Stobart Group Limited

Interim Results for the six months ended 31 August 2011

Robust performance across the Group despite tough market for transport

Stobart Group (Stobart), a leading provider of multi-modal transport logistics, Estates, Air and Biomass, today announces its interim results for the six months ended 31 August 2011.

Financial Highlights

- Revenue up 15.3% to £281.1m (2010: £243.7m)
- Underlying EBITDA* up 2.6% to £27.6m (2010: £26.9m)
- Underlying profit before tax** up 6.5% to £16.4m (2010: £15.4m)
- Profit before tax of £14.7m (2010: £15.4m)
- Adjusted earnings per share*** of 3.9p (2010: 4.3p)
- Interim dividend of 2.0p (2010: 2.0p) per share payable on 9 December 2011
- Net cash generated from operations up 104% to £27.8m (2010: £13.6m)

*Underlying EBITDA is calculated as the underlying operating profit of £19.1m (2010: £18.8m) adding back depreciation and amortisation of £8.7m (2010: £8.6m) and less share based payments of £0.2m (2010: £0.5m).
** Underlying profit before tax comprising the underlying EBITDA of £27.6m (2010: £26.9m) less depreciation and amortisation of £8.7m (2010: £8.6m) less finance costs of £3.3m (2010: £3.3m) plus finance income of £0.8m (2010: £0.4m).
***EPS based on underlying PBT and allowing for a 26.2% tax charge.

Operational Highlights

- New operating divisional business structure implemented;

- In May the Placing and open offer raised around £114m net. At that time we announced the acquisition of the remaining half of the Biomass business and the intention to invest in developing the property portfolio;

Transport and Distribution

- Actions taken in response to a difficult market in the first half have focussed on better fleet utilisation and greater operating efficiencies. This has resulted in more recent months in a significant improvement in margins and restoration to a profit run rate more broadly in line with our initial expectations, despite the continuing weak economic background;

- These new information technology systems have also enabled us to further analyse our cost base and compare the operating efficiency of each division in our new structure. This will drive further efficiencies, consolidation and removal of waste moving forward;

- New and renewed business with Coca Cola, P&G, Tesco and Mercedes & Pirelli F1;

Estates

- Property asset values have increased in our new Estates division and a number of potential property deals in the pipeline as outlined at the Placing in May are still under review. Moving forward if undertaken they would provide an enhanced return on capital and add value. Discussions to acquire the Westbury portfolio continue. If agreement is reached to buy the portfolio, the acquisition will be submitted for shareholder approval;

- The gain in value of £3.5m (2010: nil) on One Plantation Place, a property asset held for sale, in our Estates division has been presented within underlying operating profit as a result of our divisional reorganisation. The gain relates to a reversal of a past impairment that was in discontinued operations in 2009. A comparative gain in the prior full year of £2.1m was presented below underlying operating profit but included in our headline underlying profits. This gain has been restated in the current year to be consistent;

- We have established a new property operating board chaired by Paul Orchard-Lisle;

Biomass

- The Biomass business is expanding quickly and already exports from 6 ports;

Air

- Several milestones reached in development of London Southend Airport:
    - A new ten year partnership with easyJet commencing in April 2012 with, initially, three aircraft stationed at London Southend Airport offering seventy departures per week to nine European destinations;
    - Our airport railway station, which we operate, commenced service in July with up to eight trains an hour to Stratford and Liverpool Street;
    - Airport access road constructed by Stobart Rail opened on 1 September with new terminal and hotel developments well underway;
    - Planning has been confirmed for the runway extension which should be completed in early 2012 in advance of the London Olympics;

- The Group has reduced non fleet-related net borrowing to £38.6m (28 February 2011: £111.1m) providing greater financial strength and flexibility.

Stobart Group will be holding a presentation for analysts at 09:30hrs today (26 October 2011) at London Stock Exchange (Forum, Forum Gallery, Atrium), 10 Paternoster Square, London, EC4M 7LS. If you would like to attend, please contact Sara Batchelor at Halkin Communications on 07904 680 547 or at sarab@halkincomms.com.

Andrew Tinkler, Chief Executive Officer, said:

"We have delivered a robust performance across the Group despite a tough market for transport. Our new strategy is being implemented and we are well positioned to deliver strong results in the medium term.

"The weak economy, however, has held back our rate of profit growth particularly in Transport and Distribution.

"The road transport operations were affected by fluctuating customer demand during the summer, but we have substantially improved our operational information systems allowing us to manage this volatility much better and achieve cost savings. This has meant that the division is back on track and profitability has broadly returned to previous expected levels.

"Estates is on track to deliver future value and has a number of potential property transactions in the pipeline.

"Our Biomass business is expanding quickly as a result of demand from both the UK and overseas and we expect plenty of new opportunities to arise from the fast-growing renewable energy sector.

"We have made great progress at London Southend Airport. The work is on target and we anticipate passenger numbers to grow strongly once easyJet flights begin next spring in advance of the Olympic Games.

"As a result of the actions we have taken in Transport and Distribution we expect to report further progress in the second half. The Board's outlook for the year is broadly unchanged despite the tough environment".

26 October 2011

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CHAIRMAN’S STATEMENT

Overview

The Group’s strategy to deliver value through its new focussed divisions is now well underway and the first half has seen progress, as well as some challenges.

The Share Placing in May raised around £114m, providing vital funds for the Group to unlock and enhance the value in its assets and to invest in strategic alliances with the Air and Biomass divisions.

London Southend Airport is being transformed by the Group into a first-class facility. The new railway station and control tower were both officially opened in the period. Further developments on the terminal, runway and hotel are well underway in readiness for the partnership with easyJet which was agreed earlier this summer.

The acquisition of the remaining 50% of the Stobart Biomass business was completed in May and provides a potentially very valuable link between the Group’s traditional transport knowhow and the fast growing green energy sector.

Our transport business has faced challenges from fast-changing requirements from our customers, but our management has reacted quickly to this by particularly improving our business information systems. The resultant efficiencies give us confidence in renewed profit growth through better margins and the knock-on effect of better service levels encouraging higher volumes both from existing and new customers.

Andrew Tinkler discusses the divisional performance and strategy in closer detail in his Review below.

Results

Total revenue for the period was £281.1m (2010: £243.7m), producing underlying earnings before interest, tax depreciation and amortisation (EBITDA) of £27.6m (2010: £26.9m) and underlying profit before taxation of £16.4m (2010: £15.4m). Statutory profit before tax was £14.7m (2010: £15.4m). Adjusted earnings per share was 3.9p (2010: 4.3p). The dilutive impact of the share issue in May was 0.7p.

Dividend

The Board has declared an interim dividend of 2.0p, which will be paid on 9 December 2011 to shareholders on the register as at 11 November 2011. This reflects our confidence in continued strong performance from our balanced portfolio of separate but linked business streams.

Board update

As we have previously announced, William Stobart and David Irlam stepped down from their positions as Executive Directors of the company. At the same time Nick Watts and Daniel Dayan stepped down from their positions as Non-Executive Directors. Following the successful Placing and focus on new business divisions, we welcomed Paul Orchard-Lisle, Alan Kelsey and David Beever to the Board as Non-Executive Directors.

Outlook

Looking forward for the remainder of the year we expect improved performance in our transport business as well as further developments in our Estate portfolio, continued growth in Biomass and delivery of London Southend Airport in readiness for the Olympic Games in July. The Board’s outlook for the year is broadly unchanged.

Further ahead we look forward with considerable confidence as we see the growing potential contributions of each of our divisions.

RODNEY BAKER-BATES
Chairman
26 October 2011

CHIEF EXECUTIVE OFFICER'S REVIEW

I am pleased to announce the results for the six months to 31 August 2011.

Results

	6 months to 31 August 2011	**6 months to 31 August 2010**
Total revenue from continuing operations	£281.1m	£243.7m
Earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)*	£27.6m	£26.9m
Underlying profit before tax**	£16.4m	£15.4m
Statutory profit before tax	£14.7m	£15.4m
Earnings per share	4.1p	4.6p
Normalised EPS***	3.9p	4.3p

*Underlying EBITDA is calculated as the underlying operating profit of £19.1m (2010: £18.8m) adding back depreciation and amortisation of £8.7m (2010: £8.6m) and less share based payments of £0.2m (2010: £ 0.5m).
** Underlying PBT comprising the underlying EBITDA of £27.6m (2010: £26.9m) less depreciation and amortisation of £8.7m (2010: £8.6m) less finance costs of £3.3m (2010: £3.3m) plus finance income of £0.8m (2010: £0.4m).
***EPS based on underlying PBT and allowing for a 26.2% tax charge.

The Group maintains a strong balance sheet, with net assets of £455.4m (28 February 2011: £331.7m), increased principally due to the placing of 83m shares in May 2011. Non fleet-related net borrowing reduced to £38.6m (28 February 2011: £111.1m). Fleet related borrowing reduced to £32.6m (28 February 2011: £45.0m) as most of our new vehicles are taken under operating leases providing similar protection around residual values as the previous HP agreements. Cash (net) generated from operations was £27.8m (31 August 2010: £13.6m) due to better management of working capital and net cash inflow was £75.0m (31 August 2010: £4.2m outflow) after dividends paid. Capital expenditure totalled £35.2m (31 August 2010: £51.4m) mainly at London Southend Airport and new vehicles. Gearing, excluding fleet financing and related assets, was 8.5% (28 February 2011: 33.5%).

The effective tax rate for the period is 15.1%. This rate is lower than the standard rate of 26.2% principally due to the effect on the deferred tax balance of the reduction in the UK corporation tax rate to 26% from 1 April 2011 and to 25% from 1 April 2012.

Strategy

Our new divisional structure has been in place since the beginning of the year and we have set out on our three to four year strategy of building profitability and value in each of our divisions.

Our Transport and Distribution division encompasses all of our multi-modal operations. We are investing in our growing Air, Biomass and Estates divisions to deliver significant returns for shareholders. Our Infrastructure and Civil Engineering division has made a significant contribution to the asset value around the Group especially at London Southend Airport.

Our strategy is underpinned by our brand, people, systems and diverse strategic alliances.

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. The recent Channel 5 "Trucks and Trailers" TV series, viewed by up to two million people, has increased awareness of our Group and we understand that a further series is being commissioned. Around 6,500 adults and children attended our recent Stobart truck festival.

We are reorganising our trademarks and designs into one entity which will allow us to manage, control and protect our valuable intellectual property.

Our people

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

We are committed to training to maintain high standards of work and safety. Fifteen of our most talented young managers graduated from our inaugural Management Development Programme in July and the programme has expanded for the second year.

In June, our new Eddie Stobart Training Academy was officially opened in Widnes by Mike Penning MP, Parliamentary Under Secretary of State for Transport. At the same time we also announced an innovative new Logistics Apprenticeship Programme, which will see 150 young apprentices join the Eddie Stobart team each year.

We are undertaking a firm-wide employee survey to gain valuable feedback from all of our employees which will help our business going forward.

Our systems and technology

We have developed and implemented several industry-leading systems and technologies particularly our vehicle and driver monitoring systems which are leading edge and enable us to run a more efficient fleet than our competitors and therefore offer very competitive rates to customers. We have enhanced the output from the vehicle systems in the period to give us a clearer picture of local performance across our business.

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

Our multi-modal capability

Stobart Group owns a diverse but linked range of businesses with excellent opportunities for creating value and profitability. Our core Transport and Distribution business is growing and our Air, Biomass and Estates divisions are beginning a phase that we hope will see each division emerge quickly as successful and profitable innovative businesses.

Our current portfolio includes the following assets and services:

- 2,000 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;
- Strong foothold in the fast growing biomass energy market with leading wood supply and transport capabilities;
- Two operational airports, with London Southend Airport development well progressed and partnership agreement with easyJet to start next spring;
- Almost 100 acres of development land at Widnes with significant interest from customers.

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

Environment

Stobart Group is proud of its environmental record and the resulting rewards for the business, customers and our futures. The Group is constantly striving to improve efficiencies and drive out waste across the board through better fleet utilisation, more efficient driving practices and innovative alternatives to road transport.

Eddie Stobart already has the best vehicle utilisation rate for a large fleet at around 84% loaded miles. We have recently received a customer award for the use of our innovative gas fuelled trucks.

98% of the Eddie Stobart fleet already complies with the stringent new Euro 4/5 exhaust emission environmental standards cutting air pollution by reducing damaging particulate release.

Eddie Stobart's successful freight trains reduce road miles, CO_2 emissions, fuel usage and road congestion.

Core operations

Transport and Distribution

Transport and Distribution is the largest of the Group's divisions and includes all of the road, rail and ports transport and storage operations. Its ambient, chilled and specialist road fleets total around 2,000 trucks and 3,000 trailers with around 6 million square feet of warehousing across 40 sites in the UK and Ireland.

Revenue for the Transport and Distribution division was £265.9m (2010: £230.4m), divisional EBITDA was £22.8m (2010: £24.4m) and profit before tax was £13.7m (2010: £15.0m).

Against a difficult economic background, our Transport and Distribution business has been hit because of our customers reacting to changing patterns in consumer spending. In particular, more retail promotions caused volumes to fluctuate, which created problems for us in planning our loads efficiently. As a result our profits were down. We have responded swiftly though, by improving our business information systems, so we have better insight into local performance, which allows us to react to emerging problems quicker and show our clients where there is wasted time. These new systems have allowed us to also compare the performance of our fleets, enabling us to make them more cost effective. We believe this increased efficiency will enable us to provide a better service to our customers.

As a result of the measures we took to address the increased volatility, we have restored the profit run rate more broadly in line with our initial expectations and improved margins. We are confident that these measures will enable us to improve margins and drive the profit growth of the Transport division going forward.

Going forward the emphasis within Transport and Distribution will be on improving margins through cost reduction and efficiency rather than substantial growth in top line revenue, although we still expect growth driven by new contracts and biomass supply activity.

During the period we commenced the new three year contract for Tesco grocery at the rail terminal at Daventry. The work for this major new 800,000 sq. ft. distribution centre will include road transport as well as a new Scottish rail service from the site. Four further rail services are planned. This is a great example of our multi-modal capabilities and fits in well with our existing operations at Daventry.

The Environmental transport fleet goes from strength to strength with a growing fleet of walking floor and chipliner vehicles. The strong growth is being driven by the increase in the UK biomass market including work for our own Biomass division.

The International division is performing well despite increasing price pressure and weakness of Sterling. The niche markets of transporting Formula 1 and Rally teams continue to be successful. During the period we renewed and extended the contract with Mercedes GP for the European events. We have also started the contract with Pirelli for transporting F1 tyres this season. We have renewed our largest international contract, with NAAFI, for a further 2 years.

After a successful trial we are introducing five new Mega Chipliners; these multipurpose vehicles will allow us to transport recycled wood product on behalf of Stobart Biomass to the growing international market and reload the vehicles with a variety of products from the international customer base.

We have continued to invest in establishing our business as a major operator and recognised brand in Ireland. Our existing contracts with Tesco Donabate and Ballymun are doing well. We have further invested in our site at Tolka Quay offering warehousing and general transport services as well as a central office function. We have incurred £1.2m of costs of investment in this new territory. We see this investment strategy as a lower cost and lower risk entry into these Irish markets rather than acquiring an established Irish business or businesses.

In our chilled fleet, a new central operational control and 24/7 customer service centre has opened at Widnes which, together with the introduction of the Group's standard planning system, has given the chilled business a solid base on which to build.

We operate four UK rail freight services. We successfully implemented the start-up of the rail terminal operations for Tesco Grocery at Daventry and the switch of the Anglo-Scottish service from Rugby to the new terminal.

We are looking at introducing services at a number of other routes, for which we have made successful grant applications, including Daventry to London and Daventry to South Wales both of which we hope to start in the 2nd half.

We operate a network of high spec facilities, managing a portfolio of blue chip clients within the pharmaceutical, FMCG, soft 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.

We have taken on management of an additional warehousing site for Robert McBride based in St Helens and have also seen around 25% increase in the customer base for the Daventry based warehouse consolidation operation.

Stobart Ports represents the inland rail port container handling facility at the Widnes Multimodal Gateway (3MG) which currently handles around 100,000 shipping containers a year.

The inland port's container movements for the first six months are slightly up compared to the prior year due to increased utilisation of existing rail services. An additional daily rail service is due to start in October 2011 that will connect the site by rail to the East Coast port of Teesport. The volume from this service will contribute to both the Terminal activity and the Transport operation. Increased train length due to new locomotives will also add to load fill towards the end of the year on the Deep Sea rail services.

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.

Stobart Estates

The Stobart Estates division is responsible for the management, development and realisation of all the Group's property assets. The division currently comprises investment properties, and a property held for sale as well as a number of sites utilised by the Group's operational business units. The Estates division will utilise some of the Placing funds raised during the period and additional funding sources to make a number of targeted acquisitions and to further invest in existing Group properties which are considered to have significant development potential.

Revenue for Stobart Estates division was £3.2m (2010: £2.2m), EBITDA was £5.1m (2010: £2.4m) and profit before tax was £4.5m (2010: £1.8m).

The gain in value of a property asset held for sale of £3.5m (2010: nil) has been included in underlying operating profit as a result of the reorganisation resulting in our new divisional structure. This property asset is an investment in a property unit trust. This gain relates to a reversal of a past impairment that was in discontinued operations in 2009. The gain has been included within the Estates division in the current year to reflect the directors' view of where the investment and ultimate disposal is managed. In the prior full year a comparative gain of £2.1m was included below underlying operating profit in the income statement but was included in the underlying EBITDA. The comparative income statement has been restated to be consistent with this revised presentation.

In the six months to 31 August 2011, the division has made significant progress in its strategy and has a number of potential property transactions in the pipeline.

- Planning consent for the construction of a new 280,000 sq. ft. chilled distribution warehouse in the East Midlands. The Group is in the process of finalising commercial terms with an end-user for the facility, and development is expected to commence in mid-2012. This development is expected to create significant business opportunities for the Group's warehousing operation as well as creating future value for the Estates division.

- We have agreed terms for a new 275,000 sq. ft. warehouse facility in the Midlands which will enable Eddie Stobart to consolidate its existing warehousing operations in the area and provide additional storage space to meet increased demand from customers. This would be the first phase of development at this proposed site with phase two incorporating new transport facilities adjacent to a new biomass energy plant.

- A revised planning application has been submitted for the redevelopment of the Group's Carlisle Airport site as a major transport and warehouse hub for the Eddie Stobart transport division. A decision on this is expected during the second half of the year.

Going forward, the profits in the Estates division are likely to be more volatile due to the timing of sales of assets.

Infrastructure and Civil Engineering

The Infrastructure and Civil Engineering division specialises in carrying out engineering works on railway infrastructure and wider civil engineering projects including for developments around the Group.

Revenue for the Infrastructure and Civil Engineering division was £27.3m (2010: £19.7m), divisional EBITDA was £1.7m (2010: £1.6m) and divisional profit before tax was £1.2m (2010: £1.1m.)

Demand for work on rail infrastructure has continued to be depressed due to cutbacks in expenditure by Network Rail and other major clients though we are also exploring opportunities for business off the railways. In order to mitigate the financial impact strict cost control measures have been implemented together with an increase in our sales and marketing activity to raise existing and prospective clients' awareness of our full range of services.

The division has played a major part in the developments at London Southend Airport. In the first half of the year we completed the construction of the new railway station at London Southend Airport. It is now open for business and we operate it under licence from the Office of Rail Regulation.

The recently completed runway diversionary route at London Southend Airport, namely 'St Lawrence Way' has been opened. The design and construction removed the requirement for automatic barriers which in the past stopped vehicles from passing when aircraft movements occurred. The improvement to traffic flow and the reduction in congestion in the near airport area will greatly benefit local residents and maintain our standing in the community.

We are currently working to deliver the upgrade to the existing runway and taxiways which are due to be completed by the end of December 2011. Also under construction is the new terminal building to include new stands and new ramp accommodation.

We are working on relocation of a flying club to free up land which will be used to extend car parking facilities.

In Widnes we are currently designing and will construct new reception sidings for a third party developer which, on completion, will be operated by the Group using its terminal experience.

Work on rail infrastructure for the remainder of the year is expected to be in line with the first half but Group works will increase due principally to activity at London Southend Airport.

Stobart Air

Stobart Air division comprises London Southend Airport and Carlisle Lake District Airport.

Revenue for the Stobart Air division was £4.8m (2010: £3.6m), divisional EBITDA was £0.4m (2010: £0.3m) and divisional profit before tax was £0.2m (2010: £0.1m).

London Southend Airport is well on the way to being transformed into a major international airport with a quick rail link to central London. We entered into a new ten year partnership with the UK's largest airline based on passenger numbers which will see three easyJet aircraft stationed in Southend and offering 70 departures a week to nine destinations across Europe including Amsterdam, Barcelona and Malaga. Tickets are selling well. In addition, Aer Arann commenced flights daily to Galway and Waterford in March 2011.

Several milestones were reached in the period. The new airport control tower went operational in March 2011 and was officially opened in July 2011.

The new railway station, constructed by our Infrastructure and Civil Engineering division, commenced operation in July 2011 and was officially opened in September 2011.There are up to eight trains per hour to Stratford and Liverpool Street. The station is operated by Stobart Rail.

The new airport access road also constructed by our infrastructure and Civil Engineering division opened on 1st September 2011 as mentioned above. Following a Public Inquiry, the Secretary of State confirmed that a local road could be stopped up and the runway extension works are on target for completion in the first quarter of 2012.

Construction work is progressing on the new terminal expected to open to the public in spring 2012 and work has started on a new airport hotel scheduled for completion in July 2012.

We were pleased to welcome visits from Chris Grayling (Minister for Employment), Bob Neil (Minister for Thames Gateway) and Theresa Villiers (Minister for Transport) reinforcing the role that London Southend Airport will play in the run up to the 2012 Olympic Games and beyond.

Post development the airport is on track to meet our expectations for passenger numbers. We will also provide charter flights and a service for business jets throughout the Olympic Games.

At Carlisle Lake District Airport we have submitted a revised plan for development of the airport campus which is being considered by Carlisle Council. The airport hosted major military exercises in the period with further exercises planned in the second half. The airport site also hosted the Radio 1 “big weekend” in May headlined by Lady Gaga and attended by over forty thousand people.

Stobart Biomass

In May the Group acquired the remaining 50% interest in Stobart Biomass Products Limited for consideration of £11.0m loan notes and £7.2m in shares. Allan Jenkinson, the vendor, holds a senior position in the business.

Revenue for the Stobart Biomass division was £2.6m (2010: £nil), divisional EBITDA was £0.5m (2010: £nil) and divisional profit before tax was £0.4m (2010: £nil).

The Biomass division has returned a solid performance since acquisition and is growing in line with expectations. The business is already exporting from ports in Avonmouth, Shoreham, Liverpool, Plymouth, Hull and Cardiff. It has exported around 34,000 tonnes of wood to Scandinavia compared to 2,000 in the prior year and has an agreement to increase this to around 250,000 tonnes per annum going forward in a five year deal operating from a number of ports.

The business also has contracts with Iggesund and Helius for long-term supply of wood of around a further 250,000 tonnes per annum commencing around spring 2013 and is in negotiations with many other potential customers for biomass supply.

Outlook

Through our systems and technology enhancement our Transport and Distribution division will continue to drive waste out of the system and increase profitability for us and our customers. Estates is performing well and there are a number of potential property deals in the pipeline which will provide a good return on capital. The development of London Southend Airport will be almost complete by the year end in time for the new easyJet contract next year and the nearby Olympic Games. Finally, based on contracts in place, volumes in Biomass are expected to grow significantly over the next six months.
Through this tough environment we look forward with our enhanced systems and technology to the Group reporting further progress in the second half. The Board’s outlook for the year is broadly unchanged.

ANDREW TINKLER
Chief Executive
26 October 2011

Key risks and uncertainties

As with any business, risk assessment and the implementation of mitigating actions and controls are vital to successfully achieving the Group's strategy. The Board has overall responsibility for risk management and internal control within the context of achieving the Group's objectives.

The key risks are set out below:

- 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 2011 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 2011 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 26 October 2011.

RODNEY BAKER-BATES
ANDREW TINKLER
BEN WHAWELL
ALAN KELSEY
MICHAEL KAYSER
JESPER KJAEDEGAARD
DAVID BEEVER
PAUL ORCHARD-LISLE

26 October 2011

Stobart Group Limited

Interim Consolidated Income Statement
For the six months ended 31 August 2011

	Notes	Six months ended 31 August 2011 Unaudited £'000	Restated Six months ended 31 August 2010 Unaudited £'000	Restated Year ended 28 February 2011 Audited £'000
Revenue	**4**	**281,145**	**243,689**	**500,395**
Operating expenses - underlying		(266,186)	(224,924)	(463,484)
Share of post tax profits/(losses) of associates and joint ventures accounted for using the equity method		600	-	624
Gain in value of property asset held for sale	**1**	3,500	-	2,050
Underlying operating profit		**19,059**	**18,765**	**39,585**
Share based payments		(150)	(480)	(467)
Costs due to extreme weather		-	-	(1,830)
New territory business set up costs		(1,150)	-	(2,654)
Transaction costs		(418)	-	(59)
Restructuring costs		-	-	(479)
Amortisation of acquired intangibles		(89)	-	-
Profit before interest and tax		**17,252**	**18,285**	**34,096**
Finance costs		(3,329)	(3,305)	(5,553)
Finance income		770	396	924
Profit before tax		**14,693**	**15,376**	**29,467**
Income tax	**5**	(2,214)	(3,682)	(6,229)
Profit for the period attributable to equity holders of the parent		**12,479**	**11,694**	**23,238**
Earnings per ordinary share	**7**			
Basic		4.07p	4.57p	9.03p
Diluted		4.06p	4.56p	9.02p

Stobart Group Limited

Interim Consolidated Statement of Comprehensive income
For the six months ended 31 August 2011

	Six months ended 31 August 2011 Unaudited £'000	Six months ended 31 August 2010 Unaudited £'000	Year ended 28 February 2011 Audited £'000
Profit for the period	**12,479**	**11,694**	**23,238**
Exchange differences on translation of foreign operations	35	(249)	(10)
Cash flow hedge	(731)	(890)	107
Tax on items relating to components of other comprehensive income	197	249	(30)
Other comprehensive (loss) / income for the period, net of tax	**(499)**	**(890)**	**67**
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent	**11,980**	**10,804**	**23,305**

Stobart Group Limited

Interim Consolidated Statement of Financial Position
As at 31 August 2011

	Notes	31 August 2011 Unaudited £'000	28 February 2011 Audited £'000
Non-current Assets			
Property, plant and equipment			
- Land and buildings	**8**	195,953	168,798
- Plant and machinery	**8**	16,043	15,099
- Fixtures, fittings and equipment	**8**	5,085	4,582
- Commercial vehicles	**8**	41,500	49,206
		258,581	237,685
Investment in associates and joint ventures		1,200	30,780
Investment property		2,000	2,000
Intangible assets		281,656	231,286
Other investments		10	10
Other receivables		2,186	2,186
		545,633	**503,947**
Current Assets			
Inventories		2,611	2,357
Trade and other receivables		128,353	108,716
Cash and cash equivalents	**9**	47,061	3,937
		178,025	115,010
Assets of disposal groups classified as held for sale		5,550	2,050
		183,575	**117,060**
Total Assets		**729,208**	**621,007**
Non-current Liabilities			
Loans and borrowings	**9**	95,349	91,762
Other liabilities		13,895	14,479
Corporation tax		-	-
Deferred tax		40,113	39,880
		149,357	**146,121**
Current Liabilities			
Trade and other payables		96,849	72,312
Loans and borrowings	**9**	22,920	68,285
Corporation tax		4,695	2,580
		124,464	**143,177**
Total Liabilities		**273,821**	**289,298**
Net Assets		**455,387**	**331,709**

Stobart Group Limited

Interim Consolidated Statement of Financial Position (continued)
As at 31 August 2011

	31 August 2011 Unaudited £'000	28 February 2011 Audited £'000
Capital and reserves		
Issued share capital	34,857	26,517
Share premium	294,690	181,168
Foreign currency exchange reserve	(443)	(478)
Reserve for own shares held by EBT	(489)	(663)
Hedge reserve	(1,615)	(1,081)
Retained earnings	128,387	126,246
Total Equity	**455,387**	**331,709**

Stobart Group Limited

Interim Consolidated Statement of Changes in Equity
For the six months ended 31 August 2011

Unaudited	**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 2011	26,517	181,168	(478)	(663)	(1,081)	126,246	331,709
Profit for the period	-	-	-	-	-	12,479	12,479
Other comprehensive income /(expense)	-	-	35	-	(534)	-	(499)
Total comprehensive income /(expense)	-	-	35	-	(534)	12,479	11,980
Proceeds on share issues	8,340	118,808	-	-	-	-	127,148
EBT shares vested	-	-	-	174	-	-	174
Share issue costs	-	(5,286)	-	-	-	-	(5,286)
Share based payment credit	-	-	-	-	-	268	268
Tax on share based payment	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(10,606)	(10,606)
Balance at 31 August 2011	**34,857**	**294,690**	**(443)**	**(489)**	**(1,615)**	**128,387**	**455,387**

Unaudited	**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 / (expense)	-	-	(249)	-	(641)	-	(890)
Total comprehensive income / (expense)	-	-	(249)	-	(641)	11,694	10,804
Proceeds on share issue	1,438	17,190	-	-	-	-	18,628
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	**26,517**	**181,173**	**(717)**	**(663)**	**(1,799)**	**120,131**	**324,642**

Stobart Group Limited

Interim Consolidated Statement of Changes in Equity
For the six months ended 31 August 2011

Audited	**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 year	-	-	-	-	-	23,238	23,238
Other comprehensive income / (expense)	-	-	(10)	-	77	-	67
Total comprehensive income/(expense)	-	-	(10)	-	77	23,238	23,305
Proceeds on share issue	1,438	17,190	-	-	-	-	18,628
EBT shares vested	-	-	-	140	-	-	140
Share issue costs	-	(277)	-	-	-	-	(277)
Share based payment credit	-	-	-	-	-	467	467
Dividends	-	-	-	-	-	(15,910)	(15,910)
Balance at 28 February 2011	**26,517**	**181,168**	**(478)**	**(663)**	**(1,081)**	**126,246**	**331,709**

Stobart Group Limited

Interim Consolidated Cash Flow Statement
For the six months ended 31 August 2011

	Notes	Six months ended 31 August 2011 Unaudited £'000	Six months ended 31 August 2010 Unaudited £'000	Year ended 28 February 2011 Audited £'000
Cash generated from operations	**11**	**27,835**	**13,569**	**27,671**
Income taxes received / (paid)		(240)	411	(2,341)
Net cash flow from operating activities		**27,595**	**13,980**	**25,330**
Acquisition of subsidiaries and other businesses – net cash received/(paid)		(4,658)	-	-
Purchase of property, plant and equipment		(35,043)	(51,382)	(55,419)
Investment in joint venture		-	(15,000)	(15,156)
Proceeds from sale of property, plant and equipment		6,655	2,649	10,540
VAT outflow in relation to disposal of Widnes assets		-	(4,200)	(4,200)
Net loans (advanced to)/ repaid by joint ventures		-	(1,000)	(3,119)
Interest received		770	284	859
Net cash flow from investing activities		**(32,276)**	**(68,649)**	**(66,495)**
Issue of ordinary shares less cost of issue		114,591	(270)	(277)
Dividend paid on ordinary shares		(10,606)	(10,607)	(15,910)
Proceeds from new finance leases		3,511	33,674	18,275
Repayment of capital element of finance leases		(16,026)	(8,910)	(23,630)
Proceeds from new borrowings		1,571	84,087	90,000
Repayment of borrowings		(11,097)	(44,233)	(40,489)
Interest paid		(2,277)	(3,320)	(5,627)
Net cash flow from financing activities		**79,667**	**50,421**	**22,342**
Increase / (decrease) in cash and cash equivalents		74,986	(4,248)	(18,823)
Cash and cash equivalents at beginning of period		(31,946)	(13,123)	(13,123)
Cash and cash equivalents at end of period		**43,040**	**(17,371)**	**(31,946)**
Cash		47,061	5,978	3,937
Overdraft		(4,021)	(23,349)	(35,883)
Cash and cash equivalents at end of period		**43,040**	**(17,371)**	**(31,946)**

1 Accounting policies of Stobart Group Limited

Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 August 2011 were authorised for issue in accordance with a resolution of the directors on 26 October 2011.

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 2011 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 2011. Except for the 28 February 2011 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 does not constitute the Group's statutory accounts for the period ended 28 February 2011 but has been derived from the accounts. Statutory accounts for the period ended 28 February 2011 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.

As reported in May 2011, the segmental analysis of the results for the period ended 31 August 2010 has been restated to be consistent with the Group's new internal reporting structure (see note 4).

The gain in value of a property asset held for sale of £3.5m (2010: nil) has been included in underlying operating profit as a result of the reorganisation resulting in our new divisional structure. This property asset is an investment in a property unit trust. This gain relates to a reversal of a past impairment that was in discontinued operations in 2009. The gain has been included within the Estates division in the current year to reflect the directors' view of where the investment and ultimate disposal is managed. In the prior full year a comparative gain of £2.1m was included below underlying operating profit in the income statement but was included in the underlying EBITDA. The comparative income statement has been restated to be consistent with this revised presentation.

The prior interim period financial statements have been restated following the classification of our property business operations to continuing operations. They were classified in discontinued operations in the prior interim period. The resulting impact is to reduce the prior interim period continuing profit before tax by £7,000.

Separately disclosed items

New territory business set up costs comprise costs of investing in new major territories to commence or accelerate development of our business presence. These costs include establishment costs, legal and professional fees, losses and certain staff costs. The current period costs were in relation to development of the business in Ireland.

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

Amortisation of acquired intangibles comprises the amortisation of intangible assets identified as fair value adjustments in acquisition accounting.

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 2011 except for the Group's tax measurement basis (see note 5). Any new amended Accounting Standards applicable for the period do not have a significant effect. These accounting policies are expected to be applied for the full year to 29 February 2012.

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

Acquisition of Stobart Biomass Products Limited

On 19 May 2011 the Group acquired the remaining 50% of the voting rights of 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 and Europe. Following the transaction, Stobart Biomass Products Limited became a 100% owned subsidiary undertaking of the Group.

The fair value of the identifiable assets and liabilities of Stobart Biomass Products Limited as at the date of acquisition were:

	Fair value recognised on acquisition £'000
Intangible assets	1,794
Property, plant and equipment	211
Cash and cash equivalents	342
Trade and other receivables	1,210
Inventories	-
Trade payables	(1,052)
Other payables and deferred income	(2,258)
Deferred tax	(484)
Net assets	(237)
Goodwill arising on acquisition	48,664
Total consideration	**48,427**

The total cost of the combination was £48,427,000 and comprised the following:

	£'000
Loan notes	11,000
Shares issued	7,247
Previously held equity interest at fair value	30,180
Total	**48,427**

In connection with the acquisition, the Group issued 5.8m ordinary shares with a fair value of £1.24 each. The price was the market price at the date of acquisition. The goodwill of £48,664,000 represents the 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. There is no contingent consideration as defined in IFRS 3 'Business Combinations' in connection with this acquisition but the vendor, AW Jenkinson, will remain in the business and will participate in an incentive scheme though no allocations have yet been made in respect of this scheme. The fair value and nature of the intangible assets identified is provisional due to the nature of the judgements involved in the valuation of the intangible assets.

The amount of goodwill that is expected to be deductible for tax purposes is £2.0m.

Immediately prior to the acquisition the fair value of the existing 50% equity interest in Stobart Biomass Products Limited was £30.2m. There was no resulting gain or loss taken to the income statement following remeasurement of this.

Transaction costs related to the acquisition of £0.14m have been recognised as an expense in transaction costs written off in the Interim Consolidated Income Statement.

4 Segmental information

As reported in May 2011, the Group has revised its internal reporting structure. The new operating segments within continuing operations are Stobart Transport & Distribution, Stobart Estates, Stobart Infrastructure & Civil Engineering, Stobart Air and Stobart Biomass. The prior year comparatives have been restated accordingly.

The Stobart Transport & Distribution segment specialises in contract logistics including road haulage, rail freight, ports handling and warehousing.

The Stobart Estates segment specialises in management, development and realisation of Group land and buildings assets.

The Stobart Infrastructure & Civil Engineering segment specialises in delivering internal and external infrastructure and development projects including rail network operations.

The Stobart Air segment specialises in operation of commercial airports including air freight.

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

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 measures are earnings before interest, tax, depreciation and amortisation and also profit before tax both shown before separately disclosed items.

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.

Period ended 31 August 2011	**Stobart Transport & Distribution**	**Stobart Estates**	**Stobart Infrastructure & Civil Engineering**	**Stobart Air**	**Stobart Biomass**	**Adjustments and eliminations**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue							
External	265,860	3,221	4,646	4,760	2,643	15	281,145
Internal	-	-	22,618	-	-	(22,618)	-
Total revenue	**265,860**	**3,221**	**27,264**	**4,760**	**2,643**	**(22,603)**	**281,145**
Segment EBITDA	**22,845**	**5,071**	**1,697**	**362**	**465**	**(2,818)**	**27,622**
Segment PBT	**13,685**	**4,473**	**1,176**	**229**	**416**	**(3,629)**	**16,350**
New territory business set up costs							(1,150)
Transactions costs written off							(418)
Amortisation of acquired intangibles							(89)
Profit before tax							**14,693**

Inter-segment revenues are eliminated on consolidation.

Included in adjustments and eliminations are central costs of £2,856,000 (2010: £2,042,000) and intragroup profit of £773,000 (2010: £608,000).

Period ended 31 August 2010	Stobart Transport & Distribution £'000	Stobart Estates £'000	Stobart Infrastructure & Civil Engineering £'000	Stobart Air £'000	Stobart Biomass £'000	Adjustments and eliminations £'000	Restated Group £'000
Revenue							
External	230,367	2,215	7,526	3,568	-	13	243,689
Internal	-	-	12,159	-	-	(12,159)	-
Total revenue	**230,367**	**2,215**	**19,685**	**3,568**	**-**	**(12,146)**	**243,689**
Segment EBITDA	**24,426**	**2,444**	**1,615**	**260**	**-**	**(1,843)**	**26,902**
Segment PBT	**15,035**	**1,806**	**1,054**	**131**	**-**	**(2,650)**	**15,376**
Profit before tax							**15,376**

Segment assets	Stobart Transport & Distribution £'000	Stobart Estates £'000	Stobart Infrastructure & Civil Engineering £'000	Stobart Air £'000	Stobart Biomass £'000	Adjustments and eliminations £'000	Group £'000
At 31 August 2011	**430,547**	**84,535**	**9,900**	**122,340**	**52,671**	**29,215**	**729,208**
At 28 February 2011	402,677	80,138	13,663	89,016	30,080	5,433	621,007

5 Taxation

Taxation on profit on ordinary activities

Tax charged in the income statement	Six months ended 31 August 2011	Six months ended 31 August 2010	Year ended 28 February 2011
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Current income tax:			
UK Corporation tax - continuing operations	2,167	2,988	1,683
Overseas tax	118	60	138
	2,285	3,048	1,821
Adjustment in respect of prior years	(17)	193	(1,423)
Total current tax	2,268	3,241	398
Deferred tax:			
Origination and reversal of temporary differences	1,254	631	7,155
Impact of change in rate	(1,315)	-	(1,351)
Adjustment in respect of prior years	7	(190)	27
Total deferred tax (credit) / charge	(54)	441	5,831
Total charge in the income statement	**2,214**	**3,682**	**6,229**

The tax charge for the interim period has been calculated by calculating a rate based on the forecast year end results and applying this rate to the actual results for the period.

On 23 March 2011, in his Budget Speech, the UK Chancellor of the Exchequer announced a reduction in the rate of corporation tax from 28 per cent to 26 per cent from 1 April 2011, with further reductions of 1 per cent per annum to 23 per cent by 1 April 2014.

As at 31 August 2011, the reductions in the rate to 26 per cent on 1 April 2011 and to 25 per cent on 1 April 2012 have been substantively enacted. However the remaining reductions in the rate have not yet been substantively enacted and therefore the proposed changes are not reflected in the figures reported.

Current income tax is affected by the reduction to 26 per cent from 28 per cent as this takes place during the year. Deferred tax is affected by both the reduction to 26 per cent and the further enacted reduction to 25 per cent as it takes in to account the timing of reversal of the Group's liability. The impact on deferred tax in the current period is £1.3m and an estimated £1.9m in the second half of the year. The expected impact of the further reduction is £1.6m per annum assuming that they are enacted on an annual basis.

6 Dividends

A final dividend of 4.0p per share (2010: 4.0p) totalling £10,606,596 (2010: £10,606,596 paid on 21 June 2010) was declared on 23 May 2011 and was paid on 7 July 2011.

An interim dividend of 2.0p (2010: 2.0p) per share totalling £6,971,223 (2010: £5,303,298 paid on 10 December 2010) was declared on 26 October 2011 and will be paid on 9 December 2011. This is not recognised as a liability at 31 August 2011.

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 2011 Unaudited	Six months ended 31 August 2010 Unaudited	Year ended 28 February 2011 Audited
Numerator	**£'000**	**£'000**	**£'000**
Profit used for basic earnings	12,479	11,694	23,238
Effect on earnings of dilutive potential ordinary shares	-	27	27
Diluted earnings	**12,479**	**11,721**	**23,265**
Denominator	**Number**	**Number**	**Number**
Weighted average number of shares used in basic EPS	306,727,659	256,150,406	257,330,462
Effects of convertible Income Shares	-	673,574	339,555
Effects of employee share options	797,530	-	253,479
Weighted average number of shares used in diluted EPS	**307,525,189**	**256,823,980**	**257,923,496**

On 19 May 2011, 5,806,452 Ordinary Shares were issued in connection with the investment in Stobart Biomass Products Limited.

On 19 May 2011 77,339,766 Ordinary Shares were issued by way of an Open Offer at 155p per share.

On 10 March 2011 and 3 July 2011, 979,848 and 769,577 Ordinary Shares respectively 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.

The adjusted basic earnings per share are 3.9p (31 August 2010: 4.3p, 28 February 2011: 9.7p). The numerator used in calculating the normalised earnings per share of £12,071,000 (31 August 2010: £11,071,000, 28 February 2011: £24,832,000) is the underlying operating profit of £19,059,000 (31 August 2010: £18,765,000 28 February 2011: £39,585,000) less share based payments of £150,000 (31 August 2010: £480,000, 28 February 2011: £467,000), less finance costs of £3,329,000 (31 August 2010: £3,305,000, 28 February 2011: £5,553,000) plus the finance income of £770,000 (31 August 2010: £396,000, 28 February 2011: £924,000) and allowing for tax at 26.2% (previously 28%) of £4,279,000 (31 August 2010: £4,305,000, 28 February 2011: £9,657,000).

8 Property, plant and equipment

Additions and disposals

During the six months ended 31 August 2011, the Group acquired or developed assets with a cost of £35,161,000. This included development of the terminal at London Southend Airport.

Assets with a book value of £5,723,000 were disposed of by the Group during the six months ended 31 August 2011 resulting in a net profit on disposal of £932,000.

Capital commitments

At 31 August 2011, the Group had capital commitments of £1,230,000 (2010: £14,182,652) principally relating to the terminal at London Southend Airport.

9 Analysis of net debt

	31 August 2011 Unaudited £'000	28 February 2011 Audited £'000
Loans and borrowings		
Non-current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	14,240	22,643
- Loan notes	11,000	-
Variable rate:		
- Bank loans	68,493	69,119
- Other loans	1,616	-
	95,349	**91,762**
Current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	18,380	22,402
Variable rate:		
- Overdrafts	4,021	35,883
- Bank loans	519	10,000
	22,920	**68,285**
Total loans and borrowings	118,269	160,047
Cash	47,061	3,937
Net debt	**71,208**	**156,110**

The main movements in net debt have resulted from the following: (1) issue of Ordinary Shares raising £114.9m net of expenses (Note 10); (2) funding the development of the railway station and control tower at London Southend Airport and also payment of the deferred consideration of £5.0m in respect of the original acquisition; (3) funding new vehicles under operating leases.

The loan notes carry a fixed interest rate and are repayable on 23 May 2014.

10 Placing and open offer of ordinary shares

On 19 May 2011, the company issued 77,339,766 New Ordinary Shares at 155 pence per share through a placing and open offer, raising £119.9m before expenses (approximately £114.9m net of expenses). Costs directly attributable to the placing have been taken to the share premium account.

11 Cash generated from operations

	Six months ended 31 August 2011	Restated Six months ended 31 August 2010	Year to 28 February 2011
	Unaudited	**Unaudited**	**Audited**
	£'000	**£'000**	**£'000**
Profit before tax	**14,693**	**15,376**	**29,467**
Adjustments to reconcile profit / (loss) before tax to net cash flows:			
Non-cash:			
Realised profit on sale of property, plant and equipment	(932)	(11)	(1,243)
Associates and joint ventures	(100)	(33)	(124)
Reversal of write down in held for sale assets	(3,500)	-	(2,050)
Reversal of write down of loan to joint venture	(500)	-	(500)
Depreciation of property, plant and equipment	8,778	8,617	18,064
Amortisation of intangibles	89	-	-
Investment income	(770)	(284)	(924)
Interest expense	3,329	3,305	5,538
Amortisation of income share issue costs	-	2	15
Foreign exchange movements	-	-	(10)
Share option charge	150	480	467
Working capital adjustments:			
(Increase) / decrease in inventories	(254)	(142)	(798)
(Increase) / decrease in trade and other receivables	(18,427)	(19,020)	(22,212)
Increase / (decrease) in trade and other payables	25,279	5,279	1,981
Cash generated from operations	**27,835**	**13,569**	**27,671**

Issue of ordinary shares			
Issue of ordinary shares	119,877	-	-
Issue costs paid on issuance of ordinary shares	(5,286)	(270)	(277)
	114,591	**(270)**	**(277)**

12 Related Parties

WA Developments International Limited, WA Developments International GMBH, Moneypenny Limited and VLL Limited are all companies' part owned by A Tinkler, a director of the Group and W Stobart. The Group made sales of £212,000 and purchases of £193,000 from this collection of companies WA Developments International Group. £321,000 was due to the Group from these companies at 31 August 2011.

AstSigns Limited is 27% owned by W Stobart. During the period, the Group made purchases of £354,000 from AstSigns Limited of which £305,000 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 £2,053,000 at the period end of which £1,053,000 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 2011 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 2011 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
26 October 2011