

Stobart Group Limited

Interim Results for the six months ended 31 August 2009

Stobart Group (Stobart) is one of the UK's leading providers of multimodal transport and logistics solutions offering road, rail, sea and air transport. The Group also provides warehousing, storage and handling facilities.

Financial Highlights

- Revenue from continuing operations of £218.2m (2008: £199.2m)
- Earnings after fleet financing costs (EAFFC) of £13.5m* (2008: £13.4m)
- Profit before tax and restructuring costs of £12.4m (2008: £11.0m)
- Earnings per share from continuing operations (normalised before restructuring costs and allowing for a 28% tax charge) totalling 3.7p (2008 like for like basis: 3.7p)
- Interim dividend of 2p per share
- Net cash generated from operations of £19.7m (2008: £11.0m)

Operational Highlights

- Announcement of the launch of a new temperature-controlled intermodal service from Valencia to the UK in partnership with DB Schenker
- Completion of integration of James Irlam fleet business in to Eddie Stobart
- Announcement of a new £25m per annum contract for Tesco non-food at Teesport
- Restructuring of the chilled operation bringing this division to profitability
- Opening of a refurbished warehousing facility in Bardon, Leicestershire contracted with Nestlé UK Ltd and worth approximately £11m per annum
- Completion of 528,000 sq. ft. chilled distribution centre Phase 1 development at the inland port at Widnes by Stobart Rail
- Acquisition of Carlisle Lake District airport for £10.1m on 30 May 2009
- London Southend Airport has agreed commercial terms with DfT for development of the railway station

* EAFFC comprises the underlying operating profit of £15.8m (2008: £15.2m) less share based payments of £0.4m (2008: £0.4m) less the fleet financing costs of £1.9m (2008: £1.4m.)

Stobart Group will be holding a presentation for analysts at 09:30hrs today (22 October) at Charlotte Street Hotel, 15-17 Charlotte Street, London, W1T 1RJ. If you would like to attend, please contact Samantha Echeverria on Samantha.Echeverria@collegehill.com or 020 7457 2074.

Andrew Tinkler, Chief Executive, comments:

“Our half-year results demonstrate stability and performance against a background of economic recession. Volumes are strengthening with new contracts recently signed with Tesco, Nestlé and the launch of new rail services such as the distribution from Valencia to the UK of temperature-controlled fresh produce. We also announce today a further contract award from Tesco in Donabate, Ireland. The civil engineering business continues to win new contracts and add value on the Group’s capital projects at the two airports and the Widnes inland port.

We expect a strong performance in the second half focusing on organic growth via new business wins and action already taken to reduce costs with the completion of the integration of Eddie Stobart and James Irlam. The Group is offering a full circle of service provision to customers who are increasingly looking to exit inflexible fixed price contracts and work in mutual partnership to deliver efficient, green multimodal logistics solutions.”

22 October 2009

ENQUIRIES:

Stobart Group

Andrew Tinkler, Chief Executive Officer

Ben Whawell, Chief Financial Officer

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College Hill

Mark Garraway

Gareth David

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CHAIRMAN'S STATEMENT

Overview

I am delighted to be able to report on a period of further progress and consolidation for the Group.

We have successfully integrated the James Irlam business in to our Eddie Stobart Division and partly integrated the chilled business. This should produce operational synergies for the second half.

We have continued to develop our multimodal strategy through acquisition of Carlisle Lake District airport and major developments in the ports and rail divisions. Andrew Tinkler, in his Chief Executive's review, sets out the strategy in more detail and how it will deliver significant value to the Group over the coming years.

Results

Total revenue for the period from continuing operations was £218.2m (2008: £199.2m), producing earnings after fleet financing costs (EAFFC) of £13.5m (2008: £13.4m) and normalised profit before taxation and restructuring costs of £12.4m (2008: £11.0m). Statutory profit before tax was £11.1m (2008: £11.0m). Earnings per share from continuing operations (normalised before restructuring costs and allowing for a 28% tax charge) totalled 3.7p (2008: 3.7p).

Dividend

The Board has declared an interim dividend of 2.0p, which will be paid on 10 December 2009 to shareholders on the register as at 30 October 2009. This reflects an expected one third to two thirds payment profile consistent with prior years and the current expectation for the future.

People

On 9 July 2009, Jesper Kjedegaard and Daniel Dayan were appointed as Non-Executive Directors. We are delighted to welcome two very strong and talented individuals to our Board who have the necessary skills and experience to help guide the Group through this exciting time in its development.

Jesper brings a wealth of experience in multi-modal logistics, specifically in the ports and shipping sector. This will add strong insights, particularly around the Group's ports and feeder service developments. Daniel has very solid operational and listed company experience and has been directly involved in the procurement of logistics services. This experience gives him a strong customer perspective.

Outlook

We expect that the new business wins and recently announced contracts will deliver strong growth in performance in the second half of the financial year. We will also continue to review our ongoing cost base and to identify operational efficiencies. This, along with the breadth and quality of our service offering will, we believe, enable us to continue to grow the Group's revenue and profitability.

The Board looks forward to reporting on further progress, including a strong second half, giving a result for the year as a whole that will be in line with our expectations.

RODNEY BAKER-BATES

Chairman

22 October 2009

CHIEF EXECUTIVE'S REVIEW

Results

The six months to 31 August 2009 has been a period of consolidation and integration following the acquisitions made in the last two years. We have also announced some major new developments in all of our divisions.

Total revenue from continuing operations amounted to £218.2m (2008: £199.2m) with earnings after fleet financing costs (EAFFC) of £13.5m (2008: £13.4m) and normalised profit before tax and restructuring costs of £12.4m (2008: £11.0m). Statutory profit before tax was £11.1m (2008: £11.0m). EAFFC comprises the underlying operating profit of £15.8m (2008: £15.2m) less share based payments of £0.4m (2008: £0.4m) the fleet financing costs of £1.9m (2008: £1.4m).

Earnings per share from continuing activities totalled 3.8p (2008: 2.2p). Earnings per share from continuing operations (normalised before restructuring costs and allowing for a 28% tax charge) totalled 3.7p (2008: 3.7p).

The Group maintains a strong balance sheet, with net assets of £289.8m (29 February 2009: £279.2m). Non fleet-related net borrowing at £103.4m (28 February 2008: £67.3m) increased principally due to the asset-backed loans of £29m, to part fund the new chilled distribution centre at Widnes and £5m to part fund the acquisition of Stobart Air Limited. Cash (net) generated from operations was £19.4m (2008: £11.0m) and net cash outflow was £3.3m (31 August 2008: £12.0m) after dividends paid. Gearing, excluding fleet financing and related assets, was 26.3% (28 February 2009: 19.5%).

The effective tax rate for the period is 19.3%. This rate is lower than the standard rate of 28% principally due to group relief claimed in respect of losses arising in Stobart Properties Limited, a trading subsidiary undertaking.

Strategy

We continue our clear strategy to deliver on the Group's vision to become the UK's leading multi-modal transport and logistics provider.

Stobart differentiates itself through the strength of its brand, its costing model and its drive to provide customers with cost savings through open and transparent pricing. The key aspect of our multimodal transport and logistics solutions strategy is that we are in a unique position to provide our customers with a comprehensive offer to meet all of their logistics requirements, whilst also continuing to provide customers with the most cost efficient and environmentally friendly solutions.

Stobart continues to attract interest from retailers and manufacturers who want more flexibility in their supply chain solutions and we are confident that new contracts will come on-board as customers seek to exit inflexible fixed priced contracts.

We continue to expand our UK market share in a very fragmented market. We already have a very strong blue-chip customer base across a broad range of sectors with a significant presence in the food and drink sector with many household name customers. We are able to offer ambient and chilled services throughout the UK and Europe. We intend to increase volumes through innovative, state-of-the-art transport and storage solutions across road, rail, sea and air modes.

We have a unique pricing model, which is beneficial to customers and encourages meeting of targets by ourselves and the customer and, put simply, cuts out waste. We are able to offer this 'pay as you go' method due to our own-branded fleet which are not restricted to a certain customer and our route-planning technology which allows us to maximise truck utilisation and reduce the number of empty miles.

We aim to develop our rail, ports and air divisions and where appropriate link these together to give quick, efficient routes that are unique in the industry. Our recent acquisition of Carlisle airport and development of the direct Valencia to UK rail link are further steps towards our multimodal strategy.

We believe that we have the strongest brand in the industry and have continued to develop this by harmonising the branding of acquired businesses such as Stobart Air to maximise the power of the positive values attached to the brands.

Our current multi-modal portfolio includes the following assets and services:

- 1,600 trucks with utilisation rates at one of the highest levels in the industry
- Operations at over 40 locations in the UK and Europe
- State-of-the-art UK distribution centres at Widnes
- Successful inland rail freight terminal which receives 5 trains per day
- 5 rail freight services in partnership with customers including a unique service from Valencia to the UK
- Two operational airports, with significant development potential to increase activity
- Waterway port opportunity for development in the medium term

Increasingly, our current and potential customers are asking for the full service offering and requiring our greener solutions.

Our business model is unique and robust; this means that we can capture opportunities in times of economic downturn. We have a large customer base, multimodal capability, high quality people and systems in place to protect us against financial and operational risk.

Capital developments and financing

The Group currently holds a number of working capital and term facilities across the various divisions and remains comfortably inside all covenant measures. Over the past 12 months we have successfully balanced the requirements for asset development funding alongside the desire to maintain competitive debt pricing and the potential to refinance the historic facilities. During this period we have maintained a solid relationship with our mainstream bank, RBS, who remain very supportive of the Group, whilst developing strong relationships with new core and specialist lenders. The time and effort spent on developing these relationships has resulted in the Group being in a position where it can consider a number of financing options as it looks to fund the key capital project at Southend Airport and ensure that one facility due for renewal in August 2010 is refinanced. In parallel with considering the ideal structure for the Group we are assessing whether the improved market means the time is appropriate to realise value from our existing asset portfolio for reinvestment in future developments. We expect to be able to announce the completion of our preferred route by the year end.

Environment

A key element of our strategy is the focus it brings to providing environmental improvements. This is best quantified by our fleet utilisation for the Eddie Stobart road fleet which at 83.5% means that only 16.5% of vehicles are travelling without a load.

The Government and our customers are increasingly looking at achieving sustainable environmental cost-effective solutions throughout their supply chain. This is a key driver in everything we do and we are working hard to eliminate waste through filling up empty journeys and considering other modes of transport.

Load fill in the chilled division has increased by 9% from 70% to 76% in the year reducing the empty space in trailers in that operation. The refrigerated trailers used by our chilled fleet are 100% recyclable.

The Group is constantly reviewing its systems and procedures to realise efficiencies, it is looking at automated planning systems and technology to improve fuel consumption.

Core operations

Eddie Stobart

Eddie Stobart is the largest of the Group's divisions and includes its ambient and chilled road transport and warehousing operations. It operates a fleet of more than 1,600 trucks and 3,000 trailers and around 6 million square feet of warehousing across 40 sites in the UK, Ireland and Europe.

UK Transport

A key feature of this first half has been the successful integration of the James Irlam business into Eddie Stobart. All transport operations, depot network operations, front and back office functions have now been fully integrated without any interruption to our customers. The integrated operation now runs circa 1,250 trucks, 3,000 trailers from common systems and processes.

Vehicle utilisation in the period to 30 August 2009 was 83.5%, a slight reduction from the year end due to the integration of the James Irlam day and night operations and ability to measure their utilisation from 1 March 2009. The second phase of the integration, harnessing the synergies, has already commenced and it is anticipated that the savings will be in the region of £0.5m this financial year, with an annualised impact of £1.1 million.

Though the business has been faced with the tough economic conditions, new business totalling circa £30 million has been secured. No customers have been lost during the period and the margin has been maintained as a result of tight operational and cost control and integration synergy savings. We announced a further £25m distribution contract for Tesco Teesport in the period which should help increase fleet utilisation further adding to profitability.

Chilled Transport

The chilled and ambient operations of Innovate Logistics were purchased from the administrators in July 2008. The business has since been restructured, rationalised and incorporated into the Chilled Transport and Warehousing Divisions. As part of the restructuring programme, 2 sites were closed saving in the region of £1m per annum.

Chilled Transport has performed well during the first half and has generated positive earnings in each month to date. This performance is expected to continue and improve further into the second half of the year and beyond. Revenue has grown by 22% since January with new business wins including the Co-op. Payroll costs have been further reduced through the recruitment programme that has seen a 50% reduction in agency drivers. Load fill has increased by 9% from 70% to 76%.

Key customers have been retained, with further business development and new major customers added during the period. The Stobart chilled brand has grown in strength through delivering a high level of customer service and we are now seen as a major operator within the market place. We believe that significant opportunities exist in the sector for future revenue growth.

The final stage of the integration will be implementation of the Eddie Stobart technology systems in to the chilled operation, which should be up and running during the second half.

Warehousing

Our warehousing operations comprise 6m sq feet of high-spec state of the art facilities. Due to our customer mix of predominately blue-chip clients, products handled include FMCG, pharmaceuticals, chilled and business-to-business. We offer a multitude of services to these clients from unit, case or pallet pick, to a full range of value added services such as co-packing and process management. All activities and facilities are managed through our DWMS which interfaces between both clients and their customers in real-time, managing high complex throughputs, whilst validated to ensure regulatory compliance for MHRA and SOX.

The first six months of 2009 have seen strong revenue growth continuing the trend from 2008. Our newest site in Bardon has come on stream giving the Group one of the most state-of-the-art warehousing facilities in the UK. This handles 75% of Nestlé UK's distribution and is contracted for 10 years. The site which is one of the largest in the UK holds 105,000 pallets of which 50% of products are stored in a fully automated high bay warehouse. The operations team are focused on the delivery of new contracts for SCA Personal Care and Danone during the second half of 2009. The business development team continues with a targeted strategy for growth with both existing and new customers.

Investment to enhance the network continues with a significant refurbishment programme in Bardon and the addition of a new facility in Daresbury (c360,000 sq.ft.) to accommodate the expanding long term relationship with Johnson & Johnson in early 2010.

Stobart Ports

Our ports division currently comprises two main operations. An inland port (container handling facility) near Widnes which currently handles around 100,000 shipping containers a year, and the nearby Port of Weston. This 44 acre site on the Manchester Ship Canal has excellent potential for development as our waterway port with close road, rail and waterway links.

The Ports division has maintained container volumes and inland transport through the first 6 months by achieving a preferred carrier status with major UK retailers. A trial daily rail service between Tilbury and Widnes has been successfully operated over four months and this could be extended to a complete train during the coming months. This limited trial in isolation has so far removed over 30,000 kilometres of UK road transport.

The business has continued to drive efficiency into the Inland Terminal in Widnes, which currently manages nearly 1,000 vehicle movements every day with a dwell time of only 12 minutes per vehicle.

Following lower container volumes at the end of 2008 and early 2009, the ports division costs were reviewed and truck numbers and overheads reduced. If the signs of volume increases continue the division will be able to make use of transport capabilities in the Eddie Stobart division.

The new 528,000 sq. ft. chilled distribution facility has been delivered at Widnes with completion achieved on time and in budget in July 2009. Preparation of the remaining development land around the Widnes site has continued, with all surplus buildings now demolished.

Stobart Rail

Within our rail division are two operations; infrastructure engineering and rail freight transportation. The civil engineering operation is a leading force in rail infrastructure maintenance, undertaking work such as bridge and line-side maintenance and permanent way works. The freight division operates a growing number of freight trains each week to complement our road haulage business.

The rail freight division has recently announced the development of a direct chilled service from Valencia to the UK in partnership with DB Schenker. This is the first train of this type ever between Spain and the UK. This is a unique service which is expected to take 8.5m truck-miles off the road each year.

Stobart Rail's development operation has already carried out significant work for other group companies including work at Widnes, the Bardon site and development of Southend airport to a total value of £9.9m, making considerable savings in the process and reducing the risks associated with the projects.

Stobart Air

Stobart Air has traded in line with expectations in the first half. The air division comprises London Southend Airport, acquired in December 2008, and Carlisle Lake District Airport, acquired at the end of May 2009 for £10.1m.

At London Southend Airport we have secured agreement with the DfT for the introduction of the new rail station which will provide fast and frequent links for passengers to Stratford (for the Olympics) and London Liverpool Street. The development work has started and, subject to track possessions, we envisage that the station will open in May 2010. We have leased an additional 40,000 sq ft to a major aircraft maintenance organisation to allow them to significantly increase their maintenance capacity at the airport enhancing the airport's strong reputation for maintenance. In addition, through collaborative working, the two local councils have recently agreed with the airport the operating controls they would require if the airport were to bring an extended runway into use.

Carlisle airport was brought into the Group during the first half and a new Airport Director (who was formerly the operations Director at Luton Airport) joined the airport in September 2009. Initial work focuses on reviewing the operational cost structure. Plans are being considered for transfer of the Carlisle transport and warehousing facilities from the current leased sites to a purpose built facility on the airport site.

Discontinued activities

As at the previous year end, the investment properties, including One Plantation Place, are classified in discontinued operations as they are part of a co-ordinated disposal plan. The commercial property market is showing signs of stabilising.

Outlook

The second half has started encouragingly and we expect to see strong growth across our businesses.

Recently announced contracts and other developments in the second half include:

- Transport for Tesco Teesport began in September 2009 increasing revenue and utilisation and we have other business developments that we hope to be able to announce in the coming months.
- Good order book in Stobart Rail infrastructure engineering
- Rent and certain transport activities at the chilled distribution site in Widnes began early in the second half
- The Valencia to UK direct rail freight service will commence operations in late October 2009 operating a round trip each week

In addition, we are pleased to announce a further new contract gain. We have been awarded a €13m per annum contract for Tesco in Donabate, Ireland which substantiates our decision to enter the Irish market in 2008.

We have ongoing discussions with other major customers and potential customers to further develop business opportunities and expect that these will continue to grow organically our top line.

A great deal has been achieved during this period to consolidate and integrate our businesses and develop and deliver the multi-modal transport and logistics solutions which our customers are increasingly demanding. We remain confident that the year will be a successful one and firmly believe in the longer term growth potential of the Group.

ANDREW TINKLER
Chief Executive
22 October 2009

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 and mitigating factors have not changed from those previously reported, namely:

- Business and financial strategy
- Consumer confidence
- Seasonality and abnormal weather
- Government legislation and regulation
- Airport safety and security
- Demand for integrated and outsourced transport and logistics
- Competition
- Nature of lease obligations
- Fuel prices
- Commercial property
- Acquisitions
- Capital expenditure

For greater detail on these risks and mitigating factors, please refer to our 2009 annual report.

Directors' responsibility statement

The Board confirms to the best of their knowledge:

- that the consolidated half year financial statements for the six months to 31 August 2009 have been prepared in accordance with IAS 34 'Interim Financial Reporting'; and
- that the Half Year Report includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules.

The above Statement of Directors' responsibilities was approved by the Board on 22 October 2009.

BEN WHAWELL
Chief Financial Officer

22 October 2009

Stobart Group Limited

Interim Consolidated Income Statement
For the six months ended 31 August 2009

		Six months ended 31 August 2009 Unaudited £'000	Six months ended 31 August 2008 Unaudited £'000	Year ended 28 February 2009 Audited £'000
Revenue	4	218,245	199,199	431,062
Operating expenses - underlying		(202,438)	(184,045)	(399,711)
Underlying operating profit		15,807	15,154	31,351
- Share based payment	10	(423)	(391)	(716)
- Restructuring costs		(1,306)	-	(2,722)
- Credit for business purchase		-	-	3,609
Profit before interest and tax		14,078	14,763	31,522
Finance costs		(3,445)	(4,106)	(8,161)
Finance income		442	375	581
Profit before tax		11,075	11,032	23,942
Income tax	5	(2,139)	(6,232)	(2,797)
Profit for the period from continuing operations		8,936	4,800	21,145
Discontinued operations		(416)	(25,104)	(29,916)
Profit / (loss) for the period attributable to equity holders of the parent		8,520	(20,304)	(8,771)
Earnings/(loss) per ordinary share	7			
From continuing operations				
Basic		3.75p	2.24p	9.81p
Diluted		3.73p	2.24p	9.77p
From continuing and discontinued operations				
Basic		3.58p	(9.49p)	(4.07p)
Diluted		3.56p	(9.49p)	(4.07p)

Stobart Group Limited

Interim Consolidated Statement of Comprehensive Income
For the six months ended 31 August 2009

	Six months ended 31 August 2009 Unaudited £'000	Six months ended 31 August 2008 Unaudited £'000	Year ended 28 February 2009 Audited £'000
Profit / (loss) for the period	8,520	(20,304)	(8,771)
Exchange differences on translation of foreign operations	-	-	(336)
Reversal of revaluation of land and buildings	-	-	(340)
Other comprehensive income / (loss) for the period, net of tax	-	-	(676)
Total comprehensive income / (loss) for the period, net of tax attributable to equity holders of the parent	8,520	(20,304)	(9,447)

Stobart Group Limited

Interim Consolidated Statement of Financial Position
As at 31 August 2009

	Notes	31 August 2009 Unaudited £'000	28 February 2009 Audited £'000
Non-current Assets			
Property, plant and equipment			
- Land and buildings	8	179,519	131,435
- Plant and machinery	8	16,234	15,302
- Fixtures, fittings and equipment	8	2,260	2,922
- Commercial vehicles	8	56,812	61,901
		<u>254,825</u>	<u>211,560</u>
Intangible assets		229,806	223,258
Available for sale investments		10	22
		<u>484,641</u>	<u>434,840</u>
Current Assets			
Inventories		1,739	1,700
Trade and other receivables		72,815	72,104
Cash and cash equivalents	9	8,762	7,251
		<u>83,316</u>	<u>81,055</u>
Assets of disposal groups classified as held for sale		2,363	2,900
		<u>85,679</u>	<u>83,955</u>
Total Assets		<u>570,320</u>	<u>518,795</u>
Non-current Liabilities			
Loans and borrowings	9	91,696	90,367
Other liabilities		15,567	15,420
Deferred tax liability		37,402	34,269
		<u>144,665</u>	<u>140,056</u>
Current Liabilities			
Trade and other payables		58,987	57,559
Loans and borrowings	9	71,915	37,775
Corporation tax liability		1,245	178
		<u>132,147</u>	<u>95,512</u>
Liabilities directly associated with the assets classified as held for sale		3,698	3,997
		<u>135,845</u>	<u>99,509</u>
Total Liabilities		<u>280,510</u>	<u>239,565</u>
Net Assets		<u>289,810</u>	<u>279,230</u>

Stobart Group Limited

Interim Consolidated Statement of Financial Position (continued)
As at 31 August 2009

	31 August 2009 Unaudited £'000	28 February 2009 Audited £'000
Capital and reserves		
Issued share capital	25,079	24,175
Share premium	164,508	155,805
Foreign currency exchange reserve	(468)	(468)
Reserve for own shares held by EBT	(803)	(803)
Retained earnings	101,494	100,521
Total Equity	289,810	279,230

Stobart Group Limited

Interim Consolidated Statement of Changes in Equity
For the six months ended 31 August 2009

	Attributable to equity holders of the parent					
	Issued share capital	Share premium	Foreign currency exchange reserve	Reserve for own shares held by EBT	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2009	24,175	155,805	(468)	(803)	100,521	279,230
Profit for the period	-	-	-	-	8,520	8,520
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	8,520	8,520
Proceeds on share issue	904	8,703	-	-	-	9,607
Share issue costs	-	-	-	-	-	-
Share based payment credit	-	-	-	-	431	431
Dividends	-	-	-	-	(7,978)	(7,978)
Balance at 31 August 2009	25,079	164,508	(468)	(803)	101,494	289,810

	Attributable to equity holders of the parent						
	Issued share capital	Share premium	Foreign currency exchange reserve	Reserve for own shares held by EBT	Revaluat'n reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2008	16,063	70,535	(132)	(803)	340	123,142	209,145
Loss for the period	-	-	-	-	-	(20,304)	(20,304)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income / (loss)	-	-	-	-	-	(20,304)	(20,304)
Proceeds on share issue	6,536	78,441	-	-	-	-	84,977
Share issue costs	-	(2,060)	-	-	-	-	(2,060)
Share based payment credit	-	-	-	-	-	391	391
Dividends	-	-	-	-	-	(8,513)	(8,513)
Balance at 31 August 2008	22,599	146,916	(132)	(803)	340	94,716	263,636

Stobart Group Limited

Interim Consolidated Statement of Changes in Equity
For the six months ended 31 August 2009

	Attributable to equity holders of the parent						
	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Revaluat'n reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2008	16,063	70,535	(132)	(803)	340	123,142	209,145
Loss for the year	-	-	-	-	-	(8,771)	(8,771)
Other comprehensive income	-	-	(336)	-	(340)	-	(676)
Total comprehensive income/(loss)	-	-	(336)	-	(340)	(8,771)	(9,447)
Proceeds on share issue	8,112	88,366	-	-	-	-	96,478
Share issue costs	-	(3,096)	-	-	-	-	(3,096)
Share based payment credit	-	-	-	-	-	765	765
Dividends	-	-	-	-	-	(14,615)	(14,615)
Balance at 28 February 2009	24,175	155,805	(468)	(803)	-	100,521	279,230

Stobart Group Limited

Interim Consolidated Cash Flow Statement
For the six months ended 31 August 2009

	Notes	Six months ended 31 August 2009 Unaudited £'000	Six months ended 31 August 2008 Unaudited £'000	Year ended 28 February 2009 Audited £'000
Cash generated from operations	11	19,703	10,966	47,946
Income taxes paid		(314)	(78)	(1,183)
Net cash flow from operating activities		19,389	10,888	46,763
Acquisition of subsidiaries and other businesses – net cash paid		(414)	(66,132)	(76,451)
Purchase of property, plant and equipment		(45,851)	(30,840)	(54,738)
Proceeds from sale of property, plant and equipment		8,306	1,239	4,777
Dividends received from joint ventures		63	940	614
Net loans (advanced to) / repaid by joint ventures		360	(3,191)	(2,807)
Interest received		442	436	650
Net cash flow from investing activities		(37,094)	(97,548)	(127,955)
Issue of ordinary shares less costs of issue		-	72,917	83,382
Dividend paid on ordinary shares		(7,978)	(8,513)	(14,615)
Proceeds from new finance leases		10,754	18,730	33,860
Repayment of finance leases		(12,709)	(7,051)	(15,751)
Proceeds from new long term borrowings		34,460	24,170	4,581
Repayment of long term borrowings		(6,258)	(21,409)	(2,684)
Interest paid		(3,838)	(4,136)	(8,355)
Net cash flow from financing activities		14,431	74,708	80,418
Decrease in cash and cash equivalents		(3,274)	(11,952)	(774)
Cash and cash equivalents at beginning of period		(9,114)	(8,340)	(8,340)
Cash and cash equivalents at end of period		(12,388)	(20,292)	(9,114)
Cash				
- continuing		8,762	4,197	7,251
- included in disposal group		28	353	207
Overdraft		(21,178)	(24,842)	(16,572)
Cash and cash equivalents at end of period		(12,388)	(20,292)	(9,114)

1 Accounting policies of Stobart Group Limited

Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 August 2009 were authorised for issue in accordance with a resolution of the directors on 22 October 2009.

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 4.

Basis of preparation

The interim consolidated financial statements of the Group for the six months ended 31 August 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim 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 2009. Except for the 28 February 2009 comparatives, the financial information set out herein is unaudited but has been reviewed by the auditors and their report to the Company is attached.

These interim consolidated financial statements are unaudited. The comparative financial information set out in these interim consolidated financial statements do not constitute the Group's statutory accounts for the period ended 28 February 2009 but have been derived from the accounts. Statutory accounts for the period ended 28 February 2009 have been published. The auditors have 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 IFRS as adopted by the European Union.

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 to 28 February 2009 except for the adoption of new Standards and Interpretations as of 1 January 2009 noted below:

IFRS 2 Share based payments – Vesting conditions and cancellations

The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments – Disclosures

The amended standard requires additional disclosure about fair value measurement and liquidity risk. The adoption of this amendment did not have a significant impact on the relevant disclosures.

IFRS 8 Operating segments

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segmental Reporting. Additional disclosures about each of these segments are disclosed in note 4, including revised comparative information.

IAS 1 Revised Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or as two linked statements. The Group has elected to present two statements.

Improvements to IFRS

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarify wording. There are separate transitional provisions for each standard. The adoption of the related amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IAS 1 Presentation of Financial Statements

IAS 16 Property Plant and Equipment

IAS 23 Borrowing costs

IAS 38 Intangible Assets

IFRS 5 Non-current Assets Held for Sales and Discontinued Operations

IFRS 7 Financial Instruments: Disclosures

IAS 8 Accounting Policies, Change in Accounting Estimates and Error

IAS 10 Events after the Reporting Period

IAS 16 Property, Plant and Equipment

IAS 18 Revenue

IAS 19 Employee Benefits

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance

IAS 27 Consolidated and Separate Financial Statements

IAS 28 Investment in Associates

IAS 31 Interest in Joint Ventures

IAS 34 Interim Financial Reporting

IAS 36 Impairment of Assets

IAS 39 Financial Instruments: Recognition and Measurement

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. In line with retail cycles, the higher seasonal sales in the months pre-Christmas is balanced by the lower seasonal sales in the months after Christmas both in the second six months of our financial year.

3 Business combinations

Acquisitions in the period from 1 March 2009 to 31 August 2009

Acquisition of Stobart Air Limited

On 30 May 2009 the group acquired 100% of the voting rights of Stobart Air Limited, an unlisted company based in the United Kingdom, which operates a commercial airport.

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

	Fair value recognised on acquisition £'000	Previous carrying value £'000
Property, plant and equipment	14,153	4,746
Cash and cash equivalents	32	32
Trade and other receivables	224	224
Inventories	47	47
	<hr/> 14,456	<hr/> 5,049
Trade payables	(357)	(357)
Other payables and deferred income	(7,959)	(7,759)
Deferred tax	(2,634)	-
	<hr/> (10,950)	<hr/> (8,116)
Net assets	3,506	3,067
Goodwill arising on acquisition	6,548	
Total consideration	<hr/> 10,054	

The total cost of the combination was £10,054,000 and comprised the following:

	£'000
Cash	-
Shares issued	9,607
Costs associated with the acquisition	447
Total	<hr/> 10,054

The group issued 9,041,957 ordinary shares with a fair value of £1.06 each. This price was the market value at the date of the acquisition.

The goodwill of £6,548,000 represents the fair value of the future earning potential of the business and other intangible assets, which cannot be individually separated and reliably measured due to their nature, in excess of the fair value of net assets identified. These intangible assets include expected synergies available through development of the site including transfer of the Carlisle transport depot to the airport site.

Included in other payables and deferred income were balances owed to the vendor of £4.6m which were repaid immediately following acquisition under the terms of the option which stipulated that the part of the consideration was initially allocated to repayment of these balances.

The initial accounting for the acquisition is provisional due to the proximity of the acquisition to the period end.

Stobart Air Limited contributed revenue of £0.3m in the current period and profit before taxation of £0.0m. If the acquisition had been effective from 1 March 2009, the contribution to revenue would be £0.6m and the contribution to profit before tax would be £0.0m.

Completion of acquisitions in the previous period where the acquisition accounting was determined only provisionally

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

The accounting for the acquisition of certain parts of the chilled and ambient operations of Innovate Logistics Limited was completed in the period with no further adjustments made.

Acquisition of London Southend Airport Company Limited

The accounting for the acquisition of London Southend Airport Company Limited was completed in the period with no further adjustments made.

4 Segmental information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

The Eddie Stobart segment specialises in haulage, distribution, warehousing, property and process management services and merchandising.

The Stobart Rail segment specialises in infrastructure engineering and rail freight services.

The Stobart Ports segment specialises in inland port and waterport services, warehousing and distribution.

The Stobart Air segment specialises in operation of commercial airports.

Management monitors the results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss, which in certain respects, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. The main segmental profit measure is earnings after fleet financing costs but before restructuring costs.

Income taxes, restructuring costs, non-fleet finance costs and certain central costs are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Period ended 31 August 2009	Eddie Stobart	Stobart Rail	Stobart Ports	Stobart Air	Adjustments and eliminations	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External	188,673	20,139	6,254	3,179	-	218,245
Internal	-	9,903	-	-	(9,903)	-
Total revenue	188,673	30,042	6,254	3,179	(9,903)	218,245
Segment profit (after fleet financing costs)	11,955	2,295	1,491	36	(2,256)	13,521
Restructuring costs						(1,306)
Other finance costs						(1,140)
Profit before tax						11,075

Inter-segment revenues are eliminated on consolidation.

Included in adjustments and eliminations are central costs of £1,744,000 (2008: £936,000) and intragroup profit of £512,000 (2008: £nil).

Period ended 31 August 2008	Eddie Stobart	Stobart Rail	Stobart Ports	Stobart Air	Adjustments and eliminations	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External	179,491	11,172	8,536	-	-	199,199
Internal	-	871	-	-	(871)	-
Total revenue	179,491	12,043	8,536	-	(871)	199,199
Segment profit (after fleet financing costs)	11,445	1,210	1,725	-	(936)	13,444
Restructuring costs						-
Other finance costs						(2,412)
Profit before tax						11,032

Segment assets	Eddie Stobart	Stobart Rail	Stobart Ports	Stobart Air	Adjustments and eliminations	Group
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 August 2009	378,540	26,963	136,350	56,065	(29,961)	567,957
At 28 February 2009	374,144	26,728	100,795	37,880	(23,652)	515,895

Assets of £2,363,000 relating to discontinued activities are not included above (28 February 2008: £2,900,000).

5 Taxation

Taxation on profit on ordinary activities

Tax charged in the income statement	Six months ended 31 August 2009 Unaudited £'000	Six months ended 31 August 2008 Unaudited £'000	Year ended 28 February 2009 Audited £'000
Current income tax:			
UK Corporation tax - continuing operations	2,378	3,034	-
- discontinued operations	31	-	-
	<hr/> 2,409	<hr/> 3,034	<hr/> -
Adjustment in respect of prior years	(1,010)		(399)
Total current tax	<hr/> 1,399	<hr/> 3,034	<hr/> (399)
Deferred tax:			
Origination and reversal of timing differences	771	20	(1,149)
Impact of abolition of Industrial Buildings Allowances	-	3,178	3,978
Adjustment in respect of prior years	-	-	367
Total deferred tax charge	<hr/> 771	<hr/> 3,198	<hr/> 3,196
Total charge in the income statement	<hr/> 2,170	<hr/> 6,232	<hr/> 2,797

The effective tax rate on continuing operations of 19.3% is lower than the standard rate of 28% principally due to group relief claimed in respect of losses arising in Stobart Properties Limited, a trading subsidiary undertaking.

6 Dividends

A final dividend of 3.3p per share totalling £7,977,629 was declared on 12 May 2009 and was paid on 22 June 2009.

An interim dividend of 2.0p per share totalling £5,015,766 was declared on 22 October 2009 and will be paid on 10 December 2009. This is not recognised as a liability at 31 August 2009.

7 Earnings per share

The weighted average number of shares used in the earnings per share calculation at 31 August 2009 was 238,286,604 (28 February 2009: 215,585,798, 31 August 2008: 213,914,119).

The total number of shares in issue at 31 August 2009 was 250,788,270 (28 February 2009: 241,746,317). On 31 May 2009, 9,041,957 shares were issued in relation to the acquisition of Stobart Air Limited.

The normalised basic earnings per share are 3.7p (31 August 2008: 3.7p). The numerator used in calculating the normalised earnings per share of £8,914,000 (31 August 2008: £7,943,000) is the profit before tax from continuing operations of £11,075,000 (31 August 2008: £11,032,000) plus the restructuring costs of £1,306,000 (31 August 2008: £nil) and allowing for tax at 28% of £3,467,000 (31 August 2008: £3,089,000).

8 Property, plant and equipment

Additions and disposals

During the six months ended 31 August 2009, the Group acquired assets with a cost of £45,837,000 not including amounts acquired through business combinations. This included development of a chilled distribution centre in Widnes by our Ports division. The amount of borrowing costs capitalised during the six months ended 31 August 2009 was £133,000 (2008: £nil).

Assets with a book value of £8,522,000 were disposed of by the Group during the six months ended 31 August 2009 resulting in a net loss on disposal of £216,000.

Capital commitments

At 31 August 2009, the Group had capital commitments of £1,602,479 (2008: £21,466,000) principally relating to tractor units.

9 Analysis of net debt

	31 August 2009 Unaudited £'000	28 February 2009 Audited £'000
Cash	8,762	7,458
Loans and borrowings		
Non-current		
Fixed rate:		
- Income shares	-	5,240
- Obligations under finance leases and hire purchase contracts	39,257	35,583
Variable rate:		
- Loan notes	6,000	6,000
- Bank loans	46,439	43,544
	<u>91,696</u>	<u>90,367</u>
Current		
Fixed rate:		
- Other borrowings	223	658
- Income shares	5,254	-
- Obligations under finance leases and hire purchase contracts	12,177	17,806
Variable rate borrowings		
- Overdrafts	21,177	16,572
- Bank loans	33,084	2,739
	<u>71,915</u>	<u>37,775</u>
Total loans and borrowings	163,611	128,142
Net debt	<u>154,849</u>	<u>120,684</u>

The main increases in net debt have resulted from additional bank loans of £29m to fund the development of the chilled distribution centre at Widnes and of £5m to part fund Carlisle Lake District Airport. The income shares are classified as due within one year as they are convertible or redeemable from 31 March 2010.

10 Share based payments

On 20 August 2009, 2.4m share options were granted to directors and management under the Stobart Executive Equity Incentive Plan. The exercise price of the options is nil.

The Incentive Plan is designed to provide incentives to key employees of the Group who are selected to participate by the Group's remuneration committee. Participants are allocated units, each of which will represent one 10p ordinary share and will vest on the third anniversary of the date of grant. Forty percent of the units granted 20 August 2009 will vest subject to the total shareholder return ("TSR") of the Group measured over a three year performance period from the date of grant relative to a comparator group of companies. Sixty percent of the units granted 20 August 2009 will vest subject to the achievement of a level of earnings per share ("EPS") over the year to 29 February 2012.

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

11 Cash generated from operations

	Six months ended 31 August 2009 Unaudited £'000	Six months ended 31 August 2008 Unaudited £'000	Year to 29 February 2009 Audited £,000
Profit before tax on continuing operations	11,075	11,032	23,942
Loss before tax on discontinued operations	(385)	(25,104)	(29,916)
Profit / (loss) before tax	10,690	(14,072)	(5,974)
Adjustments to reconcile profit / (loss) before tax to net cash flows:			
<i>Non-cash:</i>			
Movement in unrealised loss on revaluation of investment properties	-	-	1,803
Realised loss/(profit) on sale of property, plant and equipment	216	(429)	(678)
Write-down of associates and joint ventures	(63)	23,894	26,650
Depreciation of property, plant and equipment	8,203	6,194	13,430
Investment income	(442)	(436)	(650)
Interest expense	3,718	4,136	8,475
Amortisation of income share issue costs	15	15	29
Credit for business purchase	-	-	(3,609)
Share option charge	431	391	765
<i>Working capital adjustments:</i>			
(Increase) / decrease in inventories	8	(46)	157
(Increase) / decrease in trade and other receivables	207	(16,989)	4,440
Increase / (decrease) in trade and other payables	(3,280)	8,308	3,108
Cash generated from operations	19,703	10,966	47,946
Issue of ordinary shares			
Issue of ordinary shares	-	74,977	86,478
Issue costs paid on issuance of ordinary shares	-	(2,060)	(3,096)
	-	72,917	83,382

12 Related Parties

Entities with Joint Control or Significant Influence

WA Developments International Limited is owned by A Tinkler and W Stobart. The Group made purchases totalling £36,953 from and sales totalling £158,784 to WA Developments International Limited. £277,185 was due from WA Developments International Limited at the period end.

Stobart Air Limited was a subsidiary of W A Developments International Limited. On 31 May 2009, Stobart Air Limited was acquired by the Group and the balance owed by Stobart Air Limited was repaid (see note 3).

During the period and prior to acquisition, the Group made sales of £5,499 to Stobart Air Limited. £nil was outstanding owed by Stobart Air Limited at the period end.

AstSigns Limited is 27% owned by W Stobart. During the period, the Group made purchases of £160,801 from AstSigns Limited of which £38,897 was outstanding owed by the Group at the period end.

Joint Ventures

The Group had loans outstanding from its joint venture interest, Starion Tottenham Court Road Limited of £2,110,000 at the period end.

The Group had loans outstanding from its joint venture interest, Ropewalks One LLP of £152,000 at the period end.

The Group received a dividend of £62,500 from Westbury Fitness Hull 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 2009 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 12. 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 guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

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 United Kingdom. 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 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
Manchester
22 October 2009