 0.2m tonnes lower than those based on the revised notification dates, see the table below. In addition, the Energy division incurred significant non-underlying set-up costs (£2.1m) during the first half of the year. These costs were driven by pre-contract preparation costs and excess commissioning related costs, primarily associated with under-utilised processing sites and the cost of maintaining the integrity of our supply chain. We are confident that we will recover some of these non-underlying costs through claims.

Our decisions about when to open processing sites and invest in people and equipment as well as when to switch on our suppliers are determined by the start dates communicated by the plants. Therefore, delays in start dates as well as late notice of these changes have a significant impact on our business. The table below illustrates how frequently plant commercial operation start dates have changed and the extent of the delays over the last 12 to 18 months.

Plant	**Fuel Type**	**Contract**	**Commissioning Started**	**Initial Notification**	**Revised Notification**	**Latest Notification**
		tonnes pa				
Mersey Bioenergy	RCF	146,000	Yes	Mar-17	May-17	Oct-17
Tilbury	RCF	270,000	Yes	May-17	Jul-17	Dec-17
Templeborough	RCF	260,000	No	May-17	Nov-17	Feb-18
Margam	RCF	250,000	No	Jan-17	Dec-17	Mar-18
Port Clarence	RCF	250,000	No	Dec-17	Mar-18	Sep-18
Cramlington	Virgin Blend	119,000	Yes	May-18	Dec-17	Dec-17
		1,295,000				

RCF = Recycled Fibre
Initial Notification = as communicated in the 2016 Stobart Group Annual Report
Revised Notification = as communicated in the 2017 Stobart Group Annual Report
Latest Notification = as communicated by plant owners

Outlook

Despite these near-term challenges, we remain very positive about the division's medium to long-term prospects based on the performance of the MBE plant in April 2017. As part of the commissioning period, we delivered 10,000 tonnes (85% of expected commercial volumes) and the margin was in line with expectations. In addition, the structure of the fuel supply agreements (FSAs) with these new plants, means that our contracted period of supply only starts once commercial takeover has occurred. Therefore, any delay represents a timing issue rather than loss of volume. Finally, the indexation clauses within the FSAs further protect the business against some of the impact of these delays.

In the short-term, we continue to work hard to mitigate the impact of these delays, including seeking a contribution from plant owners towards costs caused by their delays. At the same time, we have targeted and secured additional new business for the disposal of plant by-products such as ash. We have also continued to develop potential opportunities in the virgin wood market.

Building for the medium to long-term, we are focusing on Refuse Derived Fuel (RDF) and Solid Recovered Fuel (SRF) opportunities, in anticipation of the expected growth in demand from the new wave of energy from waste plants (EfW). We have made good progress and are currently in dialogue with a number of EfW plants to provide a full-service solution encompassing fuel aggregation, construction services and power plant operating and maintenance services.

Stobart Aviation

Stobart Group invests in, develops and operates a number of aviation-related businesses focused on meeting the growing demand for increased airport capacity and improved customer experience. It operates London Southend Airport with current capacity for 5 to 6 million passengers and 10,000 private jet movements, a reliable regional airline service, and aircraft leasing and aviation services (including ground handling) businesses.

	31 August 2017	**31 August 2016**
	£m	**£m**
Revenue	97.5	12.0
Divisional underlying EBITDA[1]	6.2	1.0

Revenue and underlying EBITDA[1] have increased significantly in the year, following the February 2017 acquisitions of Everdeal Holdings Limited, which owns our regional airline Stobart Air, and Propius Holdings Limited, our aircraft leasing business.

London Southend Airport

Stobart Aviation aims to grow passenger numbers at London Southend Airport to a run rate of 5 million per year by calendar year 2022.

	31 August 2017	**31 August 2016**
Passenger numbers	610,492	486,972
Revenue per passenger	£21.03	£22.67
Load factor	78.5%	84.6%
On time performance	84.9%	85.9%

London Southend Airport saw year on year passenger numbers increase by 25% to 610,492 in the six months to 31 August 2017. The increase illustrates the growing awareness of the airport's customer proposition, offering a convenient and efficient experience. This has also been reflected in a recent survey by consumer organisation Which?. The research found that London Southend Airport was rated the best airport in the capital, with a customer rating of 84%, 16% more than any other airport in London. Revenue per passenger has fallen due to inelastic non-passenger related income not increasing at the same rate as passenger numbers. The main areas affected include the hotel and property income. Load factor has reduced year on year due to a change in airline mix with the introduction of new routes under our Flybe franchise.

The Group has confirmed a fourth easyJet aircraft will be based at London Southend Airport from summer 2018, adding approximately 270,000 passengers per annum.

Stobart Group is also investing in the launch of 11 new routes with Flybe from London Southend Airport, in order to attract more customers from the catchment area of 6.4m people based within one hour's travel of our airport. This investment will affect the short-term financial performance while sustainable routes are developed. In the first half we have incurred non-underlying set up and marketing costs of £2.6m. The Flybe franchise will add a fourth aircraft from Winter 2017 and a fifth aircraft from Summer 2018, adding approximately 250,000 passengers per annum.

The increasing shortfall in airport capacity, combined with sustained demand for air travel to and from London means that Stobart Aviation remains confident that it will ultimately attract further airlines to operate from London Southend Airport.

A new executive jet centre, which will enhance the private jet passenger experience, is also being developed at London Southend Airport for launch in November 2017.

Carlisle Lake District Airport

A detailed project is underway at Carlisle Lake District Airport to explore the development of commercial operations to drive new revenue streams for the Aviation division and enhance the capital value of this asset.

Stobart Air

The results for our regional airline, operating under the valuable Aer Lingus franchise, are ahead of expectations after strong summer trading. Performance has benefited from absolute yield increases year on year despite adverse foreign exchange headwinds and stable passenger volumes, supported by cost reductions.

Going into the winter season the booking profile and yields achieved thus far for the six-month period to February 2018 are meeting management expectations.

The Group has also developed its aircraft leasing business, Propius, having completed the acquisition in February 2017. During the period, the Group has signed an agreement with GOAL (German Operating Aircraft Leasing GmbH & Co. KG) for the sale and leaseback of its eight ATR 72-600 aircraft. The Group also acquired three Embraer 195 aircraft, which are currently leased to Flybe until H2 2018.

Outlook

Passenger traffic at London Southend Airport is significantly above last year with the commencement of the Flybe operations. We remain confident in our strategy of growing both passenger numbers and the roster of airlines, and have detailed discussions underway with airlines for additional capacity in 2018 and 2019.

In the short-term, we would expect the airlines' results to be affected by seasonal demand and investment in route development and marketing with our airline partners. At the same time, we are reviewing alternative structures for our airline and leasing business that can play an important part in the consolidation of the regional airline sector.

For the medium-term, we are excited about the opportunities to develop our executive jet centre and our aviation services businesses.

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 2017 £m	31 August 2016 £m
Revenue		
– External customers	6.3	14.4
– Internal customers	13.9	9.5
Total	20.2	23.9
Divisional underlying EBITDA[1]	1.4	1.0
Consolidation adjustment	(0.3)	(0.2)
Divisional underlying EBITDA[1] from external customers	1.1	0.8

External revenue has reduced due to scale backs by Network Rail, delaying planned projects and reducing the scope on works currently underway. The prior year included significant revenue from a major civils project.

The increase in internal revenue has been principally driven by the development of Tilbury and Rotherham processing sites, within the Energy division, and improvements at London Southend Airport in relation to car parks, stands and taxiways. This increase in internal work has partially offset the reduction in external revenue.

The Rail division continues to develop its pipeline of work on rail, internal work and third party civil works. It is also using innovation in the development of plant and machinery that will bring efficiencies to the rail and civils sectors, and help enhance profitability, for example in the design and build of our ballast cleaning apparatus with self-propelled jacking and slewing capability able to replace ballast on all types of track.

During the period, focus has been on cost efficiency, specifically self-delivery using directly employed staff enabling Stobart Rail to increase profitability. In the previous year, a greater dependency upon sub-contractors resulted in supressed margins.

Outlook

Overall, the division's strategy will not change significantly over the remainder of the year. But, in response to Network Rail cut-backs, Stobart Rail will be looking at streamlining its operations. This is to ensure we are well positioned for the commencement of Control Period 6 in April 2019 when there is expected to be an uplift in demand for projects on the railways.

In addition, the division has secured several new contracts for de-vegetation management mainly in the South West and North West regions, worth £5m in total, and we continue to develop the infrastructure of Stobart Group assets both in the Energy and the Aviation divisions.

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 2017	**31 August 2016**
	£m	**£m**
Revenue	1.9	3.9
Divisional underlying EBITDA[1]	0.5	11.9
Net cash generated from property disposals	-	36.9

Divisional underlying EBITDA[1] has reduced significantly in the period, due to the £11.6m disposal profit on Speke in the 6 months to 31 August 2016, which was disposed of in May 2016.

During the period, the division completed the development of the Rotherham processing site on budget and handed the site over to the Energy division, which commenced its processing operation at the end of August 2017.

In August, work commenced on the construction of a new office in Widnes for Stobart Group and Stobart Energy. Elsewhere, the business acquired the freehold title to the Speke site which was previously held on a long lease. This move means restrictions in the lease are removed, enabling the Group's future development strategy. A planning application for a retail-led development scheme is expected to be submitted in the second half of the year.

Outlook

The division is currently trading slightly behind expectations in the first half due to the timing of planned disposals, but this is expected to reverse in the second half, with trading for the full year in line with expectations.

Stobart Investments

	31 August 2017 £m	31 August 2016 £m
Divisional underlying EBITDA[1]	124.6	5.2

The Stobart Investments division holds our 12.5% investment in Eddie Stobart Logistics plc. Eddie Stobart Logistics was admitted to AIM on 25 April 2017 and the 12.5% investment was valued at £71.5m on admission. This valuation was equivalent to 160p per share. The share price was unchanged at the period end and therefore the investment was valued at £71.5m at 31 August 2017.

As disclosed in the Annual Report 2017, Stobart Group disposed of its 49% investment in Greenwhitestar Holdings Company 1 Limited (which held the Group's interest in Eddie Stobart Logistics) and Greenwhitestar Finance Limited on 25 April 2017. Consideration comprised £112m net cash and a 12.5% shareholding in Eddie Stobart Logistics plc. This disposal generated £123.9m profit on disposal, disclosed within underlying EBITDA in the Investments segment.

After the period end, in September 2017, the Group invested £2m in to AirPortr, a mobile luggage check-in and delivery service.

Outlook

The Group will continue to monitor its 12.5% investment in Eddie Stobart Logistics plc to identify the appropriate time to realise future value growth.

Stobart Capital has been established in the period and is independent from Stobart Group and does not form part of the results of the Group. The Groups IRR target for investments is 15%. All proposals are made to the Value Creation Committee (VCC), a sub-committee of the Board. The VCC propose strategic opportunities to the Board that they believe can add value to the Group and reject those that do not. The VCC is chaired by non-executive director John Coombs, who is also Managing Director of Unilever Ventures.

Central Costs, Eliminations and Other

	31 August 2017 £m	31 August 2016 £m
Central costs	(5.2)	(3.6)
Intercompany elimination	(0.3)	(0.2)
Divisional underlying EBITDA[1]	(5.5)	(3.8)

Central costs have increased year on year, principally driven by an increase in share-based payment charges, following the increase in the share price over the last year.

FINANCIAL REVIEW

Finance income of £1.0m (2016: £0.9m) shows increased returns from cash deposits following significant cash generation through disposal and sale and leaseback in the period. Finance costs of £2.2m (2016: £1.1m) have increased due to the acquisition of Propius, which contributed £1.1m of finance cost in the period to 31 August 2017.

Profit on disposal of investment in associate
During the period, the Group partially disposed of its investment in Eddie Stobart Logistics, retaining a 12.5% stake. This generated a profit on disposal of £123.9m, recognised within the Investments division, and net cash of £112m. See note 4 for further details.

Swaps
The loss on swaps in the period was £1.3m (2016: £0.7m gain). The increase is principally driven by the mark to market valuations on diesel and aviation fuel swaps.

Depreciation
Depreciation has increased £2.0m to £6.5m following the acquisition of processing equipment, acquisition of three E195 aircraft, and one month of depreciation on eight Propius ATR aircraft prior to the sale and leaseback of those aircraft.

Taxation
The tax credit of £0.3m (2016: charge £1.8m) represents an effective rate of -0.3%. This is lower than the corporation tax rate of 19.1% because the profit on disposal of the investment in Eddie Stobart Logistics is treated as non-taxable as we expect to be able to take advantage of the Substantial Shareholder Exemption to exempt the gain arising from Corporation Tax. See note 6 for further details.

Non-underlying items
Total non-underlying costs in the period were £10.6m (2016: £5.3m). The Group expensed new contract and new business set up costs of £4.9m (2016: £1.5m). £2.1m of costs were incurred in the Energy division, driven by delays in new third party plants commissioning, which is outside the control of the Group. £2.6m of costs were incurred in the Aviation division, marketing and supporting new routes to 11 additional European destinations at London Southend Airport, through our franchise with Flybe operated by our regional airline Stobart Air. Other non-underlying items relate to transaction costs, litigation and claims 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 £465.0m (28 February 2017: £387.5m). The increase in value is principally due to the uplift in value recognised on the partial disposal of the investment in Eddie Stobart Logistics.

There was an operating cash outflow in the period of £10.4m (2016: £8.6m) due to the timing of payments within the Energy division and on some large civil engineering projects, seasonal timing differences and purchase of inventory spares at our regional airline.

Net cash inflows of £115.0m and £112.0m were recognised in relation to sale and leaseback of eight ATR72-600 aircraft and disposal of 49% investment in Eddie Stobart Logistics respectively. Following these receipts, £66.8m of aircraft related debt and the £42.4m balance on the revolving credit facility (RCF) was fully repaid.

There were cash outflows of £50.5m for capital expenditure, principally relating to the acquisition of three Embraer 195 aircraft, the development of processing sites for the Energy business and capacity improvements at London Southend Airport. Dividends paid totalled £26.4m, finance lease repayments were £5.1m and treasury shares costing £10.7m were purchased.

Net cash of £2.9m (28 February 2017: £120.7m net debt) comprised cash of £39.0m offset by vehicle and asset financing of £36.2m, giving a gearing ratio (net debt/equity) of -0.6% (28 February 2017: 31.1%).

The total cash inflow for the period was £8.4m (2016: £5.4m outflow).

At 31 August 2017, the committed undrawn headroom in the Lloyds Bank RCF was £65.0m (28 February 2017: £22.8m), and with cash balances of £39.0m (28 February 2017: £30.6m), total headroom was £104.0m (28 February 2017: £95.6m).

Brands

The book value of the brands at 31 August 2017 was £47.0m (28 February 2017: £48.8m).

Earnings per Share

Earnings per share from underlying continuing operations[3] were 34.98p (2016: 4.03p). Total basic earnings per share were 32.03p (2016: 2.65p). See note 8 for further details.

Dividend and share buybacks

A final dividend for the year ended 28 February 2017 of 4.5p per share was paid on 7 July 2017. The Board has since announced it expects quarterly dividends of 4.5p per share will be paid, taking the total annualised dividend to 18.0p per share (full year dividend for the year ended 28 February 2017 was 13.5p).

During the period the Group purchased 3.7m of its own shares in to treasury. Following the AGM the Group has the mandate to make further market acquisitions within certain limits. The Board will consider this on an opportunistic basis.

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 2017 Annual Report and are broadly unchanged.

A programme of financial and commercial internal audit was introduced in the prior year across all divisions. This is continuing to ensure the internal controls across all divisions are operating to minimise risk.

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 19 October 2017.

Iain Ferguson	**Warwick Brady**	**Andrew Tinkler**
Andrew Wood	**John Garbutt**	**John Coombs**

Stobart Group Limited

Condensed Consolidated Income Statement
For the six months ended 31 August 2017

		Unaudited Six months ended 31 August 2017			Unaudited Six months ended 31 August 2016		
	Notes	**Underlying £'000**	**Non-underlying £'000**	**Total £'000**	**Underlying £'000**	**Non-underlying £'000**	**Total £'000**
Revenue	3	124,553	-	124,553	65,261	-	65,261
Profit on disposal/change in value of investment properties		319	-	319	11,370	-	11,370
(Loss)/gain on swaps		(1,298)	-	(1,298)	688	-	688
Other		(124,717)	(10,389)	(135,106)	(66,395)	(3,911)	(70,306)
Total operating expenses		(125,696)	(10,389)	(136,085)	(54,337)	(3,911)	(58,248)
Profit on disposal of investment in associate	4	123,870	-	123,870	-	-	-
Share of post-tax profits of associates and joint ventures		711	(237)	474	5,459	(1,421)	4,038
Operating profit/(loss)		**123,438**	**(10,626)**	**112,812**	**16,383**	**(5,332)**	**11,051**
Finance costs		(2,204)	-	(2,204)	(1,103)	-	(1,103)
Finance income		979	-	979	887	-	887
Profit/(loss) before tax		**122,213**	**(10,626)**	**111,587**	**16,167**	**(5,332)**	**10,835**
Tax	6	(43)	335	292	(2,402)	607	(1,795)
Profit/(loss) for the period		**122,170**	**(10,291)**	**111,879**	**13,765**	**(4,725)**	**9,040**
Earnings per share							
Basic	8	34.98p		32.03p	4.03p		2.65p
Diluted	8	34.03p		31.16p	4.02p		2.64p

Stobart Group Limited

Condensed Consolidated Income Statement
For the six months ended 31 August 2017

	Notes	Audited Year ended 28 February 2017 Underlying £'000	Non-underlying £'000	Total £'000
Revenue		129,403	-	129,403
Gain in value/profit on disposal of investment properties		14,614	-	14,614
Profit on disposal of assets held for sale		2,747	-	2,747
Profit on disposal of property, plant and equipment		3,480	-	3,480
Gain on fuel swaps		1,354	-	1,354
Impairment of goodwill/credit for business purchase		-	(21,646)	(21,646)
Other		(134,355)	(10,892)	(145,247)
Total operating expenses		(112,160)	(32,538)	(144,698)
Share of post-tax profits of associates and joint ventures		9,715	(2,839)	6,876
Operating profit/(loss)		**26,958**	**(35,377)**	**(8,419)**
Finance costs		(2,532)	-	(2,532)
Finance income		2,925	-	2,925
Profit/(loss) before tax		**27,351**	**(35,377)**	**(8,026)**
Tax	6	255	(1,413)	(1,158)
Profit/(loss) for the period		**27,606**	**(36,790)**	**(9,184)**
Earnings per share				
Basic	8	8.04p		(2.67)p
Diluted	8	8.04p		(2.67)p

Stobart Group Limited

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 August 2017

	Six months ended 31 August 2017 Unaudited £'000	Six months ended 31 August 2016 Unaudited £'000	Year ended 28 February 2017 Audited £'000
Profit/(loss) for the period	**111,879**	**9,040**	**(9,184)**
Foreign currency translation differences:			
Equity accounted joint ventures	-	666	1,848
Equity accounted associates	(45)	51	878
Interest rate swap – equity accounted associate	-	-	140
Exchange differences on translation of foreign operations	(2,068)	-	219
Tax on items relating to components of other comprehensive income	1,130	-	-
Recycling of historic other comprehensive income amounts on disposal of associate	1,397	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	**414**	**717**	**3,085**
Re-measurement of defined benefit plan	564	(3,730)	(3,270)
Tax on items relating to components of other comprehensive income	(96)	868	556
Other comprehensive expense not being reclassified to profit or loss in subsequent periods, net of tax	**468**	**(2,862)**	**(2,714)**
Other comprehensive income/(expense) for the period, net of tax	**882**	**(2,145)**	**371**
Total comprehensive income/(expense) for the period	**112,761**	**6,895**	**(8,813)**

Stobart Group Limited

Condensed Consolidated Statement of Financial Position
As at 31 August 2017

	Notes	31 August 2017 Unaudited £'000	28 February 2017 Audited £'000
Non-current assets			
Property, plant and equipment			
- Land and buildings	9	163,706	156,458
- Plant and machinery	9	52,742	49,675
- Fixtures, fittings and equipment	9	1,427	1,682
- Commercial vehicles and aircraft	9	53,371	118,475
		271,246	**326,290**
Investment in associates and joint ventures		348	59,198
Other financial assets	4	71,512	-
Investment property		3,500	3,150
Intangible assets		106,389	108,358
Other receivables		13,491	13,401
		466,486	**510,397**
Current assets			
Inventories		67,361	63,728
Trade and other receivables		53,248	48,066
Cash and cash equivalents	10	39,029	30,653
Assets held for sale		13,509	13,106
		173,147	**155,553**
Total assets		**639,633**	**665,950**
Non-current liabilities			
Loans and borrowings	10	(26,140)	(133,072)
Defined benefit pension scheme		(5,026)	(5,705)
Other liabilities		(38,003)	(21,600)
Deferred tax		(19,730)	(21,083)
Provisions		(8,508)	(8,176)
		(97,407)	**(189,636)**
Current liabilities			
Trade and other payables		(59,099)	(61,487)
Loans and borrowings	10	(10,038)	(18,287)
Corporation tax		(6,999)	(7,098)
Provisions		(1,047)	(1,908)
		(77,183)	**(88,780)**
Total liabilities		**(174,590)**	**(278,416)**
Net assets		**465,043**	**387,534**
Capital and reserves			
Issued share capital		35,434	35,434
Share premium		301,326	301,326
Foreign currency exchange reserve		1,157	2,766
Reserve for own shares held by employee benefit trust		(330)	(330)
Retained earnings		127,456	48,338
Total Equity		**465,043**	**387,534**

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2017

For the six months ended 31 August 2017
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 2017	35,434	301,326	2,766	(330)	48,338	387,534
Profit for the period	-	-	-	-	111,879	111,879
Other comprehensive (expense)/income for the period	-	-	(1,609)	-	2,491	882
Total comprehensive (expense)/income for the period	-	-	(1,609)	-	114,370	112,761
Employee benefit trust	-	-	-	-	238	238
Share-based payment credit	-	-	-	-	1,093	1,093
Purchase of treasury shares	-	-	-	-	(10,143)	(10,143)
Dividends	-	-	-	-	(26,440)	(26,440)
Balance at 31 August 2017	**35,434**	**301,326**	**1,157**	**(330)**	**127,456**	**465,043**

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**

Stobart Group Limited

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2017

For the year ended 28 February 2017
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 2016	35,434	301,326	(179)	(330)	77,418	413,669
Loss for the period	-	-	-	-	(9,184)	(9,184)
Other comprehensive income/(expense) for the period	-	-	2,945	-	(2,574)	371
Total comprehensive income/(expense) for the period	-	-	2,945	-	(11,758)	(8,813)
Employee benefit trust	-	-	-	-	587	587
Share-based payment credit	-	-	-	-	1,000	1,000
Tax on share-based payment credit	-	-	-	-	857	857
Sale of treasury shares	-	-	-	-	15,042	15,042
Purchase of treasury shares	-	-	-	-	(81)	(81)
Dividends	-	-	-	-	(34,727)	(34,727)
Balance at 28 February 2017	**35,434**	**301,326**	**2,766**	**(330)**	**48,338**	**387,534**

Stobart Group Limited

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 August 2017

	Notes	Six months ended 31 August 2017 Unaudited £'000	Six months ended 31 August 2016 Unaudited £'000	Year ended 28 February 2017 Audited £'000
Cash (used)/generated in operations	12	**(10,330)**	**(8,562)**	**64**
Income taxes paid		(69)	-	-
Net cash outflow from operating activities		**(10,399)**	**(8,562)**	**64**
Purchase of property, plant and equipment and investment property		(50,532)	(7,651)	(14,496)
Purchase of property inventories		(2,624)	(248)	(1,784)
Proceeds from grants		-	-	3,925
Proceeds from the sale of property, plant and equipment and investment property		1,012	37,523	47,063
Acquisition of subsidiary undertakings (net of cash acquired)		-	-	7,664
Non-underlying transaction and restructuring costs		(1,443)	(478)	(400)
Proceeds from disposal of assets held for sale		-	-	7,328
Proceeds from sale and leaseback, net of fees		115,028	-	-
Refundable deposit advanced/received		(1,416)	-	(1,618)
Distributions from joint ventures		-	29	2,926
Net amounts advanced to joint ventures		(33)	-	-
Equity investment in associate and joint venture		-	-	(12,455)
Proceeds from disposal of associate		111,966	-	-
Interest received		152	-	302
Cash outflow from discontinued operations		(18)	(829)	(235)
Net cash flow from investing activities		**172,092**	**28,346**	**38,220**
Dividend paid on ordinary shares		(26,440)	(13,770)	(34,727)
Repayment of capital element of finance leases		(5,089)	(5,541)	(10,942)
Repayment of borrowings		(66,792)	-	-
Net (repayment of)/drawdown from revolving credit facility		(42,420)	(5,000)	15,197
(Purchase)/sale of treasury shares, net of fees		(10,728)	(81)	14,961
Interest paid		(1,848)	(825)	(1,978)
Net cash flow from financing activities		**(153,317)**	**(25,217)**	**(17,489)**
Increase/(decrease) in cash and cash equivalents		8,376	(5,433)	20,795
Cash and cash equivalents at beginning of period		30,653	9,858	9,858
Cash and cash equivalents at end of period		**39,029**	**4,425**	**30,653**

1 Accounting policies of Stobart Group Limited

Corporate information

The condensed consolidated financial statements of the Group for the six months ended 31 August 2017 were authorised for issue in accordance with a resolution of the Directors on 19 October 2017. 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 2017 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 28 February 2017. Except for the 28 February 2017 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 28 February 2017 but has been derived from those accounts. Statutory accounts for the period ended 28 February 2017 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 and key estimates and judgements

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 28 February 2017. These accounting policies are expected to be applied for the full year to 28 February 2018.

The estimates and judgements taken by the Directors in preparing these interim financial statements are comparable with those disclosed in the 2017 annual report. During the current period a new key judgement is the presentation of the profit on disposal of the Greenwhitestar investment (as disclosed in note 4) as an underlying item. The Directors have determined this is appropriately disclosed as underlying because development and realisation of assets is the objective of our Infrastructure and Investments divisions.

The following standards and amendments have an effective date after the date of these financial statements:

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

IFRS 15: The Group is in the process of analysing the impact of this standard, however, the impact has yet to be quantified.

IFRS 16: Leases was issued in January 2016 and will 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 on the Group's consolidated financial statements upon transition. This standard is likely to have a significant impact on the Consolidated Statement of Financial Position and Consolidated Income Statement presentation and measurement. A project to oversee the implementation of this standard is in progress.

The adoption of all the other standards, amendments and interpretations is not expected to have a material effect on the net assets, results and disclosures of the Group.

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. 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, airline operations and aircraft leasing. The Stobart Rail segment specialises in delivering internal and external civil engineering development projects including rail network operations. The Stobart Investments segment holds a non-controlling interest in Eddie Stobart Logistics plc. The Stobart Infrastructure segment specialises in management, development and realisation of Group land and buildings assets as well as investments in biomass 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 underlying EBITDA[1]. The results of the aircraft leasing business were included in the Investments segment in the prior period ended 31 August 2016, but are included in the Aviation segment at 31 August 2017, so the prior period ended 31 August 2016 has been restated to be consistent. This is also consistent with the disclosure in the financial statements for the year to 28 February 2017. 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 2017	Energy £'000	Aviation £'000	Rail £'000	Investments £'000	Infrastructure £'000	Adjustments and eliminations £'000	Group £'000
Revenue							
External	25,328	88,849	6,318	-	1,352	2,706	124,553
Internal	4,368	8,619	13,833	-	543	(27,363)	-
Total revenue	**29,696**	**97,468**	**20,151**	**-**	**1,895**	**(24,657)**	**124,553**
Underlying EBITDA[1]	**4,596**	**6,203**	**1,383**	**124,581**	**510**	**(5,498)**	**131,775**
Foreign exchange gains and losses	17	546	-	-	-	(1,062)	(499)
Swaps	-	(756)	-	-	-	(542)	(1,298)
Depreciation	(2,696)	(3,042)	(386)	-	(302)	(114)	(6,540)
Interest	(227)	(1,273)	(96)	-	629	(258)	(1,225)
Underlying PBT[2]	**1,690**	**1,678**	**901**	**124,581**	**837**	**(7,474)**	**122,213**
New business and new contract set up costs	(2,126)	(2,574)	-	-	-	(173)	(4,873)
Litigation and claims	-	-	-	-	-	(3,300)	(3,300)
Transaction costs	-	-	-	-	(17)	(230)	(247)
Amortisation of acquired intangibles	(111)	-	-	-	-	(1,858)	(1,969)
Non-underlying items included in share of post-tax profits of associates and joint ventures	-	-	-	(237)	-	-	(237)
(Loss)/profit before tax	**(547)**	**(896)**	**901**	**124,344**	**820**	**(13,035)**	**111,587**

Inter-segment revenues are eliminated on consolidation. Included in adjustments and eliminations underlying EBITDA[1] are central costs of £5,750,000 (2016: £4,061,000) and intragroup profits eliminated of £252,000 (2016: £232,000).

Restated **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**	**958**	**1,039**	**5,154**	**11,973**	**(3,829)**	**20,210**
Foreign exchange gains and losses	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	688	688
Depreciation	(1,648)	(2,071)	(630)	-	(20)	(146)	(4,515)
Interest	3	(131)	(94)	-	1,038	(1,032)	(216)
Underlying PBT[2]	**3,270**	**(1,244)**	**315**	**5,154**	**12,991**	**(4,319)**	**16,167**
New business and new contract set up costs	(1,489)	-	-	-	-	-	(1,489)
Transaction costs		-	-	-	-	(400)	(400)
Restructuring costs	(53)	-	-	-	-	-	(53)
Amortisation of acquired intangibles	-	-	-	-	-	(1,969)	(1,969)
Non-underlying items included in share of post-tax profits of associates and joint ventures	-	-	-	(1,421)	-	-	(1,421)
Profit/(loss) before tax	**1,728**	**(1,244)**	**315**	**3,733**	**12,991**	**(6,688)**	**10,835**

4 Profit on disposal of investment in associate

On 25 April 2017, the Group disposed of its 49% investments in Greenwhitestar Holdings Company 1 Limited and Greenwhitestar Finance Limited for consideration comprising cash of £112.0m and a 12.5% shareholding in Eddie Stobart Logistics plc. This disposal generated £123.9m profit on disposal.

Eddie Stobart Logistics plc was admitted to AIM on 25 April 2017 and the 12.5% investment was valued at £71.5m on admission, which was equivalent to 160p per share. As at 31 August 2017, the investment remains valued at £71.5m.

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 2017 Unaudited £'000	Six months ended 31 August 2016 Unaudited £'000	Year ended 28 February 2017 Audited £'000
Operating expenses:			
- New business and new contract set up costs	4,873	1,489	2,999
- Transaction costs	247	400	2,003
- Restructuring costs	-	53	83
- Litigation and claims	3,300	-	-
- Bad debt write off	-	-	1,869
- Amortisation of acquired intangibles	1,969	1,969	3,938
- Impairment of goodwill/credit for business purchase	-	-	21,646
	10,389	**3,911**	**32,538**
Share of post-tax profits of associates and joint ventures:			
- Amortisation of acquired intangibles	237	1,421	2,839
	237	**1,421**	**2,839**

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. The costs in the current year were (i) pre-contract costs and excess costs incurred due to delays in customer plants becoming operational in the Energy division and (ii) marketing and support costs in relation to introducing 11 additional routes at London Southend Airport, operated by our regional airline.

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

Restructuring costs comprise costs of integration plans and other business reorganisation and restructuring undertaken by management. Costs include cost rationalisation, site closure costs, certain short-term duplicated costs and other costs related to the reorganisation and integration of businesses. These are principally expected to be one-off in nature.

The charge for litigation and claims includes payments in respect of historic matters. Contingent assets relating to any outstanding claims are not recognised unless recovery is considered virtually certain, in accordance with accounting standards.

The bad debt write-off relates to a significant receivable, written off due to the customer entering administration.

Amortisation of acquired intangibles comprises the amortisation of intangible assets including those identified as fair value adjustments in acquisition accounting. The charge in the year principally relates to the amortisation of the brand assets.

Impairment of goodwill/credit for business purchase relates to the acquisitions of Everdeal Holdings Limited and Propius Holdings Limited in February 2017. Prior to acquisition, these investments were previously accounted for as an associates and joint venture respectively.

6 Taxation

Taxation on profit on ordinary activities

Total tax in the Condensed Consolidated Income Statement	**Six months ended 31 August 2017 Unaudited £'000**	**Six months ended 31 August 2016 Unaudited £'000**	**Year ended 28 February 2017 Audited £'000**
Current income tax:			
UK corporation tax	-	-	-
Overseas corporation tax	30	-	-
Total current tax	**30**	**-**	**-**
Deferred tax:			
Origination and reversal of temporary differences	(567)	1,858	2,512
Impact of change in rate	-	-	(996)
Adjustment in respect of prior years	245	(63)	(358)
Total deferred tax	**(322)**	**1,795**	**1,158**
Total (credit)/charge in the income statement	**(292)**	**1,795**	**1,158**

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. As part of the March 2016 Budget, a further reduction to 17% (effective from 1 April 2020) was announced and substantively enacted in September 2016. The deferred tax liability as at 31 August 2017 has been provided at 17%.

7 Dividends

A final dividend of 4.5p per share (2016: 4.0p) totalling £15,945,000 (2016: £13,770,000) was declared on 11 May 2017 and was paid on 7 July 2017.

An interim dividend of 4.5p per share (2016: 3.0p) totalling £15,841,953 (2016: £10,327,412) was declared on 5 September 2017 and was paid on 6 October 2017 to shareholders on the register as at 15 September 2017.

The annualised dividend now stands at 18.0p per share.

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 2017 Unaudited	Six months ended 31 August 2016 Unaudited	Year ended 28 February 2017 Audited
Numerator	**£'000**	**£'000**	**£'000**
Profit/(loss) used for basic and diluted earnings	111,879	9,040	(9,184)
Denominator	**Number**	**Number**	**Number**
Weighted average number of shares used in basic EPS	349,275,009	341,160,922	343,529,160
Effects of employee share options	9,782,447	1,113,367	-
Weighted average number of shares used in diluted EPS	**359,057,456**	**342,274,289**	**343,529,160**
Own shares held and therefore excluded from weighted average number	5,053,823	10,081,778	10,799,671

The numerator used for the basic and diluted underlying earnings per share is the underlying profit for the period of £122,170,000 (Aug 2016: £13,765,000 / Feb 2017: £27,606,000), disclosed in the Condensed Consolidated Income Statement.

9 Property, plant and equipment

Additions and disposals

During the six months ended 31 August 2017, the Group acquired or developed property, plant and equipment assets with a cost of £51,834,000 (2016: £8,674,000). This included the acquisition of three Embraer E195 aircraft for £33.1m. These aircraft are leased outside of the Group until late 2018.

Property, plant and equipment assets with a book value of £98,688,000 (2016: £532,000) were disposed of by the Group during the six months ended 31 August 2017, resulting in a profit of £192,000 (2016: £132,000). This included the sale and leaseback of eight ATR 72-600 in April 2017. The Group received net proceeds of $62.7m (£50.2m) after repayment of existing financing in respect of the aircraft of $85.3m (£68.2m), including refundable deposits withheld of $3.8m (£3.0m) and $1.0m (£0.8m) in rental payments. The leases are for a ten-year term with an option to terminate after six years. Aggregate payments under the leases will amount to $15.4m (£12.3m) per annum. The Group will continue to operate all eight aircraft within its airline, primarily providing flights under the Aer Lingus franchise agreement.

Capital commitments

At 31 August 2017, the Group had capital commitments of £315,000 (2016: £2,703,000), principally relating to new and upgraded IT systems in Rail, HR and London Southend Airport.

10 Analysis of net (cash)/debt

Loans and borrowings	31 August 2017 Unaudited £'000	28 February 2017 Audited £'000
Non-current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	7,685	7,847
- Bank loans	-	64,269
Variable rate:		
- Obligations under finance leases and hire purchase contracts	18,455	19,252
- Bank loans	-	41,704
	26,140	**133,072**
Current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	1,586	1,401
- Bank loans	-	6,975
Variable rate:		
- Obligations under finance leases and hire purchase contracts	8,452	9,911
	10,038	**18,287**
Total loans and borrowings	**36,178**	**151,359**
Cash	(39,029)	(30,653)
Net (cash)/debt	**(2,851)**	**120,706**

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

The £65,000,000 variable rate committed revolving credit facility, with a facility end date of January 2020, was drawn at £Nil (Feb 2017: £42,200,000) at the period end.

The Group was compliant with all financial covenants throughout both the current and prior periods.

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 2017 Unaudited £'000	Fair Value 31 August 2017 Unaudited £'000
Financial Assets		
Cash	39,029	39,029
Amounts owed by associates and joint ventures	17,874	17,874
Trade receivables	25,619	25,619
Other receivables	4,740	4,740
Swaps	809	809
Financial Liabilities		
Trade payables	16,585	16,585
Finance leases and hire purchase arrangements	36,178	36,178
Swaps	1,028	1,028

	Book Value 28 February 2017 Audited £'000	Fair Value 28 February 2017 Audited £'000
Financial Assets		
Cash	30,653	30,653
Amounts owed by associates and joint ventures	16,956	16,956
Trade receivables	24,272	24,272
Other receivables	297	297
Swaps	540	540
Financial Liabilities		
Trade payables	22,804	22,804
Loans and borrowings	112,948	111,705
Finance leases and hire purchase arrangements	38,411	40,098
Other payables	5,536	5,536
Swaps	101	101

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 2017 Annual Report.

11 Fair values (continued)

Financial (Liabilities)/Assets measured at Fair Value				
As at 31 August 2017	**Total**	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**	**£'000**
Swaps	(219)	-	(219)	-

As at 28 February 2017	**Total**	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**	**£'000**
Swaps	439	-	439	-

During the six months ended 31 August 2017, 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 2017 Unaudited £'000	**Six months ended 31 August 2016 Unaudited £'000**	**Year ended 28 February 2017 Audited £'000**
Profit/(loss) before tax	**111,587**	**10,835**	**(8,026)**
Adjustments to reconcile profit/(loss) before tax to net cash flows:			
(Gain)/loss in value of investment properties	(319)	250	(2,898)
Realised profit on sale of property, plant and equipment and investment properties	(192)	(11,752)	(15,196)
Share of post-tax profits of associates and joint ventures accounted for using the equity method	(474)	(4,038)	(6,876)
Profit on disposal/gain in value of assets held for sale	(400)	-	(2,747)
Profit on disposal of associate	(123,870)	-	-
Release of deferred profit on sale and leaseback	(239)	-	(772)
Depreciation of property, plant and equipment	6,540	4,515	9,378
Finance income	(979)	(887)	(2,925)
Finance cost	2,204	1,103	2,532
Release of grant income	(359)	(89)	(313)
Release of deferred premiums	(1,142)	(1,142)	(3,045)
Impairment of goodwill/credit for business purchase	-	-	21,646
Amortisation of intangibles	1,969	1,969	3,938
Share option charge	1,093	450	1,000
Foreign exchange retranslation	(1,789)	-	(420)
Loss/(gain) on swaps mark to market valuation	659	(1,104)	(1,820)
Cash movement on maintenance reserves	(3,324)	-	-
Retirement benefits and other provisions	(267)	(186)	(1,141)
(Increase)/decrease in inventories	(1,004)	257	1,999
(Increase)/decrease in trade and other receivables	(3,477)	(3,292)	5,767
Increase/(decrease) in trade and other payables	3,453	(5,451)	(17)
Cash (used)/generated in operations	**(10,330)**	**(8,562)**	**64**

INDEPENDENT REVIEW REPORT TO STOBART GROUP LIMITED

Conclusion

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 2017 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

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 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

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

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 DTR of 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.

Mick Davies
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
19 October 2017