25 October 2012

Stobart Group Limited

Interim Results for the six months ended 31 August 2012

Solid performance in Transport
Other divisions well positioned to deliver growth

Stobart Group (Stobart), a leading provider of multi-modal transport logistics, Estates, Air and Biomass services, and Infrastructure and Civil Engineering, today announces its interim results for the six months ended 31 August 2012.

Financial Highlights

- Revenue £278.5m (2011: £281.1m)
- Underlying operating profit* £19.8m (2011: £19.1m)
- Underlying profit before tax** £13.2m (2011: £16.4m)
- Underlying profit before tax in Transport & Distribution division business increased to £14.2m (2011: £13.7m)
- Maintained interim dividend of 2.0p (2011: 2.0p) per share payable on 7 December 2012
- Profit before tax of £6.6m (2011: £14.7m) after restructuring costs in chilled distribution business, transaction costs and higher interest charges
- Earnings per share of 1.7p (2011: 4.1p)
- Net cash generated from operations £10.9m (2011: £27.8m)

* Underlying operating profit is a non GAAP measure shown on the Income Statement.
** Underlying profit before tax is a non GAAP measure and comprises the reported underlying operating profit less share based payments of £1.3m (2011: £0.2m) less finance costs of £6.8m (2011: £3.3m) plus finance income of £1.5m (2011: £0.8m).

Divisional underlying profit summary

	H1 2012 £'m	H1 2011 £'m
Transport & Distribution	14.2	13.7
Infrastructure & Civil Engineering	0.4	1.2
Air	(0.3)	0.2
Biomass	0.8	0.4
Underlying profit before tax pre – Estates and central costs and eliminations	**15.1**	**15.5**
Estates	2.8	4.5
Underlying profit before tax pre central costs and eliminations	**17.9**	**20.0**
Central costs and eliminations	(4.7)	(3.6)
Underlying profit before tax	**13.2**	**16.4**

Operational Highlights

- Underlying core Transport & Distribution division profits ahead of last year

- Underperforming chilled business being scaled back and restructured

- Acquisition of Autologic Holdings plc provides a market leading share of the automotive logistics market

- Successful launch of easyJet passenger flights at London Southend Airport to continental European destinations with three based aircraft and Aer Lingus flights to Dublin with one based aircraft. 365,000 passengers in five months since launch

- Planning permission secured for extension of the Terminal at London Southend Airport. IATA has designated the airport as a London airport

- Biomass tonnages around 30% up on comparative period

- Estates portfolio improved without disposals in the first half

Andrew Tinkler, Chief Executive Officer, said:

"We have worked hard to improve margins and profitability in our core transport business despite tough trading conditions. We are well underway with delivering the stated plan for the Group."

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HALF YEAR REVIEW

Strategy

The Group continues to pursue its stated medium term strategy and remains confident that it will deliver significant shareholder value as planned.

Whilst the current recessionary climate has had an impact by slowing growth in the transport sector the Group has positioned itself to be successful in a challenging economic environment with a clear five divisional strategy supported by the strength and continued investment in the Stobart brand. Long term expectations across the business remain robust.

On 10 August 2012 the Group acquired Autologic Holdings plc, a leading provider of distribution and technical services to the automotive industry. This acquisition provides the Group with a strong share of the automotive logistics market, strengthens our management team and is expected to allow opportunities for operational synergies, which management have identified and continue to be confident of achieving since the acquisition.

Results summary

Results for the six months to 31 August 2012

	6 months to 31 August 2012	**6 months to 31 August 2011**
Revenue	£278.5m	£281.1m
Underlying operating profit*	£19.8m	£19.1m
Underlying profit before tax**	£13.2m	£16.4m
Profit before tax	£6.6m	£14.7m
Earnings per share	1.7p	4.1p

* Underlying operating profit is a non GAAP measure shown on the Income Statement.
** Underlying profit before tax is a non GAAP measure and comprises the reported underlying operating profit less share based payments of £1.3m (2011: £0.2m) less finance costs of £6.8m (2011: £3.3m) plus finance income of £1.5m (2011: £0.8m).

Divisional review

Transport and Distribution

Revenue for the Transport and Distribution division was £251.1m (2011: £265.9m) and divisional profit before tax was £14.2m (2011: £13.7m).

The Transport and Distribution division has returned a solid profit ahead of last year despite a tough trading environment. Revenue has fallen by 5.6% but we have improved our margins by 10%.

Market volumes have been affected by current economic conditions which have resulted in consumer retail volatility putting pressure on our operation. In addition, our customers’ volume forecasts continue to exceed actual volumes.

We have improved our margins in the Transport and Distribution division through more effective financial control and cost management. We have also focussed on addressing lower margin contracts by improving pricing rates and in some cases rationalising routes.

We originally acquired the chilled business in summer 2008 for a nominal amount and are in the process of restructuring the chilled business which will leave a smaller, more profitable operation. During the period, sites at Corby and Alcester have been closed and the fleet size has been reduced. This restructuring has been more challenging, costly and further reaching than first planned. This is due to the continuing challenging economic environment. In the second half we expect to continue the robust restructuring programme. At the same time the improved business systems in the ambient fleets are being implemented in chilled. This restructuring project is expected to be completed by the year end. We have incurred restructuring costs of £4.2m in the first half of the year and we currently expect to incur a similar level of costs to complete the programme.

Results of the newly acquired Autologic business will be included in the Transport and Distribution segment going forward.

Stobart Estates

Revenue for the Stobart Estates division was £9.0m (2011: £3.2m) and profit before tax was £2.8m (2011: £4.5m).

The Moneypenny portfolio has now been integrated into the Group and there is a clear plan for each property held. Progress on disposals has been slower than anticipated due to current market conditions but six properties are earmarked for disposal before the year end.

The units held in One Plantation Place were sold during the period realising a further profit of £0.4m and cash inflow of £8.1m. In the first half of 2011 an uplift of £3.5m was recognised in relation these units. The contracts for sale of the property at 22 Soho Square have been exchanged this month.

Developments since the previous period end include:

- Planning permission delivered at Carlisle Airport
- Residential conversion of 37 Soho Square underway
- Southend Airport hotel completed

The results of the Estates division are expected to vary as the Group is focussed on maximising value from each property.

Infrastructure and Civil Engineering

Revenue for the Infrastructure and Civil Engineering division was £16.2m (2011: £27.3m) and divisional profit before tax was £0.4m (2011: £1.2m.)

External work has been boosted by new contracts at Manchester Metro and Geneva Junction as well as operation of the Southend Airport railway station. We continue to seek profitable contract opportunities in a flat market for rail infrastructure engineering.

Group work has been reduced by delays to developments at Carlisle and Widnes and annualised cost savings of around £0.4m have been made.

This division develops internal assets at a materially lower cost, however the benefit of this service is not evident until disposal of the asset.

The division will continue to support the Group’s Estates division in providing valuable engineering work where our sites are developed.

Stobart Air

Revenue for the Stobart Air division was £7.0m (2011: £4.8m), and the divisional loss before tax was £0.3m (2011: £0.2m profit).

London Southend Airport's operational partnership with easyJet started in April 2012 and is progressing well with three based aircraft. The airport was the best performing UK airport in the easyJet network for on-time performance in the busiest month of August 2012. Aer Lingus flights to Dublin commenced in the period with one based aircraft. The total passenger numbers have grown from a very low number in 2011 to over 365,000 since the new passenger terminal opened.

Business jet movements grew by 39% in July and August when compared with 2011 reflecting an uplift during the Olympics.

Completed capital projects in the period included the extended runway, the new passenger terminal, an additional 498 car parking spaces and five additional aircraft stands. The opening of the on-site hotel took place in October 2012.

The airport has undertaken a major recruitment campaign hiring over 150 employees. Including easyJet and retail concessions, over 500 new jobs have been created. During the period we have written off £0.6m of pre-operating costs in relation to the new airline and hotel businesses.

The airport has obtained planning consent to expand the size of the terminal and the airport has been allocated London Metropolitan area designation by IATA. This is a key milestone as the airport is now the 6th officially recognised London branded airport.

London Southend Airport was recently awarded the European Regions Airline Association achievement award for outstanding contribution to intra EU air transport, for the second time in three years.

At Carlisle airport, planning consent for the development was delivered in July 2012.

Stobart Biomass

Revenue for the Stobart Biomass division was £6.6m (2011: £2.6m) and divisional profit before tax was £0.8m (2011: £0.4m).

Biomass sales tonnages are up around 30% on the comparative period. Volumes in the first half have been affected by mild weather, extended power maintenance periods and delays in legislation but volumes are expected to increase dramatically for the winter season and we remain confident of a strong growth opportunity in this division. Major contracts with Helius and Iggesund are expected to commence in the last quarter delivering volume growth in the second half and through next year. We have increased the portfolio of materials supplied generating further opportunities ahead.

Balance sheet and gearing

The Group maintains a strong balance sheet, with net assets of £455.3m (29 February 2012: £471.8m), decreased principally due to the buyback of treasury shares for £9.5m. Net debt increased to £222.9m (2011: £166.0m) due to capital expenditure of £22.0m, the acquisition of Autologic Holdings for £9.4m (net of cash acquired) plus debt in the Autologic balance sheet of £15.7m, the buyback of shares for £9.5m and an increase in working capital of £8.3m. Cash (net) generated from operations was £10.9m (31 August 2011: £27.8m) and net cash outflow was £25.1m (31 August 2011: £75.0m inflow) after dividends paid. Capital expenditure totalled £22.0m (31 August 2011: £35.2m) mainly at London Southend Airport.

Gearing, excluding fleet financing and related assets, was 42.1% (29 February 2012: 29.1%). We continue to review the mix of borrowings to optimise the Group's funding structure.

Tax

The effective tax rate for the period is 9.9%. This rate is lower than the standard rate of 24.2% principally due to the effect on the deferred tax balance of the reduction in the UK corporation tax rate to 24% from 1 April 2012 and to 23% from 1 April 2013.

Brand

The Eddie Stobart brand is the highest ranked name in industrial transportation in the Business Superbrands listings. The successful Channel 5 “Trucks and Trailers” TV series is in its fourth series.

We have completed the reorganisation of our trademarks and designs into one entity which allows us to better manage, control and protect our valuable intellectual property.

Dividend

The Board has declared an interim dividend of 2.0p, which will be paid on 7 December 2012 to shareholders on the register as at 9 November 2012.

Board update

Avril Palmer-Baunack has been appointed as an executive director of the Group and as Deputy Chief Executive Officer and a member of the Group board. Avril joined the Group following the recent acquisition of Autologic Holdings plc.

William Stobart has been re-appointed as an executive director and has re-joined the Group board.

Outlook

The Board continues to have a positive outlook for the stated strategic plan, and, whilst mindful of the continuing economic environment, the Board still envisages opportunities for the Group’s development in the short term.

The Transport & Distribution division is set to maintain margins with industry leading fleet utilisation figures and information business systems assisting performance and driving waste out of the network. The Autologic business will contribute fully in the second half and there are opportunities for synergies in both businesses.

In our Air division the partnership with easyJet is being strengthened with routes to Geneva and Venice expected to be added in the second half and with other routes also being explored with easyJet and other airlines. Work on the terminal extension is expected to commence in November 2012.

We are confident of future growth in the UK biomass market although slightly behind our expected timescales due to delays in legislation. Major new contracts are commencing and customers are indicating increased volumes in the second half. This is also expected to increase demand through our Transport division.

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
- Exchange rates

For greater detail on these risks and mitigating factors, please refer to our 2012 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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU
- the interim management report includes a fair review of the information required by:

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

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

The above statement of Directors' responsibilities was approved by the Board on 24 October 2012.

Rodney Baker-Bates	**Andrew Tinkler**	**Ben Whawell**
Avril Palmer-Baunack	**William Stobart**	**Alan Kelsey**
Michael Kayser	**David Beever**	**Paul Orchard-Lisle**
24 October 2012		

Stobart Group Limited

Condensed Consolidated Income Statement
For the six months ended 31 August 2012

	Notes	Six months ended 31 August 2012 Unaudited £'000	Six months ended 31 August 2011 Unaudited £'000	Restated Year ended 29 February 2012 Audited £'000
Revenue	**4**	**278,496**	**281,145**	**551,921**
Operating expenses - underlying		(260,742)	(266,186)	(523,592)
Share of post-tax profits of associates and joint ventures		500	600	500
Gain in value of investment properties		1,200	-	-
Profit on sale and leaseback transaction		-	-	5,385
Profit on disposal / gain in value of property asset held for sale		387	3,500	5,740
Underlying operating profit		**19,841**	**19,059**	**39,954**
Share based payments		(1,300)	(150)	(391)
Credit for business purchase		-	-	1,704
New territory and new business set up costs		(635)	(1,150)	(3,415)
Transaction costs		(1,712)	(418)	(1,816)
Restructuring costs		(4,153)	-	(1,734)
Amortisation of acquired intangibles		(111)	(89)	(222)
Profit before interest and tax		**11,930**	**17,252**	**34,080**
Finance costs		(6,777)	(3,329)	(6,377)
Finance income		1,472	770	1,980
Profit before tax		**6,625**	**14,693**	**29,683**
Income tax	**5**	(656)	(2,214)	(1,344)
Profit for the period attributable to equity holders of the parent		**5,969**	**12,479**	**28,339**
Earnings per ordinary share	**7**			
Basic		1.74p	4.07p	8.72p
Diluted		1.73p	4.06p	8.71p

Stobart Group Limited

Condensed Consolidated Statement of Comprehensive income
For the six months ended 31 August 2012

	Six months ended 31 August 2012 Unaudited £'000	Six months ended 31 August 2011 Unaudited £'000	Restated Year ended 29 February 2012 Audited £'000
Profit for the period	**5,969**	**12,479**	**28,339**
Exchange differences on translation of foreign operations	(463)	35	(293)
Cash flow hedge	107	(731)	(456)
Tax on items relating to components of other comprehensive income	(25)	197	114
Other comprehensive loss for the period, net of tax	**(381)**	**(499)**	**(635)**
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent	**5,588**	**11,980**	**27,704**

Stobart Group Limited

Condensed Consolidated Statement of Financial Position
For the six months ended 31 August 2012

	Notes	31 August 2012 Unaudited £'000	Restated 29 February 2012 Audited £'000
Non-current assets			
Property, plant and equipment			
- Land and buildings	**8**	257,505	228,447
- Plant and machinery	**8**	18,054	20,746
- Fixtures, fittings and equipment	**8**	9,419	4,845
- Commercial vehicles	**8**	22,257	26,591
		307,235	280,629
Investment in associates and joint ventures		2,052	1,100
Investment property		86,144	98,453
Intangible assets		288,326	281,523
Other investments		10	10
Other receivables		7,417	4,111
		691,184	**665,826**
Current assets			
Inventories		4,179	2,494
Trade and other receivables		147,383	105,701
Cash and cash equivalents	**9**	16,346	31,044
		167,908	139,239
Assets of disposal groups classified as held for sale		14,200	7,790
		182,108	**147,029**
Total assets		**873,292**	**812,855**
Non-current liabilities			
Loans and borrowings	**9**	208,148	179,241
Other liabilities		24,947	15,465
Deferred tax		27,990	29,166
		261,085	**223,872**
Current liabilities			
Trade and other payables		123,437	97,696
Loans and borrowings	**9**	31,099	17,852
Corporation tax		2,389	1,592
		156,925	**117,140**
Total liabilities		**418,010**	**341,012**
Net assets		**455,282**	**471,843**
Capital and reserves			
Issued share capital		35,397	35,397
Share premium		300,708	300,788
Foreign currency exchange reserve		(1,234)	(771)
Reserve for own shares held by EBT		(386)	(488)
Hedge reserve		(1,341)	(1,423)
Retained earnings		122,138	138,340
Total equity		**455,282**	**471,843**

Stobart Group Limited

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2012

Unaudited

	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 as previously reported	35,397	300,788	(771)	(488)	(1,423)	139,203	472,706
Prior period adjustment	-	-	-	-	-	(863)	(863)
Restated balance at 1 March 2012	35,397	300,788	(771)	(488)	(1,423)	138,340	471,843
Profit for the period	-	-	-	-	-	5,969	5,969
Other comprehensive income / (expense)	-	-	(463)	-	82	-	(381)
Total comprehensive income / (expense)	-	-	(463)	-	82	5,969	5,588
Share issue costs	-	(80)	-	-	-	-	(80)
EBT shares vested	-	-	-	102	-	-	102
Share based payment credit	-	-	-	-	-	1,354	1,354
Tax on share based payment	-	-	-	-	-	(85)	(85)
Purchase of treasury shares	-	-	-	-	-	(9,519)	(9,519)
Dividends	-	-	-	-	-	(13,921)	(13,921)
Balance at 31 August 2012	**35,397**	**300,708**	**(1,234)**	**(386)**	**(1,341)**	**122,138**	**455,282**

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**

Stobart Group Limited

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2012

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	Restated Retained earnings £'000	Restated Total equity £'000
Balance at 1 March 2011	26,517	181,168	(478)	(663)	(1,081)	126,246	331,709
Profit for the year	-	-	-	-	-	28,339	28,339
Other comprehensive expense	-	-	(293)	-	(342)	-	(635)
Total comprehensive income/(expense)	-	-	(293)	-	(342)	28,339	27,704
Proceeds on share issue	8,880	124,969	-	-	-	-	133,849
Share issue costs	-	(5,349)	-	-	-	-	(5,349)
EBT shares issued	-	-	-	175	-	-	175
Share based payment credit	-	-	-	-	-	886	886
Tax on share-based payment credit	-	-	-	-	-	447	447
Dividends	-	-	-	-	-	(17,578)	(17,578)
Restated balance at 29 February 2012	**35,397**	**300,788**	**(771)**	**(488)**	**(1,423)**	**138,340**	**471,843**

Stobart Group Limited

Condensed Consolidated Cash Flow Statement
For the six months ended 31 August 2012

	Notes	Six months ended 31 August 2012 Unaudited £'000	Six months ended 31 August 2011 Unaudited £'000	Restated Year ended 29 February 2012 Audited £'000
Cash generated from operations	**10**	**10,918**	**27,835**	**57,634**
Income taxes paid		(557)	(240)	(2,191)
Net cash flow from operating activities		**10,361**	**27,595**	**55,443**
Acquisition of subsidiaries and other businesses – net of cash acquired		(9,684)	(4,658)	(9,602)
Purchase of property, plant and equipment		(21,971)	(35,043)	(93,400)
Proceeds from sale of property, plant and equipment		11,073	6,655	44,786
Proceeds from disposal of assets held for sale		8,117	-	-
VAT outflow in relation to disposal of property		(4,584)	-	-
Net loans (advanced to)/ repaid by joint ventures		(3,632)	-	(1,925)
Interest received		1,472	770	1,980
Net cash flow from investing activities		**(19,209)**	**(32,276)**	**(58,161)**
Issue of ordinary shares less costs of issue		(80)	114,591	114,527
Dividend paid on ordinary shares		(13,921)	(10,606)	(17,578)
Proceeds from new finance leases		6,106	3,511	14,469
Repayment of capital element of finance leases		(10,643)	(16,026)	(30,753)
Proceeds from new borrowings		29,594	1,571	2,028
Repayment of borrowings		(9,366)	(11,097)	(17,273)
Purchase of treasury shares		(9,519)	-	-
Interest paid		(7,856)	(2,277)	(4,355)
Other finance costs		(567)	-	-
Net cash flow from financing activities		**(16,252)**	**79,667**	**61,065**
Increase / (decrease) in cash and cash equivalents		(25,100)	74,986	58,347
Cash and cash equivalents at beginning of period		26,401	(31,946)	(31,946)
Cash and cash equivalents at end of period		**1,301**	**43,040**	**26,401**
Cash		16,346	47,061	31,044
Overdraft		(15,045)	(4,021)	(4,643)
Cash and cash equivalents at end of period		**1,301**	**43,040**	**26,401**

1 Accounting policies of Stobart Group Limited

Corporate information

The condensed consolidated financial statements of the Group for the six months ended 31 August 2012 were authorised for issue in accordance with a resolution of the directors on 24 October 2012.

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 condensed 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* as adopted by the EU.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 29 February 2012. Except for the 29 February 2012 comparatives, the financial information set out herein is unaudited but has been reviewed by the auditors, KPMG Audit Plc, and their report to the Company is attached.

The comparative financial information set out in these interim consolidated financial statements does not constitute the Group's statutory accounts for the period ended 29 February 2012 but has been derived from the accounts. Statutory accounts for the period ended 29 February 2012 have been published. The previous auditors, Ernst & Young LLP, 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 IFRSs as adopted by the European Union.

Restatement of 29 February 2012 financial information

The value of one of the investment properties at the date of acquisition of WADI Properties Limited has been reduced by £1.15m. As a result of this adjustment, and the related deferred tax adjustment, the credit for business purchase reported for the year ended 29 February 2012 and the value of investment property as at 29 February 2012 have been adjusted. This is a hindsight adjustment to acquisition fair values as permitted by IFRS 3 "Business Combinations".

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 businesses at London Southend Airport.

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.

Restructuring costs comprise costs of integration plans and other business reorganisation and restructuring undertaken by management. Costs include cost rationalisation, brand harmonisation, site closure costs, certain short term duplicated costs, asset write downs and other costs related to the reorganisation and integration of businesses. These are principally expected to be one off in nature. The current period costs are principally in relation to the restructuring of the chilled business.

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

The excess of the fair value of the assets and liabilities acquired over the cost represents bargain purchase and is recognised in the income statement presented as ‘credit for business purchase’.

Significant accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group‘s annual financial statements for the year ended 29 February 2012 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 28 February 2013.

The following accounting standards, amendments and interpretations are not yet effective and have not been adopted early by the Group:

International Financial Reporting Standards ("IFRS")	**Effective for accounting periods commencing on or after**
IFRS 9: 'Financial instruments'	1 January 2015
IFRS 10: 'Consolidated financial statements	1 January 2013
IFRS 11: 'Joint arrangements'	1 January 2013
IFRS 12: 'Disclosure of interests in Other Entities'	1 January 2013
IFRS 13: 'Fair Value Measurement'	1 January 2013
IAS 27 (revised 2011): 'Separate financial statements'	1 January 2013
IAS 28 (revised 2011): 'Associates and joint ventures'	1 January 2013
Amendments to existing standards	
Amendment to IAS 1: 'Presentation of financial statements' on OCI	1 July 2012
Amendment to IFRS 1: 'First time adoption' on government grants	1 July 2013
Amendment to IFRS 7 on Financial instruments asset and liability offsetting	1 July 2013
Amendment to IAS 19 (revised 2011): 'Employee benefits'	1 January 2013
Amendment to IAS 32 on Financial instruments asset and liability offsetting	1 January 2014

From the 1 March 2012 the following standards, amendments and interpretations became effective and were adopted by the Group:

Amendments to existing standards	
Amendment to IAS 12: 'Income taxes' on deferred tax	1 January 2012
Annual improvement to IFRSs 2011	1 January 2012

The adoption of these standards, amendments and interpretations has not had a material effect on the net assets, results and disclosures of the Group.

2 Seasonality of operations

There is no significant seasonal effect on revenues and profits between the first and second six months of the financial year. In line with retail cycles, the higher seasonal sales in the months pre-Christmas is balanced by the lower seasonal sales in the months post-Christmas, both in the second six months of our financial year.

3 Acquisitions

Acquisition of Autologic Holdings plc

On 10 August 2012 the Group acquired 100% of the voting rights of Autologic Holdings plc, an AIM listed company based in the United Kingdom, which is a leading provider of distribution and technical services to the automotive industry.

The provisional fair value of the identifiable assets and liabilities of Autologic Holdings plc as at the date of acquisition were:

	Provisional fair value recognised on acquisition £'000	**Previous carrying value £'000**
Property, plant and equipment	22,957	18,795
Investments in associates and joint ventures	452	452
Intangible assets	-	22,055
Cash and cash equivalents	3,502	3,502
Trade and other receivables	31,878	31,795
Inventories	947	947
Trade payables	(12,504)	(12,504)
Other payables and deferred income	(21,136)	(17,628)
Loans and borrowings	(15,657)	(14,305)
Pension scheme liabilities	(5,846)	(5,102)
Deferred tax	940	1,705
Net assets	5,533	29,712
Goodwill arising on acquisition	6,915	
Total consideration	**12,448**	

The total cost of the combination was £12.4m and was comprised of cash consideration.

The goodwill of £6.9m is provisional. Completion of the assessment of the fair value and nature of the intangible assets acquired is not possible due to the proximity of the timing of the acquisition to the balance sheet date and nature of the judgements involved. It is expected that this accounting will be completed in the second half of the year. There is no contingent consideration as defined in IFRS 3 'Business Combinations' in connection with this acquisition.

The primary reason for the acquisition is to enter a new market.

The amount of goodwill expected to be deductible for tax purposes is £1.0m.

Transaction costs related to the acquisition of £0.5m have been recognised as an expense in transaction costs written off in the Condensed Consolidated Income Statement.

4 Segmental information

The operating segments within continuing operations are Stobart Air, Stobart Biomass, Stobart Transport & Distribution, Stobart Estates and Stobart Infrastructure & Civil Engineering. The prior year comparatives have been restated accordingly.

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 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 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 2012	**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	251,126	8,973	4,613	6,984	6,594	206	278,496
Internal	-	-	11,628	-	-	(11,628)	-
Total revenue	**251,126**	**8,973**	**16,241**	**6,984**	**6,594**	**(11,422)**	**278,496**
Segment EBITDA	**20,195**	**7,513**	**1,284**	**175**	**861**	**(4,388)**	**25,640**
Segment PBT	**14,218**	**2,824**	**420**	**(253)**	**802**	**(4,775)**	**13,236**
New territory and business set up costs							(635)
Transactions costs written off							(1,712)
Restructuring costs							(4,153)
Amortisation of acquired intangibles							(111)
Profit before tax							**6,625**

Inter-segment revenues are eliminated on consolidation.

Included in adjustments and eliminations are central costs of £4,591,000 (2011: £2,856,000) and intragroup profit of £184,000 (2011: £773,000).

Period ended 31 August 2011	Stobart Transport & Distribution £'000	Stobart Estates £'000	Stobart Infrastructure & Civil Engineering £'000	Stobart Air £'000	Stobart Biomass £'000	Adjustments and eliminations £'000	Group £'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 and business set up costs							(1,150)
Transactions costs written off							(418)
Amortisation of acquired intangibles							(89)
Profit before tax							**14,693**

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 2012	**418,535**	**342,842**	**14,716**	**12,487**	**55,017**	**29,695**	**873,292**
At 29 February 2012 as restated	417,835	307,908	15,245	11,139	54,326	6,402	812,855

5 Taxation

Taxation on profit on ordinary activities

Tax charged in the income statement	**Six months ended 31 August 2012 Unaudited £'000**	**Six months ended 31 August 2011 Unaudited £'000**	**Restated Year ended 29 February 2012 Audited £'000**
Current income tax:			
UK Corporation tax - continuing operations	984	2,167	2,877
Overseas tax	118	118	873
Adjustment in respect of prior years	(44)	(17)	(2,705)
Total current tax	1,058	2,268	1,045
Deferred tax:			
Origination and reversal of temporary differences	116	1,254	1,591
Impact of change in rate	(518)	(1,315)	(3,119)
Adjustment in respect of prior years	-	7	1,827
Total deferred tax (credit) / charge	(402)	(54)	299
Total charge in the income statement	**656**	**2,214**	**1,344**

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 August 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The announced further 1% rate reduction is expected to reduce the company's deferred tax liability by around £1.15m.

6 Dividends

A final dividend of 4.0p per share (2011: 4.0p) totalling £13,920,934 (2011: £10,606,596 paid on 7 July 2011) was declared on 17 May 2012 and was paid on 6 July 2012.

An interim dividend of 2.0p (2011: 2.0p) per share totalling £6,930,352 (2011: £6,971,223 paid on 9 December 2011) was declared on 25 October 2012 and will be paid on 7 December 2012. This is not recognised as a liability at 31 August 2012.

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 2012 Unaudited	Six months ended 31 August 2011 Unaudited	Restated Year ended 29 February 2012 Audited
Numerator	**£'000**	**£'000**	**£'000**
Profit used for basic earnings	5,969	12,479	28,339
Effect on earnings of dilutive potential ordinary shares	-	-	-
Diluted earnings	**5,969**	**12,479**	**28,339**
Denominator		**Number**	
Weighted average number of shares used in basic EPS	343,091,380	306,727,659	325,115,491
Effects of employee share options	966,376	797,530	400,944
Weighted average number of shares used in diluted EPS	**344,057,756**	**307,525,189**	**325,516,435**

8 Property, plant and equipment

Additions and disposals

During the six months ended 31 August 2012, the Group acquired or developed assets with a cost of £21,971,000 (2011: £35,161,000). This included development of the hotel and terminal at London Southend Airport.

Assets with a book value of £10,239,000 (2011: £5,723,000) were disposed of by the Group during the six months ended 31 August 2012 resulting in a net profit on disposal of £834,000 (2011: £932,000).

Capital commitments

At 31 August 2012, the Group had capital commitments of £3,496,000 (2011: £1,230,000) principally relating to the development of investment property.

9 Analysis of net debt

	31 August 2012 Unaudited £'000	29 February 2012 Audited £'000
Loans and borrowings		
Non-current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	19,848	15,750
- Loan notes	6,541	7,779
- Bank loans	72,328	74,828
Variable rate:		
- Bank loans	108,335	78,482
- Obligations under finance leases and hire purchase contracts	1,096	2,402
	208,148	**179,241**
Current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	8,388	9,293
Variable rate:		
- Overdrafts	15,045	4,643
- Bank loans	5,774	2,512
- Obligations under finance leases and hire purchase contracts	1,892	1,404
	31,099	**17,852**
Total loans and borrowings	239,247	197,093
Cash	(16,346)	(31,044)
Net debt	**222,901**	**166,049**

The main movements in net debt have resulted from the following: (1) Capital expenditure of £22.0m principally at London Southend Airport; (2) Acquisition of Autologic Holdings of £9.4m; (3) Buyback of shares of £9.5m; (4) Increase in working capital of £8.3m.

10 Cash generated from operations

	Six months ended 31 August 2012 Unaudited £'000	Six months ended 31 August 2011 Unaudited £'000	Restated Year to 29 February 2012 Audited £'000
Profit before tax	**6,625**	**14,693**	**29,683**
Adjustments to reconcile profit before tax to net cash flows:			
Non-cash:			
Realised profit on sale of property, plant and equipment	(834)	(932)	(7,902)
Share of post-tax profits of associates and joint ventures accounted for using the equity method	(500)	(100)	(100)
Profit on disposal of / reversal of write down in held for sale assets	(387)	(3,500)	(5,740)
Reversal of write down of loan to joint venture	-	(500)	(400)
Depreciation of property, plant and equipment	7,099	8,778	16,269
Amortisation of intangibles	111	89	222
Finance income	(1,472)	(770)	(1,980)
Interest expense	6,777	3,329	6,377
Non-operating transaction costs	1,712	-	-
Share option charge	1,300	150	391
Movement in unrealised gain on revaluation of investment properties	(1,200)	-	(500)
Credit for business purchase	-	-	(1,704)
Working capital adjustments:			
Increase in inventories	(739)	(254)	(135)
(Increase) / decrease in trade and other receivables	(10,008)	(18,427)	4,287
Increase in trade and other payables	2,434	25,279	18,866
Cash generated from operations	**10,918**	**27,835**	**57,634**

11 Related Parties

WA Developments International Limited, WA Developments International GMBH and VLL Limited are all companies part owned by A Tinkler and W Stobart, directors of the Group. The Group made sales of £338,000 (2011: £212,000) and purchases of £482,000 (2011: £193,000) from this collection of companies during the six months to 31 August 2012. £798,000 (2011: £321,000) was due to the Group from these companies at 31 August 2012.

Key management remuneration will be reported in the Annual Report for the full year to 28 February 2013.

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 2012 which comprises the Interim Consolidated Income Statement, the Interim Consolidated Statement of Comprehensive Income, the Interim Consolidated Statement of Financial Position, the Interim Consolidated Statement of Changes in Equity and the Interim Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Nicola Quayle
for and on behalf of KPMG Audit Plc
Chartered Accountants
St James Square, Manchester, M2 6DS
Date: 24 October 2012