Stobart Group Limited

Preliminary Results for the 12 months ended 28 February 2010

Stobart Group, one of the UK's leading providers of multimodal transport and logistics solutions, today announces its preliminary results for the 12 months ended 28 February 2010.

Financial Highlights

- Revenue from continuing operations of £447.7m (2009: £ 431.1m)
- Earnings after fleet financing costs (underlying EAFFC) of £39.1m (2009: £27.5m)
- Normalised Profit before tax* from continuing activities of £36.8m (2009 PBT: £23.1m)
- Both EAFFC* and PBT include net profit on disposal of Widnes assets of £8.2m
- Profit before tax £34.1m (2009: £ 22.1m)
- Earnings per ordinary share (adjusted)*** 11.0p (2009: 7.7p)
- Net Debt reduced by £57.9m since the interim date and by £23.8m since the last year end
- Final Dividend 4.0p per ordinary share bringing total for the year to 6.0p per share

*Normalised comprising the underlying operating profit of £35.0m (2009: £31.4m) plus profit on disposal of Widnes assets of £8.2m (2009: £nil) less fleet financing costs of £3.4m (2009: £3.2m) and share based payments of £0.7m (2009: £0.7m).
**Normalised PBT including profit on disposal of Widnes assets of £8.2m (2009: £nil) but stated before restructuring costs of £2.7m (2009: £2.7m), credit for purchase of London Southend Airport of £nil (2009: £3.6m) and impairment of investment property of £nil (2009: £1.8m).
***EPS based on normalised PBT of £36.8m (2009: £23.1m) and allowing for a 28% tax charge.

Operational Highlights

- Several new contracts secured worth over £50m per annum
- Launch of pioneering weekly ôfreshô train service from Valencia to UK
- Completion on-time, on-budget of phase 1 Widnes development and subsequent disposal for £61m and leaseback of the adjoining terminal
- Railway station and control tower development on target at London Southend Airport
- Acquisition of Carlisle Lake District Airport
- New Stobart Biomass Products venture agreement post year-end
- Eddie Stobart looks forward to its 40th Anniversary

Andrew Tinkler, Chief Executive, comments:

ñThese are very strong results given difficult trading conditions and the bad winter. We have made progress in our strategy to become the leader in multimodal transport and logistics with a positive contribution from all four divisions, road, rail, ports and air.

ñThis performance is driven by increased efficiency in our core business, new contract wins such as Unilever and developing strategic assets.

ñWe look forward to further progress in the coming year through expansion of our new Biomass business, commencement of the runway extension and new terminal at London Southend Airport and further efficiencies and contract wins in our main Eddie Stobart division.ò

Stobart Group will be holding a presentation for analysts at 09.30hrs today (12 May 2010) at London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. If you would like to attend, please contact Aimee Robinson at College Hill on 020 7457 2020 or aimee.robinson@collegehill.com.

Enquiries

Stobart Group	**01925 605400**
Andrew Tinkler, Chief Executive Officer	01228 882300
Ben Whawell, Chief Financial Officer	01925 605400

College Hill	**020 74572020**
Gareth David	07774 444167
Mark Garraway	07771 860938

Chairman’s Statement

Performance

On behalf of the Board, I am pleased to report on a period of both good progress and consolidation within the Group. The Group has strengthened all aspects of the business, despite the tough trading year.

We have achieved significant contract wins in the past financial year, particularly a major new win with Unilever. We have improved our margins by delivering synergies, through tight cost control and by driving further efficiencies in our core trucking business. We are utilising our assets better, as is demonstrated by the development programme at the Widnes inland port and similar schemes will follow.

This past year has also seen an improvement in the funding of the business. We have repaid facilities due within 12 months and improved the asset and liability matching within the balance sheet.

Other highlights include the completed successful integration of recently acquired businesses such as James Irlam and Innovate (renamed Eddie Stobart Chilled). These integrations have seen significant synergies and efficiency savings, which should yield further benefits going forward.

Dividend

The Group maintains a progressive dividend policy, which takes into account underlying growth in Group earnings, capital requirements and cash flows, while maintaining an appropriate level of dividend cover.

An interim dividend of 2p was paid in December 2009. The Board is proposing a final dividend of 4p per ordinary share bringing the total dividend for the year to 6p (2009:6p). The final dividend will be paid to shareholders on 21 June 2010.

People

On 1 July 2009, Jesper Kjaedegaard and Daniel Dayan were appointed as non-executive directors, replacing Richard Burrell and Nigel Rawlings, who guided the Group through the transition from The Westbury Property Fund to the Stobart Group. We are grateful for their input.

Jesper and Daniel have the skills and experience to help guide the Group through this exciting time in its growth and development. Jesper brings a wealth of experience in multimodal logistics, especially in ports and shipping. Daniel has solid operational experience that gives him a strong customer perspective.

Outlook

The economic climate is still tough as Andrew Tinkler's statement makes clear. However the Board remains convinced that the Group has the market strategy, systems and people in place to prosper. We are very positive about the continued future growth potential across all the Divisions.

We approach 2010/11 in a buoyant mood, forecasting better margins, further cost management opportunities, additional turnover from new contracts and substantial further progress in some of our recent acquisitions, such as London Southend Airport. Asset development opportunities will continue to bring good project returns, while at the same time strengthening our core transport and warehouse businesses.

Rodney Baker-Bates
Chairman

12 May 2010

Chief Executive Officer’s Review

Vision

Our vision is clear: to be the UK's leading provider of multimodal transport and logistics solutions. To do so, we need to expand all forms of transport, especially rail, sea and air. We need infrastructures in the best places to service the maximum number of customers. We have made a good start, and are outperforming the market, but we still have some way to go.

Our divisional operations are supported by a profitable new area of our business; logistics asset development, which continues to grow and is exemplified by our ongoing development at our Widnes inland sea port. We set up a desirable infrastructure, sold part of the assets at a capital gain, generating a return on investment for our shareholders.

In addition, we have secured a three-year road transport revenue stream with Tesco, a rail freight revenue stream for inbound goods and a storage and handling revenue stream for the inland port terminal. This demonstrates how operational services and development of our logistics assets are linked.

Stobart Group is a FTSE 250 company comprising four main Divisions: Road, Rail, Ports and Air. While Eddie Stobart remains the core of our business – responsible for about 85 percent of turnover – I am confident in the growth potential of our other Divisions.

Strategy

Our strategy is underpinned by our brand, people and systems:

- Forming new partnerships with customers to further drive efficiencies.
- To seize the opportunities, operationally, as the economy comes out of recession, building on our key competitive advantages such as load utilisation and pooling our customers.
- To market and develop our assets to our customers and then sell these assets, where appropriate, at a profit to be reinvested in the business.
- To develop systems and technologies that protect the business from operational and financial risk.
- To grow organically with both existing and new customers.
- To take waste out of the system; waste adds to cost and damages the environment.
- To increase business in the UK, Ireland and mainland Europe.
- To leverage the high value in our brand.

Answering the key questions

Across your Divisions, you are offering two service streams now: The operational side and the asset development, as epitomised by your recent sale of part of the giant Widnes site. This marked a strategic shift in 2009. Can you explain in more detail?

Across all of our Divisions we have an operating business that is performing well and another asset development business that is also giving a good return.

Let me explain the latter in more detail: A lot of underutilised existing assets in key locations will put value into the respective Divisions in the coming years. Equally, we will buy land in the right locations preferably next to road, rail, sea and air facilities.

We develop this land and we sell it to our customers as a business concept because it's in the right location. We develop it for them, then we generate revenue streams for the operational side of the business, be it road, rail, warehousing etc, and ultimately we sell on the asset at a profit. It's a low-risk profitable model.

The sale of the first phase at our Widnes inland port, part of the Merseyside Multimodal Gateway, is a good example of how this works. This is not speculative asset development. Rather it is low risk and very well integrated with the operational side. The asset development helps the operational side. And vice versa.

How multimodal are you really?
If a customer wants road, rail, sea or air transport, we can deliver. We have the infrastructure. If we don't have the transport for a particular journey, we can partner with someone to do it. We are developing our own assets, and infrastructures, to be more cost-effective and more multimodal.

The aim is certainly to grow the Rail, Port and Air Divisions. There are big environmental benefits. But you will always need a truck at the end of every journey, for that final delivery. You have to understand what type of truck to use and how to use it. A radius of up to about 100-150 miles is the ideal journey for a truck, but no more.

We'd like to replace truck with train on some of those longer journeys. If we can do multi-drops on the rail network – loading and unloading at major stopover points by having our assets on the rail network at the right place – then that helps. Typically with rail now, you have one big loading and one big unloading. We're trying to change that.

With sea, the big container ships have one drop-off point, such as Rotterdam, Southampton or Felixstowe. We want to use feeder ships from those vast ports. We need volume for that. We have enough customers potentially to make that work. That's where inland ports can also work. They're ideal for smaller feeder vessels and they're typically nearer other transport hubs.

How would you sum up 2009?

We have taken big strides in achieving our goal of being true multimodal providers, with substantial progress made in rail, air and ports. But it's been a difficult year because, with the recession, the flow of the work has been up-and-down. There has clearly been pressure on rates, as customers strive for better deals. Yet we've done well. We haven't gained materially on overall turnover but we have been able to consolidate and reduce our own waste.

The tough weather conditions this past winter also proved a challenge but, by working in partnership with our customers, and thanks to the commitment of our drivers, we have continued to deliver a comprehensive service. We estimate the extreme conditions cost the business in excess of £0.5m, however the longer-term benefits should far outweigh this cost, as the conditions once again highlighted the inflexible nature of the Open Book model, under which this cost would have been borne by the customer. Our core business model and customer focus is comparatively recession resistant, and during this challenging period we have managed to outperform the industry.

A good strong business model helps in a recession and I believe we have it. Compared with most rivals, we are comparatively recession resistant. Because of our 'shared' trucks, and our ability to treat all customers as 'one', we can maximise efficiency and our utilisation of trucks.

Most of our deliveries are in the food and drink sector, and that is also more recession proof than most other forms of transport delivery. Our new contract with Unilever is also good news. A lot of their products sell irrespective of recession, and season. You still need bathroom cleaner or washing powder no matter what the state of the economy, or whether itõs summer or winter.

What have been the highlights?

There have been many highlights. Firstly, our development and subsequent asset disposal of part of our Widnes inland port. This has given a good return on investment ï around 20% initially ï and that will be reinvested elsewhere in the business, including our expansion plans for London Southend Airport. The Widnes phase one site development and subsequent sale includes the new Northern distribution centre for Tescoõs ðfreshó operations, which was developed by the Stobart Group. We were recently confirmed as transport contractor from this distribution centre, which is excellent news.

Secondly, the planning approval for the runway extension at London Southend Airport. This is a key part of our plans, which include a new railway station, terminal and control tower. Work starts soon and will be finished a year in advance of the London 2012 Olympics. London Southend is the nearest operational airport to the Olympic site, and will have an excellent rail link, so it is superbly located.

Next, we are delighted to have won the transport contract with another blue chip company, Unilever. This is a further endorsement of our ôpay as you goö cost model ï in which the customer only pays for what he needs. If he wants 50 trucks one day and 100 the next, we can do that. We also pool our customersõ needs, improving efficiency for us and for our customers.

Finally, the Spanish ðfreshó train service ï from Valencia to Barking in London ï was also special. Itõs the longest train journey in Europe by a single operator, is faster and much more environmentally friendly than similar journeys by road, and proves the potential of rail for longer journeys.

You're enjoying continued success at winning big name customers, adding Unilever to the portfolio. How have you achieved this?

I think we have been innovative in bringing all our customers together into a shared transport use system to reduce empty miles. One customer controlling their own fleet hasnõt got our national coverage or our efficiencies. No-one has quite the same partnerships or shared-users as we do. By pooling customers, we can view them as one large customer.

Is that why you've also had success with small customers?

Yes, our policy of pooling customers means that no job is too small. If you can fill one empty leg, you are saving money. An empty truck or an empty leg that could be used by another customer is an unnecessary waste of money.

What challenges face the transport and logistics industry?

The price of fuel is a huge issue for consumers as we are forced to pass on the cost to our customers. It adds to the costs of our customersõ goods and to consumersõ cost. Every train service we establish significantly reduces our fuel usage significantly.

Customers, of course, generally don't care how their goods get there – as long as they get there. Being able to offer all four modes of transport increases choice and efficiency.

As fuel costs rise, reducing waste becomes an even greater issue for the industry. It's a big challenge. The other big issue is traffic and road congestion. We need to do more to utilise our railroads and our waterways. I think we're taking the lead here.

Finally, one of our specific challenges, as we continue to acquire and take on more businesses, is integrating the Stobart culture. We need these businesses we acquire to understand our core values – our attention to detail, our customer service, our drivers' tidy appearance, our environmental commitments, our job satisfaction and the extraordinary following we have from the Members' Club.

How have you dealt with the economic uncertainty?

We have to continually check our costs. People are buying more sporadically now, they are buying more at the last minute. This causes peaks and troughs in demand, which can make life difficult for businesses.

The IT infrastructure that Stobart has developed over the years helps keep utilisation rates on an even keel, minimising the swings in demand.

Business conditions are still quite flat. We are predicting a boost in summer because of the football World Cup, especially in drink sales. A hot summer would help. When the sun shines, that boosts the economy. We have out-performed the market. We have kept level operationally and we've hit our targets. Turnover is reasonably flat but our margins have improved. We have also developed assets to give a return to shareholders that showed the actual assets were undervalued.

We have outperformed the market partly because 85 percent of our customers are in food and drink or recession-resistant retail sectors. For instance, we weren't reliant on the motor industry, which has been badly hit. People still have to eat and drink. They may buy cheaper brands of orange juice and cheaper chocolate biscuits but they still need transport.

Your capacity utilisation is higher than the industry standard. How have you achieved this?

By sharing customers and putting IT systems in place that allow us to monitor it all 'live', and anticipate it before it even happens. During this year, our UK capacity utilisation was 83.7 percent. It was reasonably flat because of integrating new business that wasn't up to our efficiency standard, and the recession. I don't believe you can get much better than 90 percent because you will always have some empty miles.

You are still acquiring, still expanding. How will you expand moving forward?

We certainly see growth in road, rail, air and sea transport, mostly at the expense of less efficient competitors. We also see growth and great investment potential in our asset development. Widnes this year is a good model.

Southend airport has been a highlight this year. Take us through the rationale of your involvement.

It’s part of our multimodal strategy. Look at air. 82 percent of all air freight coming into London comes on passenger planes. So what’s the point of buying transport planes when the passenger airlines are already struggling? If Stobart Group can get an operator to use our airport and help him fill his plane with freight, we’ve won twofold. We’ve got freight business and passenger business.

By developing an airport that has a fast rail service – for both passengers and freight – Stobart Group has a big advantage over all those other London airports that are further from town. We can also do air transport from mainland Europe that is 20 minutes faster than any other London airport, or 40 minutes faster on a round trip. That’s a massive time and fuel saving.

If you take Southampton Airport as a model, it has two million passengers now and the same length of runway and a rail station nearby. Except we have a station right next to the air terminal itself and much quicker links to London, and I believe that we can be a “Southampton” quite easily. We certainly predict two million passengers by 2020 for London Southend and if the right airline operators come in, we could have a million passengers by 2012. Thanks to the Olympics, there may be even more.

You have also just invested in the biomass market, through a new venture with a biomass supplier. Why?

We have taken a controlling interest in newly formed Stobart Biomass Products, together with market leader A.W. Jenkinson. The new company sources and distributes biomass fuel to the UK renewable energy market. At the same time we have secured a ten year major transport contract with A.W. Jenkinson’s existing business.

We anticipate that the biomass business market could increase tenfold in the next three years, not least because EU law mandates that 15 percent of electricity must come from renewable resources, such as biomass, by 2020, and the UK has set an even higher target of 30 percent.

Our expertise in transport logistics clearly helps. Transport and logistics is a major cost and headache for biomass suppliers and Stobart’s expertise will bring improved efficiencies to the whole biomass logistics and supply chain.

One further point; to build a biomass generator you need the raw material, to feed it. We have some of the raw material, such as packaging, in the trucks. Using it also reduces empty running. It gives your customer another level of service. Plus there is the environmental benefit.

The business is coming up to 40 years old. Does the Stobart of today have anything in common with the Stobart of the 1970s?

It’s a similar company – the cleanliness (you’ll never see a grubby Stobart vehicle on the road), the professionalism, the customer service. It has the same values, the same culture. People who have been here for years would still recognise Stobart. Obviously there are differences – we’re a listed company, for example – but we still have those family values.

We need to continue to increase our investment in the brand, to put the Stobart name even more ‘on the map’. We have clearly been successful here: Stobart is already listed as a UK ôSuperbrandö, 32nd in a list of 500 business brands for 2010. We can continue to build the brand by emphasising our core characteristics and, of course, supporting the marvellous Stobart Membersö Club.

Key Performance Indicators

Our strategy is supported by the following Key Performance Indicators (KPIös):

Key Performance Indicators	**During the period to 28.02.10**	**During the period to 28.02.09**	**% change**
Business Revenue from continuing operations	£447.7m	£431.1m	+3.9%
Earnings After Fleet Financing Costs (EAFFC) see note a	£39.1m	£27.5m	+42.5%
Earnings per Share normalised from continuing operations see note b	11.0p	7.7p	+43.1%
Fleet Utilisation for Total Fleet	83.7%	84.1%	-0.48%
EURO 4/5 Compliance For Total Fleet	88%	81%	+8.6%
Accident/Incident Rate (RIDDOR)	0.53	0.43	23.3%

a Comprising underlying operating profit of £35.0m (2009: £31.4m) and net disposal profit on Widnes assets of £8.2m less fleet financing costs of £3.4m (2009: £3.2m) and share based payments of £0.7m (2009: £0.7m).

b EPS is based on a nomalised PBT of £36.8m with a tax charge of 28%. EPS excluding the net disposal profit on Widnes assets is 8.6p.

Andrew Tinkler
Chief Executive

12 May 2010

Financial Review

Results

This is the second full financial year since the Group became a multimodal logistics operation and I am pleased to report another strong performance, and in particular, a strong improvement in profitability despite a background of difficult national economic conditions.

This is also the first year in which we have realised value in our strategic assets by a major disposal of part of our Widnes site which we have developed.

Following major acquisitions in the prior year we have consolidated, restructured and integrated these businesses increasing profitability and putting us in an excellent position to grow further.

Total revenue from continuing operations increased to £447.7m (2009: £431.1m).

Underlying earnings after fleet financing costs (EAFFC*) increased to £39.1m (2009: 27.5m) and underlying profit before tax from continuing operations increased to £36.8m (2009: £23.5m) both measures include a net profit on disposal of the Widnes assets of £8.2m (£10m before associated share based payment charge).

Continuing profit before tax increased to £34.1m (2009: £22.1m restated after impairment of investment property of £1.8m was reclassified to continuing operations).

*Underlying EAFFC is calculated as the underlying operating profit of £35.0m (2009: £31.4m) plus the profit on disposal of Widnes assets of £8.2m (2009: £nil) less share based payment costs of £0.7m (2009: £0.7m) and fleet financing costs of £3.4m (2009: £3.2m).

Earnings per share

Adjusted earnings per share increased to 11.0p from 7.7p. This includes the profit on disposal of assets at Widnes but excludes restructuring costs, credit for purchase of London Southend Airport (2009 only), impairment of investment properties (2009 only) and is normalised for a tax charge of 28%. The weighted average number of shares in the period increased to 246.4m shares from 215.6m shares.

Basic earnings per share from continuing operations increased to 12.1p from 9.0p.

Divisional performance review and acquisitions

Eddie Stobart

The Eddie Stobart road transport and warehousing business has contributed revenue of £381.5m (2009: £387.3m) and underlying EAFFC of £26.4m (2009: £24.5m).

The profitable James Irlam & Sons Ltd business which was acquired in the prior year was fully integrated in to the Eddie Stobart fleet in the early part of the year.

The chilled business of Innovate Logistics which was also acquired at low cost in the prior year has already recovered the cost of acquisition and restructuring costs spent.

The division suffered disruption caused by the extreme weather conditions in the UK in January 2010 which cost the business in excess of £0.5m and which is included in the figures quoted.

This is expected to be a one-off cost but highlights our supportive culture and reaffirms our efficient Pay As You Go model to our customer base.

After the balance sheet date we have secured a 50% investment in newly set up Stobart Biomass Products Limited for £30m, half in shares and half in cash. This venture in conjunction with A.W. Jenkinson has been formed to distribute biomass products to the fast-growing UK renewable energy market.

At the same time we have secured a ten year contract with A.W. Jenkinson which is expected to deliver additional pre-tax profit in excess of £19m over five years. The investment and new contract together will provide substantial strategic opportunities across the Stobart Group, including rail and ports.

Stobart Rail
The Rail division has continued to perform very well since its acquisition in the prior year for £10.3m including costs. The division contributed revenue of £64.8m (2009: £38.2m) and underlying EAFFC of £5.0m (2009: 3.5m). Out of this, £19.1m (2009: £10.7m) of revenue and £1.0m (2009: £0.3m) of profit was earned on Group development projects; £0.7m of this profit was ultimately realised on disposal of the Widnes assets.

The strong performance reflects a steady demand for rail infrastructure engineering work but an increasing demand for other civil engineering developments works including external and intra-Group projects.

External projects included major development of a state-of-the-art warehouse facility at Bardon which handles 75% of Nestle's confectionery distribution and also construction work on a warehouse at Daresbury for Johnson and Johnson, another customer of the business. This latter development helped secure a long-term contract with the customer.

The results are stated after a write-down of £0.3m of debtors when one of our customers, Jarvis plc, went in to Administration. This is not expected to materially affect the business going forward.

Unearthing the hidden value in our assets
A unique aspect of our business strategy is the interaction of our asset developments and our multimodal operations. We own several valuable sites which can be enhanced by using our in-house development expertise. Enhancement of assets in turn provides further opportunities for development of operations with our customers which further enhances the asset values. This strategy is set out in the below table.

Business model using assets to generate growth:

The Ideal Solution		Revenue	Profit
1.	Find the ideal location preferably with road, rail, sea and air links		
2.	Agree development with customer		
3.	Develop using Stobart's in-house team	✔	
4.	Secure road transport contract	✔	✔
5.	Secure warehouse contract	✔	✔
6.	Move goods by rail freight	✔	✔
7.	Inbound goods moved on feeder vessels	✔	✔
8.	Store and handle goods though port facilities	✔	✔
9.	Provide air freight option for fast moving goods	✔	✔
10.	Dispose of asset at a profit		✔

An excellent example of how this model has worked successfully is the chilled distribution centre at Widnes which was completed on time and on budget, project managed by our Stobart Rail Developments team.

This project converted 42 acres of mostly empty brownfield site in to a new 528,000 sq. ft. chilled distribution centre which is now occupied by Tesco. Our Eddie Stobart chilled fleet has since won the transport contract to service the requirements of this major site. We hope to move goods by rail to the site as an extension of our chilled goods rail service from Valencia, Spain and the goods will be handled by our inland port facility.

The site and the adjacent terminal land (subsequently leased back to the Group) were sold by the Group in February 2010 for £61m realising a net profit on disposal after costs of £10.0m (reducing to £8.2m after associated share based payment charge) and allowing us to pay down a significant amount of debt. The return on investment (before the share based payment charge) of this disposal is 19.6%.

Stobart Ports

The Ports division has contributed revenue of £13.9m (2009: £14.6m) and underlying EAFFC of £12.4m (2009: £2.6m) including a profit on disposal of the assets at Widnes of £8.2m.

The division has successfully reduced its costs to match the reduced container volumes driven by the economic slowdown.

As described above the first phase of the development of the Widnes site was completed in the year. The terminal operation is able to handle more than double the current container volumes so this development, the Johnson & Johnson Daresbury warehouse, and further potential developments on our inland port site are promising for the terminal operation.

Stobart Air

The Air division contributed revenue of £6.6m (2009: £1.7m) and underlying EAFFC of £0.2m (2009: £0.1m). This includes a full year of London Southend Airport (2009: 3 months) and 9 months of Carlisle Lake District Airport which was acquired in the year.

The development of London Southend Airport is progressing well, the new on-site railway station will be completed in July 2010 and planning approval has been confirmed for the runway extension. We have secured funding for the capital expenditure required to fully develop the airport.

Carlisle Lake District Airport was acquired on 30 May 2009 for a total consideration of £9.9m including costs. The acquisition was funded by issue of 9.0m shares and a new £5m bank loan.

Discontinued activities

Discontinued activities contributed revenue of £0.0m (2009: £0.7m) and a loss before tax of £0.7m (2009: £29.9m loss).

The joint venture property related assets are written down to nil in the balance sheet and are classified as held for sale and included in discontinued activities as they are non-core business assets and part of a coordinated disposal plan. The Group has been unable to sell these assets in the last year due to the fall in the commercial property market and the difficulty in co-ordinating joint venture partners for a disposal of the assets. We continue to look for opportunities to dispose of these assets on reasonable commercial terms and expect to sell them in the next 12 months. The property at Debden has been reclassified into continuing operations in the year as it is expected to be held for more than 12 months before disposal. The prior year comparatives have also been restated where appropriate.

Taxation

£1.4m of tax is payable for the year due to the availability of trading losses brought forward, capital allowances and land remediation relief available in connection with the Widnes development. The tax charge of £5.1m includes deferred and non-current tax of £3.6m and adjustment to prior year current tax of £0.1m giving an overall effective tax rate on continuing operations of 14.9% which has also been reduced by the available losses and land remediation relief.

Relief of 150% is available for certain land remediation costs. This has resulted in a tax saving of approximately £1.5m. In addition, capital allowances on the Widnes development have resulted in a tax saving of approximately £1.4m.

Statement of Financial Position

We have a strong balance sheet with net assets of £305.4m (2009: £279.2m) including operational fixed assets of £210.9m (2009: £211.6m). Freehold property held includes five operational road transport sites, land at the Mersey Multimodal Gateway (3MG) in Widnes, the Port of Weston at Runcorn, London Southend Airport and Carlisle Lake District Airport.

Funding
The net debt of the Group has reduced to £96.8m from £120.7m at 28 February 2009 (and reduced by £58m from £154.8m at the interim position at 31 August 2009). This is principally due to the pay-down of the £25m revolving credit facility and specific £29m development funding following the disposal of the assets at Widnes.

The finance lease liabilities have reduced to £50.4m from £53.4m due to 2009 being a low year for vehicle replacements; 2010 and 2011 are both high replacement years on the three year replacement cycle.

The gearing ratio is 31.7% (2009: 43.2%) and more importantly the gearing ratio ignoring fleet assets and fleet financing is 15.2% (2009: 24.1%) following the disposal of the assets at Widnes.

There is £53.9m of net debt due within one year at the balance sheet date. Of this, £32.0m was working capital and finance lease debt which revolves on normal cycles. Of the remaining £21.9m, £4.2m has been repaid since the year end, £3.6m of the Income Shares have been converted and £5m refinanced into a longer facility. The final £9.1m is Income Shares (£0.9m), vendor loan notes on London Southend Airport (£6m) and normal amortising term debt repayments (£2.2m). The Group is reviewing its funding requirements with a view to implementing a suitable structure for further strategic development. Our bankers remain supportive and we have strong interest from other banks and funding institutions.

Cashflow
Cash generated from operations was £39.8m (2009: £47.9m). Operating cash flow after fleet financing repayments (which can be regarded as operating) was £20.9m (2009: £29.9m). This reduction is due to an increase in working capital from a low base in the prior year.

Cash outflow for capital expenditure in the year totalled £63.3m (2009: £54.7m) including assets backed by finance leases of £17.7m (2009: £33.9m). This included the following principal items:

- development of the chilled distribution site at Widnes funded by a £29m loan which was also repaid on disposal of the assets
- development of the railway station and control tower at Southend funded by a new loan facility.

Cash received from disposal of property, plant and equipment was £72.8m (2009: £4.8m) including £61m from disposal of the Widnes assets. Of the remaining amount, £5.1m (2009: £1.0m) related to the buyback and resulting repayment of finance lease balloons on vehicles.

The net repayment of borrowings (excluding finance lease liabilities) was £29.6m (2009: £1.9m increase in borrowings).

Dividends paid totalled £13.0m (2009: £14.6m) reflecting a reduction of the annual dividend rate to 6p (2009: 8p) as previously announced.

Outlook
The Group expects to grow its operational business and develop certain important strategic assets over the next year.

Within the Eddie Stobart division, there will be a full year of the new £20m per annum Unilever contract, the new £6m per annum AG Barr contract and the Valencia train. We also expect to start transport services for the chilled distribution centre in Widnes in the first half.

The railway station at London Southend Airport will be completed in July 2010 giving a 49 minute connection to central London which will significantly help the airport to attract passenger services. We have planning approval for extension of the runway and expect to complete this by Autumn 2011. We already have funding in place for these developments.

At the Carlisle Airport site, we await certain final site planning approvals and then we expect to start construction of a purpose-built distribution centre to replace the current sites. This will make our Carlisle operation much more efficient.

Dividends
As indicated at the interims, the Board proposes a final dividend of 4p (2009: 3.3p) reflecting the normal one third/two thirds split bringing the total dividend for the year to 6p (2009: 6p).

Conclusion
We have had a successful year consolidating our acquisitions, developing our multimodal strategy and have demonstrated that we can add significant value to our assets by development of the operations and infrastructure around them.

We have further growth and development plans which we believe have excellent potential and we look forward to enhancing our earnings and asset values in the coming years.

Ben Whawell
Chief Financial Officer

12 May 2010

Consolidated Income Statement
For the year to 28 February 2010

	Year to 28.02.2010 £'000	Restated Year to 28.02.2009 £'000
Revenue	**447,661**	**431,062**
Operating expenses - underlying	(412,642)	(399,711)
Underlying operating profit	**35,019**	**31,351**
Share based payments	(2,504)	(716)
Less: share based payments associated with the disposal of Widnes assets	1,758	-
Share based payments on underlying operating profit	(746)	(716)
Net profit on disposal of Widnes assets (net of associated costs)	8,258	-
Restructuring costs	(2,746)	(2,722)
Credit for business purchase	-	3,609
Impairment of investment property	-	(1,803)
Profit before interest and tax	**39,785**	**29,719**
Finance costs	(6,650)	(8,161)
Finance income	928	581
Profit before tax	34,063	22,139
Income tax	(5,071)	(2,797)
Profit for the year from continuing operations	**28,992**	**19,342**
Discontinued operations	(770)	(28,113)
Profit / (loss) for the year attributable to equity holders of the parent	**28,222**	**(8,771)**

Earnings per ordinary share		
From continuing operations		
Basic	12.06p	8.97p
Diluted	11.89p	8.93p
From continuing and discontinued operations		
Basic	11.74p	(4.07p)
Diluted	11.58p	(4.07p)

Consolidated Statement of Comprehensive Income

For the year to 28 February 2010

	Year to 28.02.2010 £'000	Restated Year to 28.02.2009 £'000
Profit / (loss) for the year	**28,222**	**(8,771)**
Exchange differences on translation of foreign operations	-	(336)
Reversal of revaluation of land and buildings	-	(340)
Cash flow hedge	(1,608)	-
Tax on items relating to components of other comprehensive income	450	-
Other comprehensive income / (loss) for the year, net of tax	**(1,158)**	**(676)**
Total comprehensive income / (loss) for the year attributable to equity shareholders of the parent	**27,064**	**(9,447)**

Consolidated Statement of Financial Position

As at 28 February 2010

	28.02.2010 £'000	28.02.2009 £'000
Non-current Assets		
Property, plant and equipment		
Land and buildings	139,705	131,435
Plant and machinery	15,835	15,302
Fixtures, fittings and equipment	4,131	2,922
Commercial vehicles	51,234	61,901
	210,905	211,560
Investment property	2,000	-
Intangible assets	231,286	223,258
Other investments	10	22
	444,201	**434,840**
Current Assets		
Inventories	1,559	1,700
Trade and other receivables	84,411	72,104
Cash and cash equivalents	13,134	7,251
	99,104	81,055
Assets of disposal groups classified as held for sale	241	2,900
	99,345	**83,955**
Total Assets	**543,546**	**518,795**
Non-current Liabilities		
Loans and borrowings	42,876	90,367
Other liabilities	10,941	15,420
Corporation tax	4,807	-
Deferred tax	34,243	34,269
	92,867	140,056
Current Liabilities		
Trade and other payables	74,204	57,559
Loans and borrowings	67,196	37,775
Corporation tax	-	178
	141,400	95,512
Liabilities directly associated with the assets classified as held for sale	3,923	3,997
	145,323	**99,509**
Total Liabilities	**238,190**	**239,565**
Net Assets	**305,356**	**279,230**

Consolidated Statement of Financial Position Continued

As at 28 February 2010

	28.02.2010 £'000	28.02.2009 £'000
Capital and reserves		
Issued share capital	25,079	24,175
Share premium	164,255	155,805
Foreign currency exchange reserve	(468)	(468)
Reserve for own shares held by EBT	(803)	(803)
Hedge reserve	(1,158)	-
Retained earnings	118,451	100,521
Total Equity	**305,356**	**279,230**

Consolidated Statement of Changes in Equity

For the year to 28 February 2010

Attributable to equity holders of the parent

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

For the year to 28 February 2009

Attributable to equity holders of the parent

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

Consolidated Cash Flow Statement

For the year to 28 February 2010

	Year to 28.02.2010 £'000	Year to 28.02.2009 £'000
Cash generated from operations	39,823	47,946
Income taxes paid	(2,384)	(1,183)
Net cash flow from operating activities	37,439	46,763
Acquisition of subsidiaries and other businesses ï net cash paid	(240)	(76,451)
Purchase of property, plant and equipment	(63,250)	(54,738)
Proceeds from the sale of property, plant and equipment	72,807	4,777
Dividends received from joint ventures	256	614
Net loans repaid by / (advanced to) joint ventures	545	(2,807)
Interest received	928	650
Net cash flow from investing activities	**11,046**	**(127,955)**
Issue of ordinary shares less costs of issue	(253)	83,382
Dividend paid on ordinary shares	(12,993)	(14,615)
Proceeds from new finance leases	17,683	33,860
Repayment of capital element of finance leases	(20,672)	(15,751)
Proceeds from new borrowings	34,000	4,581
Repayment of borrowings	(63,574)	(2,684)
Interest paid	(6,685)	(8,355)
Net cash flow from financing activities	**(52,494)**	**80,418**
Decrease in cash and cash equivalents	(4,009)	(774)
Cash and cash equivalents at beginning of year	(9,114)	(8,340)
Cash and cash equivalents at end of year	**(13,123)**	**(9,114)**
Cash		
- Continuing	13,134	7,251
- Included in disposal group	179	207
Overdraft	(26,436)	(16,572)
Cash and cash equivalents at end of year	**(13,123)**	**(9,114)**

Accounting policies

Basis of preparation

The financial information set out in this preliminary announcement is derived from but does not constitute the Group's statutory accounts for the year ended 28 February 2010 and year ended 29 February 2009 and, as such, does not contain all information required to be disclosed in the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information has been extracted from the Group's audited consolidated statutory accounts upon which the auditors have issued an unqualified opinion.
All accounting policies are included in the Appendix to this announcement.

Operating Expenses

Operating expenses comprise the following:

	28.02.2010 £'000	28.02.2009 £'000
Employee benefits expenses excluding share based payments	149,092	147,805
Depreciation	15,668	13,430
Other purchases and external expenses	247,882	238,476
Operating expenses underlying	**412,642**	**399,711**
Share based payments on underlying operating profit	746	716
Restructuring costs	2,746	2,722
Credit for business purchase	-	(3,609)
Operating expenses	**416,134**	**399,540**
Profit before interest and tax		
Depreciation of property, plant and equipment	15,668	13,430
Profit on disposal of property, plant and equipment	(8,910)	(678)
Release of government grants	(302)	(101)
Operating lease expense		
- Plant and machinery	15,037	14,194
- Property	14,823	11,813
Fees charged to the income statement relating for services by Group auditors		
- Statutory audit fee relating to audit of Stobart Group Limited	50	58
- Statutory audit fee relating to audit of subsidiaries	125	142
- Other taxation services	28	59
- Services relating to corporate finance transactions	89	43
- Other services	27	28
	319	**330**
Restructuring costs		
Reorganisation and integration of James Irlam business	1,288	551
Reorganisation and integration of chilled business	1,090	1,510
Reorganisation and integration of the ports business	-	661
Reorganisation and integration of the International business	177	-
Other	191	-
	2,746	**2,722**

Restructuring costs include redundancy costs, site closure costs, certain short-term duplicated costs and other one-off costs related to the reorganisation and integration of acquired businesses.

Profit on disposal of property, plant and equipment includes a net profit on disposal of the chilled distribution site and terminal at Widnes of £8,258,000 as set out below:

	28.2.2010 **£'000**
Profit on disposal of Widnes assets (after direct costs but before directly associated costs)	11,190
Share based payment directly associated with the disposal	(1,758)
Other costs directly associated with the disposal	(1,174)
Net profit on disposal of Widnes assets (after costs)	**8,258**

The above costs are directly related to the disposal as they are incremental costs that would not have been incurred had the disposal not taken place.

Acquisition of Stobart Air Limited

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

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

	Fair value recognised on acquisition £'000	**Previous carrying value £'000**
Property, plant and equipment	14,153	4,746
Cash and cash equivalents	32	32
Trade and other receivables	224	224
Inventories	47	47
	14,456	**5,049**
Trade payables	(357)	(357)
Other payables and deferred income due within one year	(8,316)	(6,816)
Non current liabilities	(3,932)	(883)
	(12,605)	**(8,056)**
Net assets	1,851	(3,007)
Goodwill arising on acquisition	8,028	
Total consideration	**9,879**	

The total cost of the combination was £9,879,000 and comprised the following:

	£'000
Cash	-
Shares issued	9,607
Costs associated with the acquisition	272
Total	**9,879**

The Group issued 9,041,957 ordinary shares with a fair value of £1.0625 each. This price was the market value at the date of the acquisition.

The goodwill of £8,028,000 represents the fair value of the future earning potential of the business and other intangible assets, which cannot be individually separated and reliably measured due to their nature, in excess of the fair value of net assets identified. These intangible assets include expected synergies available through development of the site including transfer of the Carlisle transport depot to the airport site.

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

The initial accounting for the acquisition is provisional due to ongoing negotiations regarding the airport tenants.

Stobart Air Ltd contributed revenue of £0.8m in the current period and profit before taxation of £0.0m. If the acquisition had been effective from 1 March 2009, the contribution to revenue would be £1.1m and the contribution to profit before tax would be £0.0m.

Segmental information

The operating segments within continuing operations are Eddie Stobart, Stobart Rail, Stobart Ports and Stobart Air including Air Freight.

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

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

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

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

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

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

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

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

Period ended 28 February 2010	Eddie Stobart £'000	Stobart Rail £'000	Stobart Ports £'000	Stobart Air £'000	Adjustments and eliminations £'000	Group £'000
Revenue						
External	381,539	45,636	13,919	6,567	-	447,661
Internal	-	19,115	-	-	(19,115)	-
Total revenue	**381,539**	**64,751**	**13,919**	**6,567**	**(19,115)**	**447,661**
Depreciation and amortisation	(13,446)	(1,327)	(563)	(220)	(112)	(15,668)
Share based payments	(294)	(197)	(1,811)	(10)	(192)	(2,504)
Less: share based payments associated with the disposal of Widnes assets	-	-	1,758	-	-	1,758
Share based payment on underlying operating profits	(294)	(197)	(53)	(10)	(192)	(746)
Fleet financing costs	(3,185)	(161)	(28)	(3)	-	(3,377)
Net profit on disposal of Widnes assets (net of associated costs)	-	-	8,258	-	-	8,258
Segment profit (after fleet financing costs)	**26,434**	**5,036**	**12,449**	**178**	**(4,943)**	**39,154**
Restructuring costs						(2,746)
Other net finance costs						(2,345)
Profit before tax						**34,063**
Assets						
Additions to property, plant and equipment	19,635	602	33,100	23,066	999	77,403
Operating assets	358,526	24,643	87,571	68,784	4,022	543,546
Operating liabilities	(141,464)	(12,234)	(71,628)	(37,287)	24,423	(238,190)
Net assets	**217,062**	**12,409**	**15,943**	**31,497**	**28,445**	**305,356**

Period ended 28 February 2009	Eddie Stobart £'000	Stobart Rail £'000	Stobart Ports £'000	Stobart Air £'000	Adjustments and eliminations £'000	Group £'000
Revenue						
External	387,249	27,539	14,574	1,690	-	431,062
Internal	-	10,690	-	-	(10,690)	-
Total revenue	**387,259**	**38,229**	**14,574**	**1,690**	**(10,690)**	**431,062**
Depreciation and amortisation	(11,959)	(768)	(586)	(41)	(76)	(13,430)
Share based payment	(306)	(128)	(49)	-	(233)	(716)
Fleet financing costs	(3,137)	(5)	(14)	(1)	-	(3,157)
Segment profit (after fleet financing costs)	**24,471**	**3,532**	**2,617**	**127**	**(3,269)**	**27,478**
Restructuring costs						(2,722)
Credit for business purchase						3,609
Other net finance costs						(4,423)
Profit before tax						**23,942**
Assets						
Capital expenditure	61,809	4,375	14,844	36,557	645	118,230
Operating assets	365,113	26,728	100,795	37,880	(11,721)	518,795
Operating liabilities	(145,187)	(13,294)	(101,919)	(13,616)	34,451	(239,565)
Net assets	**219,926**	**13,434**	**(1,124)**	**24,264**	**22,730**	**279,230**

Taxation

Tax charged in the income statement

	2010 £'000	2009 £'000
Current income tax:		
UK Corporation tax		
- Continuing operations	6,166	-
- Discontinued operations	31	-
Guernsey tax	-	-
Adjustment in respect of prior years	103	(399)
Total current tax	6,300	(399)
Deferred tax:		
Origination and reversal of temporary differences	1,198	(1,149)
Impact of abolition of Industrial Buildings Allowances	-	3,978
Adjustment in respect of prior years	(2,396)	367
Total deferred tax charge	(1,198)	3,196
Total charge in the income statement	**5,102**	**2,797**

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary 10p shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of shares that would have been issued on exercise of all the dilutive options into ordinary shares.

The following table reflects the income and share data used in the basic and diluted earnings per share calculations:

	Continuing Operations 2010 £'000	Discontinued Operations 2010 £'000	Total 2010 £'000	Restated Continued Operations 2009 £'000	Restated Discontinuing Operations 2009 £'000	Total 2009 £'000
Numerator						
Profit used for basic earnings	28,992	(770)	28,222	19,342	(28,113)	(8,771)
Effect on earnings of dilutive potential ordinary shares	304	-	304	304	-	-
Profit used for diluted earnings	**29,296**	**(770)**	**28,526**	**19,646**	**(28,113)**	**(8,771)**

The adjusted earnings per share before the profit on disposal of the Widnes assets is 8.6p (2009: 7.7p). The numerator used in calculating the normalised earnings per share before the profit on disposal of the Widnes assets of £20,557,000 (2009: £16,600,000) is the profit before tax from continuing operations of £34,063,000 (2009: £22,139,000) less the net profit on disposal of the Widnes assets (after costs) of £8,258,000 (2009: £nil) less the credit for business purchase of £nil (2009: £3,609,000), less impairment of investment property of £nil (2009: £1,803,000) plus the restructuring costs of £2,746,000 (2009: £2,722,000) and allowing for tax at 28% of £7,994,000 (2009: £6,455,000).

The adjusted earnings per share after the profit on disposal of the Widnes assets is 11.0p (2009: 7.7p). The numerator used in calculating the normalised earnings per share after the profit on disposal of the Widnes assets of £26,502,000 (2009: £16,600,000) is the profit before tax from continuing operations of £34,063,000 (2009: £22,139,000) less the credit for business purchase of £nil (2009: £3,609,000), less impairment of investment property of £nil (2009: £1,803,000) plus the restructuring costs of £2,746,000 (2009: £2,722,000) and allowing for tax at 28% of £10,307,000 (2009: £6,455,000).

The adjusted earnings per share are shown to give a comparable measure of the underlying earnings per share.

Denominator

	2010 Number	2009 Number
Weighted average number of shares used in basic EPS	240,479,372	215,585,798
Effects of convertible Income Shares	4,502,013	4,502,013
Effects of employee share options	1,420,000	-
Weighted average number of shares used in diluted EPS	**246,401,385**	**220,087,801**

On 21 September 2007 1,504,120 options, with an exercise price of 166.2p, were granted. These are potentially dilutive instruments but were not included in the calculation of diluted earnings per share because they were anti-dilutive for the year and prior period as the average market price of the shares was lower than the exercise price.

The Income Shareholders had an option to convert their Income Shares into Ordinary shares at a rate of 0.854 Ordinary shares for each Income Share around 31 March 2010. These are therefore dilutive instruments at the year end date. On 9 April, 3,628,158 Income Shares were converted into 3,098,440 Ordinary shares.

On 10 March 2008, 3 July 2008 and 20 August 2009 respectively, 2.84m, 2.25m and 2.4m share options were granted to Directors and management under the Stobart Executive Incentive Plan with an exercise price of £nil. 1,420,000 of these share options are included as dilutive instruments because all of the vesting conditions are met. The remaining share options are not dilutive instruments as the vesting conditions have not been met unconditionally at the year end date.

Dividends

Dividends Paid on Ordinary Shares

	2010 Rate p	2010 £	2009 Rate p	2009 £
Final dividend for 2009 paid 22 June 2009	3.3	7,977,629	-	-
Interim dividend paid 10 December 2009	2.0	5,015,766	-	-
Final dividend for 2008 paid 23 June 2008	-	-	5.3	8,513,146
Interim dividend paid 28 November 2008	-	-	2.7	6,101,808
Dividends paid	**5.3**	**12,993,395**	**8.0**	**14,614,954**

A final dividend of 4.0p per share totalling £10,606,596 was declared on 12 May 2010 and will be paid on 21 June 2010. This is not recognised as a liability as at 28 February 2010.

Financial assets and liabilities

Loans and borrowings	Interest Rate	2010 £'000	2009 £'000
Non-current			
Fixed rate			
- Income shares	8%	-	5,240
- Obligations under finance leases and hire purchase contracts	Various	31,509	35,583
Variable rate:			
- Loan notes	Various	-	6,000
- Bank loans	Various	11,367	43,544
		42,876	**90,367**
Current			
Fixed rate			
- Income shares	8%	5,269	-
- Other borrowings	7.36%	-	658
- Obligations under finance leases and hire purchase contracts	Various	18,891	17,806
Variable rate:			
- Loan notes	Various	6,000	-
- Overdrafts	Various	26,436	16,572
- Bank loans	Various	10,600	2,739
		67,196	**37,775**
Total loans and borrowings		110,072	128,142
Cash		13,313	7,458
Net Debt		**96,759**	**120,684**

Issued share capital and reserves

	2010 £'000	2009 £'000
Authorised share capital – Ordinary Shares		
Authorised ï 300,000,000 (2009: 300,000,000) shares of 10p each	30,000	30,000
	£	£
Authorised share capital – Deferred Shares		
Authorised ï 1,000 shares of 0.1p each	1	1

	Number of shares 2010 000	Share Capital 2010 £'000	Number of shares 2009 000	Share Capital 2009 £'000
Ordinary Shares of 10p each issued and fully paid				
At beginning of period	241,746	24,175	160,625	16,063
Issued during the period	9,042	904	81,121	8,112
Total share capital	**250,788**	**25,079**	**241,746**	**24,175**

On 30 May 2009, 9,041,957 ordinary shares were issued in relation to the acquisition of Stobart Air Ltd.

Post year end, on 14 April 2010 a further 3,098,440 Ordinary shares were issued on conversion of 3,628,158 Income Shares.

Notes to the consolidated cash flow statement

Cash generated from operations	Year to 28.02.2010 £'000	Restated Year to 28.02.2009 £'000
Non-current		
Profit before tax on continuing operations	34,063	22,139
Loss before tax on discontinued operations	(739)	(28,113)
Profit / (Loss) before tax	**33,324**	**(5,974)**
Adjustments to reconcile (loss) / profit before tax to net cash flows		
Non-cash:		
Movement in unrealised loss on revaluation of investment properties	-	1,803
Realised profit on sale of property, plant and equipment	(8,910)	(678)
Writedown of associates and joint ventures	131	26,650
Depreciation of property, plant and equipment	15,668	13,430
Investment income	(928)	(650)
Interest expense	6,621	8,475
Amortisation of income share issue costs	29	29
Credit for business purchase	-	(3,609)
Share option charge	755	765
Working capital adjustments:		
Decrease in inventories	188	157
(Increase) / Decrease in trade and other receivables	(11,605)	4,440
Increase in trade and other payables	4,550	3,108
Cash generated from operations	**39,823**	**47,946**

Issue of ordinary shares	-	86,478
Issue costs paid on issuance of ordinary shares	(253)	(3,096)
	(253)	**83,382**

Appendix

Accounting policies of Stobart Group Limited

Basis of preparation and statement of compliance

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). The financial statements for the Company are presented after the financial statements for the Group.

The financial statements of the Group are also prepared in accordance with the Companies (Guernsey) Law 2008.

Stobart Group Limited is a Guernsey registered company. The Company's ordinary shares and income shares are traded on the London Stock Exchange and the Channel Islands Stock Exchange.

Restatement of prior year Income Statement

The prior year income statement and certain related notes have been restated following the reclassification of a property asset, in to investment properties, which was classified in discontinued operations in the prior year.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial period except as follows:

a) New standards, amendments to published accounts and interpretations to existing standards adopted by the Group:

IFRS 8 Operating Segments. IFRS 8 replaces IAS 14 Segment reporting (IAS 14). The Group has concluded that its operating segments determined in accordance with IFRS 8 are the same as the business segments previously indentified under IAS 14.

IAS 1 Presentation of Financial Statements (Revised).The revised Standard has required the reconciliation of movements in equity, previously disclosed in the notes, to be presented as a primary statement entitled "Consolidated Statement of Changes on Equity". In addition, the Consolidated Statement of Recognised Income and Expense has been replaced with the Consolidated Statement of Comprehensive Income. The revised standard requires this statement to present all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IFRS 7 Financial Instruments: Disclosures (Amendment). The amended standard requires additional disclosures about fair value measurement and liquidity risk. The Group has taken advantage of the transitional provisions under this amendment and has therefore not provided comparative information for 28 February 2009. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IFRS 2 Share-based Payment ð Vesting Conditions and Cancellations (Amendment). The amendment to IFRS 2 clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. This amendment did not have an impact on the financial position or performance of the Group.

The following standards did not have a material impact on the Group's financial statements:

IFRS 1 First-time Adoption of International Financial Reporting Standards ð Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate(Amendments)

IAS 27 Consolidated and Separate Financial Statements ð Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments).

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements ð Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)

Improvements to International Financial Reporting Standards (issued May 2008)

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives(Amendments)

IFRIC 13 Customer Loyalty Programmes

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 18 Transfers of Assets from Customers

b) New standards and interpretations not applied
The following standards and interpretations have an effective date after the date of these financial statements:

International Accounting Standards (IAS / IFRSs)		**Effective date***
IFRS 1	First Time Adoption of International Reporting Standards	1 July 2009
IFRS 1	Amendments to IFRS 1 ï Additional Exemptions for First-time Adopters	1 January 2010
IFRS 1	Amendments to IFRS 1 ï Limited Exemption from Comparative IFRS 7 disclosures	1 July 2010

IFRS 2	Amendments to IFRS 2 ï Group Cash-settled Share-based Payment Transactions	1 January 2010
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2013
IAS 24	Related Party Disclosures (revised)	1 January 2011
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
IAS 32	Amendment to IAS 32: Classification of Rights Issues	1 February 2010
IAS 39	Eligible Hedged Items	1 July 2009
Improvements to IFRS (issued April 2009)		Various dates
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 14	Amendment: Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

*The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Groupôs discretion to early adopt standards.

The Group has not early adopted the revised IFRS 3 and so will apply it prospectively to all business combinations on or after 1 March 2010. Whilst it is not possible to estimate the outcome of adoption, the key features of the revised IFRS 3 include a requirement for acquisition-related costs to be expensed and not included in the purchase price; and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill). The standard also changes the treatment of non-controlling interests (formerly minority interests) with an option to recognise these at full fair value as at the acquisition date and a requirement for previously held minority interests to be fair valued as at the date control is obtained, with gains and losses recognised in the income statement.

IAS 27 revised is effective for annual periods beginning on or after 1 July 2009, in line with the revised IFRS 3. The revised standard no longer restricts the allocation to minority interest of losses incurred by a subsidiary to the amount of the minority equity investment in the subsidiary. Any future partial disposal of equity interest in a subsidiary that does not result in a loss of control will be accounted for as an equity transaction and will have no impact on goodwill, nor will it give rise to any gain or loss. Where there is loss of control of a subsidiary, any retained interest will have to be remeasured to fair value, which will impact the gain or loss recognised on disposal.

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements

Summary of significant accounting policies

Revenue

Revenue from the Eddie Stobart, Stobart Ports and Stobart Air business segments and the rail freight revenue in the Stobart Rail segment is recognised in the income statement as the fair value of consideration receivable on the delivery of services delivered at the statement of financial position date net of discounts and VAT.

Stobart Rail infrastructure engineering contract revenue is recognised to match the sales value of work performed up to the statement of financial position date based on stage of completion.

Functional and presentation currency

The Company's functional currency is Pounds Sterling (GBP) and it has adopted Pounds Sterling (GBP) as its presentational currency.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of Stobart Group Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful lives are undertaken at least annually at the financial year end and also if there are indicators of impairment. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the operating expenses line item in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of other comprehensive income. Impairment losses except losses relating to goodwill can be reversed in certain circumstances.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Financial Instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its cash flow risks associated with interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swaps are determined by reference to market values for similar instruments.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in cash flows and are assessed at the end of each reporting period to determine that they actually effective throughout the reporting period for which they were designated.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the net unrealised gains reserve, while the ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the current period income statement.

Foreign Currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date.

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

The assets and liabilities of foreign operations are translated into Sterling at the rate of exchange prevailing at the statement of financial position date. The income statements are translated at the average rate. The exchange differences arising on the translation are taken directly to a separate component of equity.

Financial Assets

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

Loans and Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within operating expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial Liabilities

Unless otherwise indicated, the carrying amounts of the Group’s financial liabilities are a reasonable approximation of their fair values.

Loans, borrowings and the Group’s income shares are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Consolidated Statement of Financial Position.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share Capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group’s income shares include a contractual obligation on the Company to deliver cash in the form of the annual preference dividend and, in the absence of any other terms that would indicate an equity element, have been classified wholly as a financial liability (see ‘Income Shares’ below). The Group’s ordinary shares are classified as equity instruments.

Own shares held by EBT

Stobart Group shares held by the Company are designated as own shares held, classified in shareholders’ equity and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and original cost taken to retained earnings.

Income Shares

Income Shares, which exhibit characteristics of liabilities, are recognised as liabilities in the Statement of Financial Position in accordance with IAS32. Income Shares are initially recognised at fair value less issue costs. After initial recognition, Income Shares are subsequently measured at amortised cost using the effective interest method. The corresponding distributions on these shares are charged as interest expense in the Consolidated Income Statement over the term of these shares.

Retirement Benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated income statement in the year to which they relate.

Share Based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting Conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

At each statement of financial position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement, with a corresponding entry in equity.

The Group has a share-based Long Term Incentive Plan accounted for as set out above.

Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recorded in the statement of financial position as tangible assets, initially at fair value or, if lower, at the present value of the minimum lease payments and depreciated over their estimated useful lives as detailed in the depreciation policy below. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated income statement on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight line basis.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Restructuring Costs

Restructuring costs comprise costs of integration plans and other business reorganisation and restructuring undertaken by management including cost rationalisation, brand harmonisation, directly related management time, asset write downs and other related costs. These are principally expected to be one-off in nature.

Separately disclosed items

The Group presents separately on the face of the income statement material items of income and expense, which because of their nature, infrequency or occurrence, or the events giving rise to them, merit separate presentation to allow shareholders to better understand the financial performance of the year.

Externally acquired intangible assets (excluding goodwill)

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful lives. The amortisation expense is included within the operating expenses line in the consolidated income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to significant accounting estimates, judgments and assumptions below).

The significant intangibles recognised by the Group and their useful economic lives are as follows:

Intangible asset	Useful life
Brands	Indefinite

Where there is no foreseeable limit to the period over which a brand is expected to generate cash flows for the Group it will be considered to have an indefinite life.

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company; or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is credited to deferred income and released to the income statement to match the depreciation on the related asset. Where the related asset is sold, the remaining grant balance is taken in to account in determining the carrying amount of the asset.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Dividends on the Income Shares, which are classified as financial liabilities, are treated as finance costs and are recognised using the effective rate method when there is a liability to pay at the statement of financial position date.

Property, Plant and Equipment

Freehold land and buildings and plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred if the recognition criteria are met.

Depreciation is provided on items of property, plant and equipment, other than land and assets under construction, to write off to their residual value the carrying value of items over their expected useful lives. Useful lives and residual values are reconsidered on an annual basis. Depreciation is applied at the following rates:

Buildings	-	2% per annum straight line
Modular buildings	-	7% per annum straight line
Long life plant and machinery	-	5% per annum reducing balance
Other plant and machinery	-	10-14% per annum straight line
Vehicles and trailers	-	14-33% per annum straight line
Fixtures, fittings and equipment	-	20% per annum straight line

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Borrowing costs attributable to qualifying assets are capitalised.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the period of retirement or disposal.

Rental income arising from operating leases on investment properties is spread on a straight line basis over the period of the lease. Where an incentive (such as a rent free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognizing rental income on this basis.

Inventories

Inventories are measured on a first in first out basis and are stated at the lower of cost and net realisable value.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;

- An active programme to locate a buyer has been initiated;
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification (or an extended period if the delay is caused by circumstances beyond the entity's control but the Group remains committed to the plan to sell the asset).

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- Fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in the consolidated income statement up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented on the income statement (including the comparative period) as a single line which comprises the post tax profit or loss of the discontinued operation and the post tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

Associates

The Group's investments in its associates are accounted for using the equity method of accounting unless the investment is classified as held for sale.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the Consolidated Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity and the statement of other comprehensive income. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each statement of financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case and there is a resulting impairment, the amount is recognised in the income statement.

Joint ventures

Investments in joint ventures, which are jointly controlled entities, are included in the financial statements using the equity method of accounting unless the investment is classified as held for sale.

Under the equity method, the interest in the joint venture is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity and the statement of other comprehensive income. Profits and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures. The Group determines at each statement of financial position date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case and there is a resulting impairment, the amount is recognised in the income statement.