Stobart Group Limited

Interim Results for the six months ended 31 August 2010

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, and supply of biomass products.

Financial Highlights

- Revenue from continuing operations up 11.7% to £243.7m (2009: £218.2m)
- Earnings after fleet financing costs (underlying EAFFC*) up 25.9% to £17.0m (2009: £13.5m)
- Normalised profit before tax** from continuing activities up 24.2% to £15.4m (2009: £12.4m)
- Profit before tax up 38.7% to £15.4m (2009: £11.1m)
- Earnings per share from continuing operations (normalised before restructuring costs and allowing for a 28% tax charge) up 16.2% to 4.3p (2009: 3.7p)
- Interim dividend of 2.0p (2009: 2.0p) per share payable on 10 December 2010
- Net cash generated from operations of £13.6m (2009: £19.7m)

*** Underlying EAFFC comprises the underlying operating profit of £18.9m (2009: £15.8m) less fleet financing costs of £1.4m (2009: £1.9m) and share based payments of £0.5m (2009: £0.4m).**
****PBT before restructuring costs of £nil (2009: £1.3m).**

Operational Highlights

- Eddie Stobart commences several significant new agreements:
    - new £25m per annum chilled distribution business for Tesco
    - additional agreement with Britvic increasing business
    - new £7m per annum contract with A G Barr
    - new €18m per annum business with Tesco Ballymun, Ireland.
- Major contract renewals in Eddie Stobart for Procter & Gamble, Gerber, Knauf and Crown.
- £30m investment in a 50% interest in Stobart Biomass Products Limited in March 2010 and further £1m invested to enable that venture to acquire the business of Amenity Horticultural Services Limited in July 2010.
- New railway station and control tower at London Southend Airport near completion with advanced discussions ongoing with interested airlines including Aer Arann with whom we have agreed a conditional five year operating agreement with volumes expected to grow to 300,000 passengers per annum.
- Securing of £100m 10 year development finance with M&G UK Companies Financing Fund.

Stobart Group will be holding a presentation for analysts at 09:30hrs today (20 October) at London Stock Exchange (Forum, Forum Gallery, Atrium and Recess 2), 10 Paternoster Square, London, EC4M 7LS. If you would like to attend, please contact Carla McAlpine at influence on 07718 897803 or at carla@influenceltd.com.

Andrew Tinkler, Chief Executive, comments:

"We have again shown strong growth and resilience in the business with underlying profits up 24%. Eddie Stobart has performed particularly well after contract wins with Tesco, A G Barr and others which have added volume and margin and there is further growth to come from these contracts. Changes in the way our customers operate have provided challenges to us which we are addressing. In particular we have faced shorter lead times and volatility in volumes. In the long term we are well placed to take advantage of these changes in the market.

"Exciting developments include the biomass link-up with A. W. Jenkinson Forest Products, the major improvements at London Southend Airport and agreement with Aer Arann. We are talking to other significant potential customers in both of these businesses.

"We have slightly reduced our full year profit expectations as a result of reduced spend by Network Rail and increased overall finance costs. We are also cautious that 2011 may see volumes affected by the increase in VAT rate and the Government spending review. However, in the long term we see this as positive for the economy and our business. Overall, we look forward to further growth in the second half as new contracts fully contribute. Our efficient green fleets and innovative transport solutions continue to impress customers and our improved assets give excellent opportunities for adding value."

20 October 2010

ENQUIRIES:

Stobart Group **Tel: 01925 605400**
Andrew Tinkler, Chief Executive Officer
Ben Whawell, Chief Financial Officer

i-nfluence **Tel: 020 7287 9610**
Stuart Dyble
James Andrew
Britt Keay

CHAIRMAN'S STATEMENT

Overview

Stobart Group recently completed three full years as a listed company and I am pleased to be able to report on another period of further progress and increased profitability. Turnover has more than doubled over the three year period and profitability has increased significantly in each reporting period on a like for like basis despite the economic recession in the middle of this period.

In the first six months of the financial year, the Eddie Stobart business has grown organically as the business model and improvements in technology provide efficiencies for customers. We have made a strategic investment in a joint venture with A. W. Jenkinson Forest Products which puts us in a strong position in the emerging Biomass market. Macro-economic conditions and Network Rail expenditure have adversely affected volumes at Stobart Rail but due to successful management of costs, profitability has been partly protected and Stobart Rail also continues to help to develop major assets around the Group. There have been steady year-on-year volumes at Stobart Ports and the development of London Southend Airport is progressing well with the near-completion of the railway station and new control tower. Andrew Tinkler covers the divisional performance and strategy in further detail in the Chief Executive's Review.

Results

Total revenue for the period from continuing operations was £243.7m (2009: £218.2m), producing earnings after fleet financing costs (EAFFC) of £17.0m (2009: £13.5m) and normalised profit before taxation of £15.4m (2009: £12.4m before tax and restructuring costs). Statutory profit before tax was £15.4m (2009: £11.1m). Earnings per share from continuing operations (normalised before restructuring costs and allowing for a 28% tax charge) was 4.3p (2009: 3.7p).

Dividend

The Board has declared an interim dividend of 2.0p, which will be paid on 10 December 2010 to shareholders on the register as at 12 November 2010. This reflects our confidence in continued strong performance from our proven business model.

Income Shares

During the period the Income Shares were fully converted to ordinary shares or redeemed at par. There are no Income Shares remaining in issue.

People

There have been no changes to the Board of Directors or in senior management in the half-year period or to date.

Outlook

There will be further growth from the full delivery of the business recently announced. We also have strong opportunities to develop new customer relationships and contracts especially in the biomass business and Stobart Air division but profitability in Stobart Rail will continue to be affected by factors to some extent outside of our control.

The Board looks forward to reporting on further progress, including a good second half, giving a result for the year as a whole that will be towards the bottom end of our current expectations.

RODNEY BAKER-BATES
Chairman
20 October 2010

CHIEF EXECUTIVE'S REVIEW

Results

I am pleased to announce another strong set of results for the six months to 31 August 2010 with organic growth in the business and development of some exciting new opportunities.

	6 months to 31 August 2010	6 months to 31 August 2009
Total revenue from continuing operations	£243.7m	£218.2m
Earnings after fleet financing costs (EAFFC) *	£17.0m	£13.5m
Normalised profit before tax and restructuring costs (2009 only)	£15.4m	£12.4m
Statutory profit before tax	£15.4m	£11.1m
EPS from continuing activities	4.6p	3.8p
Normalised EPS (before restructuring costs (2009 only) and allowing for a 28% tax charge)	4.3p	3.7p

*EAFFC comprises the underlying operating profit of £18.9m (2009: £15.8m) less share based payments of £0.5m (2009: £0.4m) the fleet financing costs of £1.4m (2009: £1.9m).

The Group maintains a strong balance sheet, with net assets of £324.6m (28 February 2010: £305.4m). Non fleet-related net borrowing at £86.8m (28 February 2010: £46.4m) increased principally due to consideration for biomass related investments of £16.0m and development of assets, principally development at Southend Airport. Fleet related borrowing increased to £75.2m (28 February 2010: £50.4m) due to an increase in asset backed finance leases on vehicles replacing over 300 vehicles which were previously on operating leases. Cash (net) generated from operations was £14.0m (31 August 2009: £19.4m) and net cash outflow was £4.2m (31 August 2009: £3.3m) after dividends paid. Operating cash flow has been affected by a volume related increase in working capital and a small increase in debtor days caused by customer mix. Gearing, excluding fleet financing and related assets, was 26.7% (28 February 2010: 15.2%).

The effective tax rate for the period is 23.9%. This rate is lower than the standard rate of 28% principally due to the effect on the deferred tax balance of the expected reduction in the UK corporation tax rate from 28% to 27% from 1 April 2011.

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. We are able to offer customers innovative, flexible and environmentally friendly logistics solutions.

Our strategy is underpinned by our brand, people, systems and multimodal service offering.

Our brand

We have been ranked highly in the Business Superbrands listings for the past few years and our brand is well known and recognised for clean, quality services and for doing things right.

We are looking to protect this asset by confirming and collecting all of our trademarks and designs into one entity and controlling and capitalising further on their use.

All of our divisions share the Stobart brand and this is valuable in attracting new customers.

Our people

We have a very experienced and motivated management team and a hard-working and loyal staff.

We are committed to training to maintain high standards of work and safety. We have recently introduced a firm-wide management development programme.

During the period we launched an employee reward scheme which offers discounts on high street vouchers. This is open to all employees.

Our systems and technology

We have developed and implemented several industry-leading systems and technologies. Our vehicle tracking and driver monitoring systems are leading edge and enable us to run a more efficient fleet than our competitors and therefore offer very competitive rates to customers.

Our fleet of trucks is the most modern large fleet on the road. Our newer warehouses contain state-of-the-art organisational systems.

Our Multimodal Service Offering

Stobart Group owns several major freehold assets including major Port sites at Widnes and Runcorn, airports at London Southend and Carlisle and several operational depots.

Our current multimodal portfolio includes the following assets and services:

- 1,850 trucks with utilisation rates at one of the highest levels in the industry
- Chilled, bulk and international fleets with high technology fleet management
- Operations at 50 locations in the UK and Europe
- 6m sq. ft. of warehousing
- Successful inland rail freight terminal which receives 6 trains per day
- 5 rail freight services in partnership with customers including European links
- Two operational airports, with significant development potential to increase activity
- Waterway port opportunity for development in the medium term

We have a large customer base, multimodal capability, high quality brand, people and systems in place to protect us against financial and operational risk.

Funding capital developments

In June we announced a £100m, 10 year loan facility with M&G Investments. At the same time, the Group repaid all of its term loans, loan notes and income shares. This loan facility will be used to strategically develop the assets in the Group – the current major project being the development of London Southend Airport. This gives the Group the availability of a significant level of funds over a long term and replaced the previous development funding which was coming to the end of its term. This carries a higher rate of interest than the previous loan but will eliminate the fees and management costs of refinancing in the medium term.

Environment

Environmental sustainability is an increasingly important factor on the agenda of customers and other stakeholders such as business partners, investors and the Government.

An ongoing key element of our strategy is the focus it brings to providing environmental improvements. By the end of the year we expect to disclose a measure of overall CO_2 emissions for the business.

Sustainability is a key driver in everything we do and we are working hard to eliminate waste through filling up empty journeys and considering other more environmentally friendly modes of transport.

Our Eddie Stobart road fleet runs with a utilisation rate of 82.9% meaning that only 17.1% of vehicles are travelling without a load. Our utilisation rate is considerably higher than the industry average and is due to our national network and industry-leading vehicle monitoring technologies.

The proportion of our trucks which are Euro 4/5 compliant is 89.9%. These engines emit a much lower level of damaging particulates than older trucks.

We have introduced a driver incentive scheme which directly rewards drivers for performance each day against targets for engine idle time, engine revs, harsh braking and use of cruise control. All of these measures are designed to reduce the environmental impact of the fleet as well as improve fuel consumption and profitability.

Load fill in the chilled division has increased by 2% to 78% in the period reducing the empty space in trailers in that operation. The refrigerated trailers used by our chilled fleet are 100% recyclable.

The Rugby to Mossend rail freight service is now pulled using an electric traction locomotive. This offers a faster service and emits 30% less CO2 than diesel traction.

All water used in the truck washes is recycled.

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 1,850 trucks and 3,000 trailers and around 6 million square feet of warehousing across 40 sites in the UK and Ireland.

Revenue for the Eddie Stobart division was £219.0m (2009: £188.7m) and divisional EAFFC was £16.4m (2009: £12.0m).

UK transport

The UK transport operation now runs around 1,200 trucks and 3,000 trailers from common systems and processes. Vehicle utilisation in the period to 31 August 2010 was 82.9% (year to 28 February 2009: 83.5%), a slight reduction from the year end due to the integration of new contracts and the issues highlighted below though this has been improving over the period.

We are now operating the £20m Unilever contract at full volume and the £7m A G Barr contract has been building volume through the period. In addition, we recently announced significant new business with Britvic.

During the period we have experienced some challenges in running the fleet. Customer lead times have shortened and their forecasting has become less accurate whilst their targets remain demanding. This has caused a drop in our truck utilisation rate. We have taken action to address these issues. In some cases we have been able to increase rates for shorter lead times and in others to adjust the performance requirement to allow us to maintain utilisation. We continue to work closely with customers to address these issues.

We have introduced SAFED monitoring technology and driver incentives across the whole of the UK fleet aimed at further enhancing our drivers' existing high driving standards.

Chilled transport

Chilled transport comprises a fleet of over 350 trucks operating from 6 locations in the UK. The chilled transport business has performed better than expected during the period as a result of additional growth and cost control. This performance is expected to continue to improve further into the second half of the year as new contracts are introduced.

Organic growth has been achieved with the main customers as well as developing new relationships. Pallet loadfill for the first half increased from 76% to 78%.

The business was awarded the Tesco Widnes chilled transport contract earlier in the year. This represents a significant achievement for the division and is the first chilled distribution centre operated by the business. Volume has been successfully migrated from other sites and the site is now operating at full capacity. This site will add around 30% to the business' revenue.

The Stobart brand is now established with Stobart now seen as a key provider in the chilled market place after only two years from our entry through the acquisition of part of Innovate Logistics. Management believe that there are further opportunities in the sector for revenue growth.

Environmental transport

During the period, the business entered in to a major new transport contract with A. W. Jenkinson Forest Products which involves over 60 vehicles and gives a positive step-change in the business. The remaining fleet of around 20 vehicles continue to transport bio-waste and recycled products to customers throughout the UK. Vehicle utilisation in the period was 81% representing a significant increase on the prior period. We have also recently secured rate increases with customers.

International transport

International transport comprises a fleet of around 90 vehicles operating in Europe. The performance in International transport is encouraging with performance significantly ahead of prior year. Overheads have been reduced through an ongoing cost reduction programme saving around 10% annually. We have retained our existing customer base despite increasingly difficult trading conditions and price pressure. We have also secured new contracts which will commence in the second half.

We continue to focus on niche activities including our involvement in the Formula One and Rally circuits which represents a significant area of growth for International transport.

Ireland

The increase in the Stobart presence in Southern and Northern Ireland, coupled with Ireland's emergence as one of Europe's leading manufacturers and exporters of pharmaceuticals and dairy products has resulted in significant growth in business and allows for significant opportunity for the Group. The growth has been underpinned by the awarding of the Tesco Donabate ambient distribution contract along with significant contract wins with Coca Cola and Unilever. We can also announce that we have recently been awarded business for chilled transport at Tesco Ballymun worth €18m per annum.

The dedicated management team, current fleet of around 80 vehicles and warehousing facilities, which operate to the same exacting standards as the rest of the Stobart Group, are all ideally based within the Dublin port facility. Stobart Ireland can offer a one-stop shop service alleviating the traditional issues of inconsistency across international movements.

Warehousing

The warehousing division operates from a network of high spec facilities managing a portfolio of blue chip clients with the pharmaceuticals, FMCG, drinks and health and beauty sectors. The services on offer range from case/pallet pick through to value-adding services such as co-packing, process management and direct to consumer order handling.

A solid first half performance has been complemented by retention of several key contracts and successful implementation of new business wins from the prior year. Johnson and Johnson have been migrated in to our new Daresbury facility and we have added further new contracts including A G Barr in Crick. These developments should allow the warehousing business to continue to grow revenue and margins.

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, permanent way works and other civil works. The freight division operates a growing number of freight trains each week to complement our road haulage business. Both businesses have an excellent record for safety.

Revenue for the Stobart Rail division was £26.3m (2009: £30.0m) and divisional EAFFC was £1.9m (2009: £2.3m).

Work on rail infrastructure has been depressed due to cutbacks in expenditure by Network Rail and other major clients with cost savings and budget constraints imposed by the Office of Rail Regulator. This has caused some smaller competitors to drop out of the rail market. Reduced Network Rail expenditure has affected profitability in Stobart Rail and in the near future the market is forecast to remain depressed. In order to mitigate the financial impact of this, strict cost control measures have been implemented within Stobart Rail and we believe that the market will recover but the timescale is difficult to predict.

The engineering business has played a major part in the construction of the railway station and control tower at London Southend Airport. Both projects are nearing completion. Work has been put on hold at Carlisle Airport following the blocking of the planning permission. A slightly revised planning application will be submitted to remove the technical issue responsible for quashing it. The business is also looking at potential civil engineering projects work outside the Group, building on its successful delivery of the Distribution Centre at Widnes. The refurbishment of the Bardon site as a Distribution Centre for Nestle is nearing its successful conclusion.

The rail freight business is developing and more of Eddie Stobart's road transport customers are considering using rail freight services. In addition, new customers A G Barr and Nestle Purina are now regularly using our rail freight services. The outlook for the rail freight business remains positive as key stakeholders remain committed to environmental impact reductions. We are talking to one of our largest customers about further rail freight services.

Stobart Ports

Our ports division comprises two main operations. An inland port (container handling facility) in Widnes which currently handles around 100,000 shipping containers a year, and a nearby waterway port, Port of Weston, in Runcorn. The ports transport fleet comprises 50 vehicles.

Revenue for the Stobart Ports division was £7.0m (2009: £6.3m) and divisional EAFFC was £1.0m (2009: £1.5m being higher as the terminal site was owned and so there are no site rental costs but there would have been a significant interest cost on the £25m of associated debt).

The container terminal in Widnes was the subject of a sale and lease back arrangement from the end of the previous year. The division still owns around 100 acres of development land around the Widnes container facility and talks have taken place with a blue chip customer requiring additional warehousing space in the area.

Eddie Stobart's Chilled transport has transferred its administration centre to Widnes following the securing of the transport contract at the new Tesco chilled distribution centre which Stobart Group developed and sold at the end of the previous year. The relocation has already provided synergies, with Stobart Ports and Eddie Stobart Chilled transport working in partnership distributing temperature controlled freight from the Widnes chilled warehouse. It is envisaged that more efficiency savings will take place within the year. The Stobart Ports vehicle fleet is being updated to a Stobart branded green livery and Euro 4/5 compliant giving reduced vehicle emissions. Access to the group-wide GTS and Isotrack vehicle route planning systems will allow traffic planners to monitor together all Stobart's fleets, enabling deliveries to be planned more effectively increasing vehicle utilisation and improve profitability.

The inland port's container movements for the first 6 months remained steady at a similar level to the prior year and continue to be affected by the economic climate reflected in general import volumes. The new train service from Pomezia in Italy has been successfully trialled and will enable the customer to transport its health and beauty product almost directly by rail to its UK Distribution centre. A new potential train service from Southampton could also provide the division with extra lifting and storage revenue.

The Inland transport business has performed in excess of expectations through the first 6 months of the year. Additional contracted work has enabled the transport operation to increase its truck numbers and replace its older trailers.

All the major contracts have been retained and additional long term agreements are in place to service blue chip customers through the Shipping Lines. The division continues to look to develop more business partnerships.

The waterways port is a 44 acre site on the Manchester Ship Canal and has excellent potential for development with close road, rail and waterway links. Transport by ship of bulk products could be an excellent fit with the emerging biomass business. Revenue is currently being generated from using the land as outside storage space and rental income from warehouses it owns.

Stobart Air

Stobart Air has traded in line with expectations in the first half. The air division comprises London Southend Airport and Carlisle Lake District Airport.

Revenue for the Stobart Air division was £3.6m (2009: £3.2m) and divisional EAFFC was £0.1m (2009: £0.0m).

At London Southend Airport, the major development programme has progressed well with the completion of the construction phase of the air traffic control tower and railway station providing train services to Stratford, the site of the Olympics, and to London Liverpool Street in 49 minutes. Subject to commissioning, we expect that the station and tower will open in December 2010 (already completed but awaiting opening for timetable reasons) and early 2011 respectively. We have received planning approval for an extended runway and the project is expected to complete by the end of 2011 and in advance of the Olympic Games. Positive discussions are ongoing with interested passenger airlines.

We have agreed terms for a five year operating agreement with Aer Arann to use London Southend Airport, for flights starting in March 2011, with volumes expected to grow to 300,000 passengers annually. As part of the overall investment agreement with others, Stobart Group will invest €2.5 million to incentivise and market Aer Arann's operation from London Southend Airport. The offer remains conditional on certain terms being satisfied; including Aer Arann successfully exiting Examinership; which should be by the end of October.

The association with Aer Arann, which is a household name in Ireland, would further strengthen and develop Stobart's position in the Irish market which has grown from no presence to revenues of €40m in two years. Stobart Group is receiving a growing number of enquiries from customers for airfreight services and alignment with Aer Arann offers potential to explore opportunities in the future.

London Southend Airport was recently awarded the European Regions Airline Association Airport Achievement Award 2010/11.

The review of the operational cost structure at Carlisle Airport has been implemented. During the period, the planning application for utilisation of part of the airport site for a purpose built transport and warehousing facility was rejected by judicial review. An amended application dealing with the issues raised in the judicial review has been prepared for submission.

Stobart Biomass

In March the Group invested £15m cash and £15m shares in a 50% interest in Stobart Biomass Products Limited. This company is a joint venture between Stobart Group and A. W. Jenkinson Forest Products.

In July, Stobart Biomass Products Limited acquired for £2m certain parts of the business and assets of Amenity Horticultural Services Limited, a leading UK manufacturer and supplier of Woodchip Biomass fuel for renewable heat to commercial and domestic users. Stobart Group Limited loaned £1m to Stobart Biomass Products Limited to part fund this investment and this amount has been included in investments in joint venture in the statement of financial position. This business represents contracts for over 150,000 tonnes per year of biomass supply to the rapidly growing renewable heat market, and provides Stobart Biomass with a leading position in a new market. Thanks to progressive corporate policies and Governmental support, this is a market at the tipping point of massive potential growth, and the acquisition of AHS positions Stobart Biomass to grow strategically with the sector.

We are in discussions with several potential customers for supply and transport of Biomass products and the pipeline is very encouraging.

Discontinued activities

As at the previous year end, certain investment properties, including One Plantation Place, are classified as held-for-sale and included in discontinued operations as they are non-core business assets and part of a co-ordinated disposal plan. The Group has been unable to sell these assets in the period due to the fall in the commercial property market and the difficulty in co-ordinating joint venture partners for a disposal of the assets. We continue to look for opportunities to sell these assets on reasonable commercial terms, and expect to sell them in the next 12 months. These property assets are all written down to nil in the statement of financial position. The commercial property market is showing signs of stabilising.

Outlook

The second half has started encouragingly and we expect to see good growth across our businesses. New and recently announced agreements mentioned above will support second half performance. In addition, we are in discussion with several other major customers including biomass customers and airlines which should significantly grow the business.

We have slightly reduced our full year profit expectations as a result of reduced spend by Network Rail and increased overall finance costs. We are also cautious that 2011 may see volumes affected by the increase in VAT rate and the Government spending review. However, in the long term we see this as positive for the economy and our business. Overall, we look forward to further growth in the second half as new contracts fully contribute. Our efficient green fleets and innovative transport solutions continue to impress customers and our improved assets give excellent opportunities for adding value in to the future.

ANDREW TINKLER
Chief Executive
20 October 2010

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
- Information technology
- Airport safety and security
- Demand for integrated and outsourced transport and logistics
- People management
- Competition
- Nature of lease obligations
- Fuel prices
- Commercial property
- Acquisitions
- Capital expenditure
- Development of the UK biomass market
- Securing of biomass business

For greater detail on these risks and mitigating factors, please refer to our 2010 Annual Report.

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

The Board confirms to the best of its knowledge:

• that the consolidated half year financial statements for the six months to 31 August 2010 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 20 October 2010.

For and on behalf of the Board

BEN WHAWELL
Chief Financial Officer

20 October 2010

Stobart Group Limited

Interim Consolidated Income Statement
For the six months ended 31 August 2010

	Notes	Six months ended 31 August 2010 Unaudited £'000	Six months ended 31 August 2009 Unaudited £'000	Year ended 28 February 2010 Audited £'000
Revenue	4	**243,689**	**218,245**	**447,661**
Operating expenses - underlying		(224,805)	(202,438)	(412,642)
Underlying operating profit		**18,884**	**15,807**	**35,019**
Share based payment		(480)	(423)	(2,504)
Less: share based payments associated with the disposal of Widnes assets		-	-	1,758
Share based payments on underlying operating profit		(480)	(423)	(746)
Profit on disposal of Widnes assets (net of associated costs)		-	-	8,258
Restructuring costs		-	(1,306)	(2,746)
Profit before interest and tax		**18,404**	**14,078**	**39,785**
Finance costs		(3,305)	(3,445)	(6,650)
Finance income		284	442	928
Profit before tax		**15,383**	**11,075**	**34,063**
Income tax	5	(3,682)	(2,139)	(5,071)
Profit for the period from continuing operations		**11,701**	**8,936**	**28,992**
Discontinued operations		**(7)**	**(416)**	**(770)**
Profit for the period attributable to equity holders of the parent		**11,694**	**8,520**	**28,222**
Earnings per ordinary share	7			
From continuing operations				
Basic		4.57p	3.75p	12.06p
Diluted		4.56p	3.73p	11.89p
From continuing and discontinued operations				
Basic		4.57p	3.58p	11.74p
Diluted		4.56p	3.56p	11.58p

Stobart Group Limited

Interim Consolidated Statement of Comprehensive Income
For the six months ended 31 August 2010

	Six months ended 31 August 2010 Unaudited £'000	Six months ended 31 August 2009 Unaudited £'000	Year ended 28 February 2010 Audited £'000
Profit for the period	**11,694**	**8,520**	**28,222**
Exchange differences on translation of foreign operations	(249)	-	-
Cash flow hedge	(890)	-	(1,608)
Tax on items relating to components of other comprehensive income	249	-	450
Other comprehensive income / (loss) for the period, net of tax	**(890)**	**-**	**(1,158)**
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent	**10,804**	**8,520**	**27,064**

Stobart Group Limited

Interim Consolidated Statement of Financial Position
As at 31 August 2010

	Notes	31 August 2010 Unaudited £'000	28 February 2010 Audited £'000
Non-current Assets			
Property, plant and equipment			
- Land and buildings	8	153,648	139,705
- Plant and machinery	8	16,087	15,835
- Fixtures, fittings and equipment	8	4,103	4,131
- Commercial vehicles	8	77,194	51,234
		251,032	210,905
Investment in joint venture		31,000	-
Investment property		2,000	2,000
Intangible assets		231,284	231,286
Other investments		6	10
		515,322	**444,201**
Current Assets			
Inventories		1,701	1,559
Trade and other receivables		103,045	84,411
Cash and cash equivalents	9	5,727	13,134
		110,473	99,104
Assets of disposal groups classified as held for sale		256	241
		110,729	**99,345**
Total Assets		**626,051**	**543,546**
Non-current Liabilities			
Loans and borrowings	9	115,358	42,876
Other liabilities		12,579	10,941
Corporation tax		4,774	4,807
Deferred tax		34,286	34,243
		166,997	**92,867**
Current Liabilities			
Trade and other payables		74,923	74,204
Loans and borrowings	9	52,619	67,196
Corporation tax		3,243	-
		130,785	**141,400**
Liabilities directly associated with the assets classified as held for sale		3,628	3,923
		134,413	**145,323**
Total Liabilities		**301,410**	**238,190**
Net Assets		**324,641**	**305,356**

Stobart Group Limited

Interim Consolidated Statement of Financial Position (continued)
As at 31 August 2010

	31 August 2010 Unaudited £'000	28 February 2010 Audited £'000
Capital and reserves		
Issued share capital	26,516	25,079
Share premium	181,173	164,255
Foreign currency exchange reserve	(717)	(468)
Reserve for own shares held by EBT	(663)	(803)
Hedge reserve	(1,799)	(1,158)
Retained earnings	120,131	118,451
Total Equity	**324,641**	**305,356**

Stobart Group Limited

Interim Consolidated Statement of Changes in Equity
For the six months ended 31 August 2010

	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	Hedge reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2010	25,079	164,255	(468)	(803)	(1,158)	118,451	305,356
Profit for the period	-	-	-	-	-	11,694	11,694
Other comprehensive income / (loss)	-	-	(249)	-	(641)	-	(890)
Total comprehensive income/(loss)	-	-	(249)	-	(641)	11,694	10,804
Proceeds on share issue	1,437	17,190	-	-	-	-	18,627
EBT shares vested	-	-	-	140	-	-	140
Share issue costs	-	(272)	-	-	-	-	(272)
Share based payment credit	-	-	-	-	-	480	480
Tax on share based payment	-	-	-	-	-	113	113
Dividends	-	-	-	-	-	(10,607)	(10,607)
Balance at 31 August 2010	**26,516**	**181,173**	**(717)**	**(663)**	**(1,799)**	**120,131**	**324,641**

	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	Retained earnings £'000	Total equity £'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 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**

Stobart Group Limited

Interim Consolidated Statement of Changes in Equity
For the six months ended 31 August 2010

	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	Hedge reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2009	24,175	155,805	(468)	(803)	-	100,521	279,230
Profit for the year	-	-	-	-	-	28,222	28,222
Other comprehensive income / (loss)	-	-	-	-	(1,158)	-	(1,158)
Total comprehensive income/(loss)	-	-	-	-	(1,158)	28,222	27,064
Proceeds on share issue	904	8,703	-	-	-	-	9,607
Share issue costs	-	(253)	-	-	-	-	(253)
Share based payment credit	-	-	-	-	-	2,262	2,262
Tax on share based payment	-	-	-	-	-	439	439
Dividends	-	-	-	-	-	(12,993)	(12,993)
Balance at 28 February 2010	**25,079**	**164,255**	**(468)**	**(803)**	**(1,158)**	**118,451**	**305,356**

Stobart Group Limited

Interim Consolidated Cash Flow Statement
For the six months ended 31 August 2010

	Notes	Six months ended 31 August 2010 Unaudited £'000	Six months ended 31 August 2009 Unaudited £'000	Year ended 28 February 2010 Audited £'000
Cash generated from operations	**10**	**13,569**	**19,703**	**39,823**
Income taxes received / (paid)		411	(314)	(2,384)
Net cash flow from operating activities		**13,980**	**19,389**	**37,439**
Acquisition of subsidiaries and other businesses – net cash paid		-	(414)	(240)
Purchase of property, plant and equipment		(51,382)	(45,851)	(63,250)
Investment in joint venture		(15,000)	-	-
Proceeds from sale of property, plant and equipment		2,649	8,306	72,807
Vat outflow in relation to disposal of Widnes assets		(4,200)	-	-
Dividends received from joint ventures		-	63	256
Net loans (advanced to)/ repaid by joint ventures		(1,000)	360	545
Interest received		284	442	928
Net cash flow from investing activities		**(68,649)**	**(37,094)**	**11,046**
Issue of ordinary shares less costs of issue		(270)	-	(253)
Repayment of Income Shares		(1,644)	-	-
Dividend paid on ordinary shares		(10,607)	(7,978)	(12,993)
Proceeds from new finance leases		33,674	10,754	17,683
Repayment of capital element of finance leases		(8,910)	(12,709)	(20,672)
Proceeds from new borrowings less costs of issue		84,087	34,460	34,000
Repayment of borrowings		(42,589)	(6,258)	(63,574)
Interest paid		(3,320)	(3,838)	(6,685)
Net cash flow from financing activities		**50,421**	**14,431**	**(52,494)**
Decrease in cash and cash equivalents		(4,248)	(3,274)	(4,009)
Cash and cash equivalents at beginning of period		(13,123)	(9,114)	(9,114)
Cash and cash equivalents at end of period		**(17,371)**	**(12,388)**	**(13,123)**
Cash				
- continuing		5,727	8,762	13,134
- included in disposal group		251	28	179
Overdraft		(23,349)	(21,178)	(26,436)
Cash and cash equivalents at end of				

period	**(17,371)**	**(12,388)**	**(13,123)**

1 Accounting policies of Stobart Group Limited

Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 August 2010 were authorised for issue in accordance with a resolution of the directors on 20 October 2010.

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 2010 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 2010. Except for the 28 February 2010 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 2010 but have been derived from the accounts. Statutory accounts for the period ended 28 February 2010 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 2010 except for the adoption of new Standards and Interpretations as of 1 March 2010 which are applicable to the group, as noted below:

Revised IFRS 3 Business Combinations
This amendment changes the treatment of acquisition-related costs and contingent consideration relating to acquisitions after 1 January 2010 and also changes the treatment of non-controlling interests (formerly minority interests) with an option to recognise these at full fair value as at the acquisition date and a requirement for previously held non-controlling interests to be fair valued as at the date control is obtained, with gains and losses recognised in the income statement.
Some of the key features of the revised IFRS3 include:
- Acquisition-related costs to be expensed and not included in the purchase price;
- Contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill); and
- Changes to the accounting treatment of step acquisitions.

Revised IFRS 3 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

IAS 27R Consolidated and Separate Financial Statements

The revision to this Standard requires the group to attribute losses to non-controlling interests even if this results in the non-controlling interest having a deficit balance. This change is applicable prospectively and the controlling shareholder will not be able to recover any past losses absorbed under the old rules. The revision of the Standard had no material effect on the results for the six months ended 31 August 2010.

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 Acquisitions and Investment in joint venture

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

Acquisition of Stobart Air Limited

The accounting for the acquisition of Stobart Air Limited was completed in the period with no further adjustments made.

Investment in Stobart Biomass Products Limited

Investment in joint venture

On 23 March 2010 the group invested £15m cash and £15m shares in a 50% interest in Stobart Biomass Products Limited, an unlisted company based in the United Kingdom, which has been set up to source and distribute biomass fuels for renewable energy production in the UK.

Investment in *Amenity Horticultural Services Limited*

On 15 July 2010, Stobart Biomass Products Limited acquired for £2m certain parts of the business of Amenity Horticultural Services Limited. The business is a supplier of woodchip biomass fuel for renewable heat to commercial and domestic users. Stobart Group Limited loaned £1m to Stobart Biomass Products Limited to part fund this investment and this amount has been included in investments in joint venture in the statement of financial position.

4 Segmental information

The operating segments within continuing operations are Eddie Stobart, Stobart Rail, Stobart Ports and Stobart Air (including air freight).

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 including air freight.

The Board of Directors is regarded as the Chief Operating Decision Maker (CODM). The Board monitors the results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. The main segmental profit measure is earnings after fleet financing costs but before restructuring costs.

The results and assets of the biomass business have been included in the Eddie Stobart segment as they are not material for separate disclosure.

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.

The Group has overseas operations in Europe and Ireland which are not considered material for separate disclosure.

Period ended 31 August 2010	**Eddie Stobart**	**Stobart Rail**	**Stobart Ports**	**Stobart Air**	**Adjustments and eliminations**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue						
External	218,989	14,099	7,033	3,568	-	243,689
Internal	-	12,159	-	-	(12,159)	-
Total revenue	**218,989**	**26,258**	**7,033**	**3,568**	**(12,159)**	**243,689**
Segment profit (after fleet financing costs)	**16,444**	**1,929**	**1,010**	**136**	**(2,547)**	**16,972**
Restructuring costs						-
Other finance costs						(1,589)
Profit before tax						**15,383**

Inter-segment revenues are eliminated on consolidation.

Included in adjustments and eliminations are central costs of £1,939,000 (2009: £1,744,000) and intragroup profit of £608,000 (2009: £512,000).

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**

Segment assets	**Eddie Stobart £'000**	**Stobart Rail £'000**	**Stobart Ports £'000**	**Stobart Air £'000**	**Adjustments and eliminations £'000**	**Group £'000**
At 31 August 2010	**435,481**	**21,323**	**85,647**	**84,287**	**(687)**	**626,051**
At 28 February 2010	358,526	24,643	87,571	68,784	4,022	543,546

5 Taxation

Taxation on profit on ordinary activities

Tax charged in the income statement	**Six months ended 31 August 2010**	**Six months ended 31 August 2009**	**Year ended 28 February 2010**
	Unaudited	**Unaudited**	**Audited**
	£'000	**£'000**	**£'000**
Current income tax:			
UK Corporation tax - continuing operations	2,988	2,378	6,166
- discontinued operations	-	31	31
Overseas tax	60	-	-
	3,048	2,409	6,197
Adjustment in respect of prior years	193	(1,010)	103
Total current tax	3,241	1,399	6,300
Deferred tax:			
Origination and reversal of temporary differences	631	771	1,198
Adjustment in respect of prior years	(190)	-	(2,396)
Total deferred tax charge	441	771	(1,198)
Total charge in the income statement	**3,682**	**2,170**	**5,102**

The effective tax rate on continuing operations of 23.9% is lower than the standard rate of 28% principally due to the impact on the reduction of the UK corporation tax rate from 28% to 27% with effect from 1 April 2011. The income tax expense recognised is based on the estimated full year effective rate for the year to 28 February 2011.

Announcements were made in the Emergency Budget on 22 June 2010 that the following changes to the UK tax legislation would be enacted in the 2010 and subsequent Finance Acts:

The main rate of corporation tax is to be reduced from 28% to 24% at a rate of 1% per year. Only the first 1% reduction of the announced 4% reduction in the corporation tax rate has been enacted or substantively enacted at the balance sheet date. This first reduction to a rate of 27% will be effective from1 April 2011.

Based on the closing deferred tax liability at the interim balance sheet date, the aggregate impact of the proposed reductions from 27% down to 24% would reduce the deferred tax liability by approximately £3.9m. There will be a reduction of approximately £1.3m per year, if only a 1% reduction in the corporation tax rate is enacted each year.

6 Dividends

A final dividend of 4p per share (2009: 3.3p) totalling £10,606,596 (2009: £7,977,629 paid on 22 June 2009) was declared on 12 May 2010 and was paid on 21 June 2010.

An interim dividend of 2.0p (2009: 2.0p) per share totalling £5,303,298 (2009: £5,015,766 paid on 10 December 2009) was declared on 20 October 2010 and will be paid on 10 December 2010. This is not recognised as a liability at 31 August 2010.

7 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 2010 Unaudited	Six months ended 31 August 2009 Unaudited	Year ended 28 February 2010 Audited
Numerator	**£'000**	**£'000**	**£'000**
Continuing operations			
Profit used for basic earnings	11,701	8,936	28,992
Effect on earnings of dilutive potential ordinary shares	27	152	304
Diluted earnings	**11,728**	**9,088**	**29,296**
Discontinued operations			
Profit used for basic earnings	(7)	(416)	(770)
Effect on earnings of dilutive potential ordinary shares	-	-	-
Diluted earnings	**(7)**	**(416)**	**(770)**
Total			
Profit used for basic earnings	11,694	8,520	28,222
Effect on earnings of dilutive potential ordinary shares	27	152	304
Diluted earnings	**11,721**	**8,672**	**28,526**
Denominator	**Number**	**Number**	**Number**
Weighted average number of shares used in basic EPS	256,150,406	238,286,604	240,479,372
Effects of convertible Income Shares	673,574	5,271,678	4,502,013
Effects of employee share options	-	-	1,420,000
Weighted average number of shares used in diluted EPS	**256,823,980**	**243,558,282**	**246,401,385**

On 23 March 2010, 11,278,195 Ordinary Shares were issued in connection with the investment in Stobart Biomass Products Limited at an effective market price of 133p per share.

On 25 March 2010, 1,395,000 Ordinary Shares were allocated to directors and employees under the Stobart Executive Equity Incentive Plan. These increased the weighted average number of shares used in the basic EPS calculations.

On 9 April 2010, 3,098,440 additional Ordinary Shares were created on conversion of Income Shares at a rate of 0.854 Ordinary Shares per Income Share and an effective price of 117p per share.

The normalised basic earnings per share are 4.3p (31 August 2009: 3.7p, 28 February 2010: 8.6p). The numerator used in calculating the normalised earnings per share of £11,076,000 (31 August 2009: £8,914,000, 28 February 2010: £20,557,000) is the profit before tax from continuing operations of £15,383,000 (31 August 2009: £11,075,000, 28 February 2010: £34,063,000) plus the restructuring costs of £nil (31 August 2009: £1,306,000, 28 February 2010: £2,746,000) less the profit on disposal of Widnes assets (after costs) of £nil (31 August 2009: £nil, 28 February 2010: £8,258,000)and allowing for tax at 28% of £4,307,000 (31 August 2009: £3,467,000, 28 February 2010: £10,307,000).

8 Property, plant and equipment

Additions and disposals

During the six months ended 31 August 2010, the Group acquired or developed assets with a cost of £51,414,000. This included development of the railway station and control tower at London Southend Airport, development at Carlisle Lake District Airport and commercial vehicles.

Assets with a book value of £2,670,000 were disposed of by the Group during the six months ended 31 August 2010 resulting in a net profit on disposal of £11,000.

Capital commitments

At 31 August 2010, the Group had capital commitments of £14,182,652 (2009: £1,602,479) principally relating to tractor units.

9 Analysis of net debt

	31 August 2010 Unaudited £'000	28 February 2010 Audited £'000
Loans and borrowings		
Non-current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	46,152	31,509
Variable rate:		
- Bank loans	69,206	11,367
	115,358	**42,876**
Current		
Fixed rate:		
- Income shares	-	5,269
- Obligations under finance leases and hire purchase contracts	29,012	18,891
Variable rate borrowings		
- Loan notes	-	6,000
- Overdrafts	23,349	26,436
- Bank loans	258	10,600
	52,619	**67,196**
Total loans and borrowings	167,977	110,072
Cash	(5,978)	(13,313)
Net debt	**161,999**	**96,759**

The main increases in net debt have resulted from the following: (1) funding the development of the railway station and control tower at London Southend Airport; (2) funding of £16m for the acquisitions of Stobart Biomass Products Limited and of certain parts of the business of Amenity Horticultural Services Limited; (3) net increase in financing of vehicles of £24.8m to growth of the fleet.

During the period, the Group refinanced its borrowings. The loan notes, bank loans and Income Shares were repaid and the Group entered in to a new 10 year £100m development facility with M&G UK Companies Financing Fund.

During the period 3,628,158 Income Shares were converted to 3,098,440 Ordinary Shares and 1,643,520 Income Shares were redeemed for £1 each. There are no Income Shares remaining in issue.

10 Cash generated from operations

	Six months ended 31 August 2010 Unaudited £'000	Six months ended 31 August 2009 Unaudited £'000	Year to 28 February 2010 Audited £'000
Profit before tax on continuing operations	15,383	11,075	34,063
Loss before tax on discontinued operations	(7)	(385)	(739)
Profit before tax	**15,376**	**10,690**	**33,324**
Adjustments to reconcile profit / (loss) before tax to net cash flows:			
Non-cash:			
Realised loss/(profit) on sale of property, plant and equipment	(11)	216	(8,910)
Associates and joint ventures	(33)	(63)	131
Depreciation of property, plant and equipment	8,617	8,203	15,668
Investment income	(284)	(442)	(928)
Interest expense	3,305	3,718	6,621
Amortisation of income share issue costs	2	15	29
Share option charge	480	431	755
Working capital adjustments:			
(Increase) / decrease in inventories	(142)	8	188
(Increase) / decrease in trade and other receivables	(19,020)	207	(11,605)
Increase / (decrease) in trade and other payables	5,279	(3,280)	4,550
Cash generated from operations	**13,569**	**19,703**	**39,823**
Issue of ordinary shares			
Issue of ordinary shares	-	-	-
Issue costs paid on issuance of ordinary shares	(270)	-	(253)
	(270)	**-**	**(253)**

11 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 £15,929 from and sales totalling £306,383 to WA Developments International Limited. £391,300 was due from WA Developments International Limited at the period end.

WA Developments International GMBH is a subsidiary of WA Developments International Limited. The Group made sales totalling £5,181 to WA Developments International GMBH. £16,540 was due from WA Developments International GMBH at the period end.

AstSigns Limited is 27% owned by W Stobart. During the period, the Group made purchases of £174,852 from AstSigns Limited of which £26,809 was outstanding owed by the Group at the period end.

Moneypenny Limited is a subsidiary of WA Developments International Limited. The Group made purchases totalling £209,819 and sales totalling £3,247 to Moneypenny Limited. £3,248 was due from Moneypenny Limited at the period end.

VLL Limited is 27% owned by A Tinkler and 23% owned by W Stobart. The Group made sales of £41,551 to VLL Limited during the period. £99,470 was due from VLL Limited at the period end.

Joint Ventures

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

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 2010 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 11. 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 2010 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
20 October 2010