Stobart Group

Annual Report and Accounts 2010

Independent Auditor's Report

To the Members of Stobart Group Limited

We have audited the Group Financial Statements of Stobart Group Limited for the year ended 28 February 2010 which comprise the Consolidated income statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the Directors are responsible for the preparation of the Group Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements.

Opinion on financial statements

In our opinion the Group Financial Statements:

> Give a true and fair view of the state of the Group's affairs as at 28 February 2010 and of its profit for the year then ended;

> Have been properly prepared in accordance with IFRSs as adopted by the European Union; and

> Have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

> Proper accounting records have not been kept by the Company;

> The Company's accounts are not in agreement with the accounting records; or

> We have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company Financial Statements of Stobart Group Limited for the year ended 28 February 2010.

Stuart Watson
For and on behalf of Ernst & Young LLP, Manchester

12 May 2010

Consolidated Income Statement

For the year to 28 February 2010

	Notes	Year to 28.02.2010 £'000	Restated year to 28.02.2009 £'000
Revenue	5	447,661	431,062
Operating expenses - underlying	3	(412,642)	(399,711)
Underlying operating profit		**35,019**	**31,351**
Share based payments	23	(2,504)	(716)
Less: share based payments associated with the disposal of Widnes assets	3	1,758	-
Share based payments on underlying operating profit		(746)	(716)
Profit on disposal of Widnes assets (net of associated costs)	3	8,258	-
Restructuring costs	3	(2,746)	(2,722)
Credit for business purchase	12	-	3,609
Impairment of investment property	15	-	(1,803)
Profit before interest and tax	3	**39,785**	**29,719**
Finance costs	8	(6,650)	(8,161)
Finance income	7	928	581
Profit before tax	5	**34,063**	**22,139**
Income tax	9	(5,071)	(2,797)
Profit for the year from continuing operations		**28,992**	**19,342**
Discontinued operations	6	**(770)**	**(28,113)**
Profit / (loss) for the year attributable to equity holders of the parent		**28,222**	**(8,771)**
Earnings / (loss) per ordinary share			
From continuing operations			
Basic	10	12.06p	8.97p
Diluted	10	11.89p	8.93p
From continuing and discontinued operations			
Basic	10	11.74p	(4.07p)
Diluted	10	11.58p	(4.07p)

Consolidated Statement of Comprehensive Income

For the year to 28 February 2010

	Notes	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	9	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

For the year to 28 February 2010

	Notes	28.02.2010 £'000	28.02.2009 £'000
Non-current Assets			
Property, plant and equipment			
- Land and buildings	13	139,705	131,435
- Plant and machinery	13	15,835	15,302
- Fixtures, fittings and equipment	13	4,131	2,922
- Commercial vehicles	13	51,234	61,901
		210,905	211,560
Investment property	15	2,000	-
Intangible assets	14	231,286	223,258
Other investments		10	22
		444,201	**434,840**
Current Assets			
Inventories	18	1,559	1,700
Trade and other receivables	19	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	6	241	2,900
		99,345	**83,955**
Total Assets		**543,546**	**518,795**
Non-current Liabilities			
Loans and borrowings	22	42,876	90,367
Other liabilities	21	10,941	15,420
Corporation tax		4,807	-
Deferred tax	24	34,243	34,269
		92,867	**140,056**
Current Liabilities			
Trade and other payables	20	74,204	57,559
Loans and borrowings	22	67,196	37,775
Corporation tax		-	178
		141,400	95,512
Liabilities directly associated with the assets classified as held for sale	6	3,923	3,997
		145,323	99,509
Total Liabilities		**238,190**	**239,565**
Net Assets		**305,356**	**279,230**

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

The financial statements were approved and authorised for issue by the Board of Directors on 12 May 2010 and were signed on its behalf by:

Rodney Baker-Bates, Chairman

Ben Whawell, Director

Consolidated Statement of Changes in Equity

For the year to 28 February 2010

		Attributable to equity holders of the parent						
	Notes	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	25	904	8,703	-	-	-	-	9,607
Share issue costs		-	(253)	-	-	-	-	(253)
Share based payment credit	23	-	-	-	-	-	2,262	2,262
Tax on share based payment		-	-	-	-	-	439	439
Dividends	11	-	-	-	-	-	(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						
	Notes	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	25	8,112	88,366	-	-	-	-	96,478
Share issue costs		-	(3,096)	-	-	-	-	(3,096)
Share based payment credit	23	-	-	-	-	-	765	765
Dividends	11	-	-	-	-	-	(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

	Notes	Year to 28.02.2010 £'000	Year to 28.02.2009 £'000
Cash generated from operations	27	**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 – 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	27	(253)	83,382
Dividend paid on ordinary shares	11	(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)**

1. 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. Further details are set out in note 15.

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 identified under IAS 14. IFRS 8 disclosures are shown in note 5, including the related revised comparative information.

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. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement disclosures are presented in Note 22. 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. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 22.

IFRS 2 Share-based Payment — 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 — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 27 Consolidated and Separate Financial Statements — 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 — 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 – Additional Exemptions for First-time Adopters	1 January 2010
IFRS 1	Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 disclosures	1 July 2010
IFRS 2	Amendments to IFRS 2 – 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 Group's 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.

Revenue is analysed by segment in note 5.

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 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 Consolidated 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 Statement of Comprehensive Income in the period in which they arise.

Investment properties are derecognised 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 recognised 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 recognising 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.

2. Summary of significant accounting judgments, estimates and assumptions

The Group makes judgements, estimates and assumptions regarding the future. Judgements, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements, Estimates and Assumptions

(a) Valuation of investment property

All property related assets held for sale are stated at lower of value at date of classification and fair value, which have been determined based on valuations performed by independent valuers or a qualified internal valuer on the basis of open market value.

(b) Impairment of goodwill and indefinite life intangible assets

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in note 14.

(c) Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the Directors' estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in note 13 and note 14.

(d) Share-based payment

The Group has equity-settled share-based remuneration schemes for employees and Directors. Employee and Director services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options granted without market based vesting conditions is estimated by using a Black-Scholes model. The fair value of share options granted with market based vesting conditions is estimated by using a Monte Carlo model. These valuations are based on certain assumptions. Those assumptions are described in note 23 and include, among others, the dividend yield, expected volatility, expected life of the options and number of options expected to vest. More details are disclosed in note 23.

(e) Determination of fair values of intangible assets acquired in business combinations

The fair value of brands acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the brands being owned.

(f) Taxation

The taxation balances are calculated making certain tax assumptions about the tax treatment of incomes and costs, and the availability of certain losses for group relief. More details are disclosed in note 9.

3. Operating Expenses

Operating expenses comprise the following:

	Notes	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	23	746	716
Restructuring costs		2,746	2,722
Credit for business purchase	12	-	(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 for services provided 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:

	28.02.2010 £'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.

4. Staff costs

	Notes	28.02.2010 £'000	28.02.2009 £'000
Staff costs			
Staff costs (including Directors) comprise:			
Wages and salaries		135,890	133,317
Social security costs		12,330	12,520
Other pension costs		2,046	1,968
Share based payment	23	2,513	716
		152,779	**148,521**

	28.02.2010	28.02.2009
Average number of persons employed by the Group (including Directors) during the period	4,919	4,977

Directors' remuneration

	28.02.2010 £'000	28.02.2009 £'000
Directors' emoluments	785	774
Number of Directors accruing benefits under defined contribution pension schemes	4	4

Further details of the Directors' remuneration are set out in the Directors' Remuneration Report.

5. Segmental information

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

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

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

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

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

The Board of Directors is regarded as the Chief Operational Decision Maker (CODM). The 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.

Further details of the discontinued segment are set out in note 6.

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 ordinary operations	(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**

Inter-segment revenues are eliminated on consolidation.

Included in adjustments and eliminations are central costs of £4,629,000 (2009: £2,922,000) and intra-Group profit of £314,000 (2009: £347,000).

Also included in adjustments and eliminations are central assets and liabilities, inter company balances, and held for sale assets and liabilities.

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**	**(5,072)**	**25,675**
Restructuring costs						(2,722)
Credit for business purchase						3,609
Other net finance costs						(4,423)
Profit before tax						**22,139**
Assets						
Additions to property, plant and equipment	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**

Also included in adjustments and eliminations are central assets and liabilities, inter company balances, and held for sale assets and liabilities.

The revenue from one customer amounts to more than 10% of the Group's total revenue. The revenue from that customer was £116.7m for the year to 28 February 2010 and this was reported in the Eddie Stobart segment and the Stobart Ports segment. (2009: £103.1m).

Analysis of revenue

Revenue recognised in the income statement is analysed as follows:

	28.02.2010 £'000	28.02.2009 £'000
Rendering of services – Continuing operations	447,661	431,062
Rendering of services – Discontinued operations	-	731
Finance revenue	928	581
	448,589	**432,374**

6. Discontinued operations

On 21 September 2007 the Group disposed of the substantial proportion of its investment property and related business. The remaining joint venture and associate undertakings with investment property interests are classified as discontinued operations. The Directors intend to sell these properties within one year of the statement of financial position date and are looking for purchasers. These assets remain classified as discontinued operations for an extended period as their potential commercial disposal has been adversely affected by the downturn in the commercial property market which is outside the control of the Group. The Group remains committed to the plan to sell the assets and expects to sell them within one year.

The investment property at Debden was classified as held for sale and included in discontinued operations in the prior year but has been reclassified in to continued operations in the current year because the property is expected to be held for more than 12 months before it will be disposed. The comparative income statement balances have been restated where appropriate.

Discontinued rail services are also included in discontinued activities.

The results of the discontinued operations are presented below:

	Property trading business		Discontinued rail services		Total	
	2010 £'000	Restated 2009 £'000	2010 £'000	2009 £'000	2010 £'000	Restated 2009 £'000
Revenue	-	264	-	467	-	731
Expenses	(64)	(253)	-	(1,697)	(64)	(1,950)
Finance costs/income net	(544)	(247)	-	3	(544)	(244)
Writedowns of associates and joint ventures	(131)	(26,650)	-	-	(131)	(26,650)
Loss before tax from discontinued operations	(739)	(26,886)		(1,227)	(739)	(28,113)
Taxation: related to the pre-tax loss	(31)	-	-	-	(31)	-
Loss for the year from discontinued operations	**(770)**	**(26,886)**	**-**	**(1,227)**	**(770)**	**(28,113)**

The net cash flows incurred by discontinued operations are as follows:

	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Operating activities	260	(153)	-	(175)	260	(328)
Investing activities	-	3	-	3	-	6
Financing activities	(288)	(250)	-	(71)	(288)	(321)
Total	**(28)**	**(400)**	**-**	**(243)**	**(28)**	**(643)**

The major classes of assets and liabilities of the disposal groups classified as held for sale as at 28 February 2010 are as follows:

	Property trading business		Discontinued rail services		Total	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Assets						
Investment property	-	2,000	-	-	-	2,000
Investments in associates and joint ventures	2	641	-	-	2	641
Debtors	60	52	-	-	60	52
Cash and short term deposits	165	193	14	14	179	207
Assets classified as held for sale	**227**	**2,886**	**14**	**14**	**241**	**2,900**
Liabilities						
Liabilities directly associated with assets classified as held for sale	3,002	2,928	(6,925)	(6,925)	(3,923)	(3,997))
Net assets/(liabilities) directly associated with assets classified as held for sale	**3,229**	**5,814**	**(6,911)**	**(6,911)**	**(3,682)**	**(3,738)**

Earnings per share	2010	2009
Basic and diluted, from discontinued operations	(0.32p)	(13.04p)

7. Finance income

	2010 £'000	2009 £'000
Bank interest receivable	928	581
Total finance income	**928**	**581**

8. Finance costs

	2010 £'000	2009 £'000
Bank loans, loan notes and overdraft	2,822	4,553
Distributions on income shares	422	422
Amortisation of income shares issue costs	29	29
Finance charges payable under finance leases and hire purchase contracts	3,377	3,157
Total finance costs	**6,650**	**8,161**

During the year £659,000 (2009: £229,000) of interest was capitalised.

9. 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**

Reconciliation of income taxation charge

A reconciliation of the income tax charge applicable to the results from ordinary activities at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year is as follows:

	2010 £'000	2009 £'000
Profit from continuing operations before taxation	34,063	22,139
Loss from discontinued operations before taxation	(739)	(28,113)
Net profit / (loss) before taxation	33,324	(5,974)
UK income tax at rate of 28% (2009: 28%)	9,331	(1,673)
Effects of:		
Tax impact of disposal of land and buildings in the year	(488)	
Impact of abolition of Industrial Buildings Allowances	(847)	3,978
Income not taxable including interest receivable and share of profits of associates and joint ventures	-	(1,062)
Land remediation relief	(1,527)	
Losses arising not relievable against current tax	-	420
Expenses incurred not relievable against current tax	951	1,166
Adjustments in respect of prior years	(2,293)	(32)
Losses brought forward utilised in current period	(56)	-
Tax paid on discontinued operations	31	-
	5,102	**2,797**

With effect from 1 March 2008, the Company's affairs are conducted such that it is likely it will be considered to be resident in the UK for tax purposes. WPL Investments Limited and WPL Ventures Limited are subject to taxation in Guernsey.

The income tax charge is stated after Group relief of £5.8m (2009: £25.5m) which originated from a valuation of property related assets held in Stobart Properties Limited, a trading subsidiary undertaking. These property-related assets are principally classified as assets 'held for sale' in the Consolidated Statement of Financial position and the related results are included in discontinued operations in accordance with IFRS. Group relief has been taken where appropriate for nil payment.

Westlink Group Limited, Stobart Holdings Limited, James Irlam & Sons Limited, Stobart Rail Limited (previously WA Developments Limited), Stobart Airports Limited, Stobart Air Limited and their respective subsidiaries are subject to corporation tax in the UK.

Included in the statement of other comprehensive income is a credit of £450,000 in relation to a cash flow hedge instrument.

10. 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 Continuing Operations 2009 £'000	Restated Discontinued 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	-	-
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.

11. 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 totaling £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.

12. Business combinations

Acquisitions in the period from 1 March 2009 to 28 February 2010

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.

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

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

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

Acquisition of London Southend Air Company Limited

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

Acquisitions in the period from 1 March 2008 to 28 February 2009

Acquisition of James Irlam & Sons Limited and Irlam Storage LLP

On 3 April 2008 the Group acquired 100% of the voting rights of James Irlam & Sons Limited and the trade, assets and liabilities of Irlam Storage LLP which together specialise in haulage, distribution, warehousing and process management services in the UK.

The fair value of the identifiable assets and liabilities of James Irlam & Sons Limited and Irlam Storage LLP 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	23,621	27,953
Investments	22	22
Cash and cash equivalents	678	678
Trade and other receivables	13,199	13,431
Inventories	557	557
	38,077	**42,641**
Bank loans and overdrafts	(9,369)	(9,369)
Trade payables	(5,831)	(5,822)
Other payables and deferred income	(2,599)	(2,599)
Finance leases	(7,843)	(7,843)
Corporation tax	(1,080)	1
Deferred tax	(1,228)	(1,574)
	(27,950)	**(27,206)**
Net assets	10,127	15,435
Goodwill arising on acquisition	52,311	
Total consideration	**62,438**	

The total cost of the combination was £62,438,000 and comprised the following:

	£'000
Cash	50,229
Shares issued	10,000
Costs associated with the acquisition	2,209
Total	**62,438**

The Group issued 7,692,306 ordinary shares with a fair value of £1.30 each. This price was the market value at the date of the acquisition.

The goodwill of £52,311,000 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. This has resulted from expected synergies through integration with our existing business, efficient location of properties, customer loyalty and the assembled workforce.

Acquisition of WA Developments Limited (now renamed Stobart Rail Limited)

On 4 April 2008 the Group acquired 100% of the voting rights of WA Developments Limited (now renamed Stobart Rail Limited) which specialises in transport infrastructure engineering.

The fair value of the identifiable assets and liabilities of WA Developments 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	3,470	3,470
Investments	18	18
Cash and cash equivalents	-	-
Trade receivables	12,190	12,516
Other receivables	1,501	1,501
Inventories	115	115
	17,294	**17,620**
Bank loans and overdrafts	(4,601)	(4,601)
Trade payables	(2,192)	(2,192)
Other payables and deferred income	(3,808)	(3,808)
Finance leases	(187)	(187)
Corporation tax	(361)	(417)
Deferred tax	(237)	(228)
	(11,386)	**(11,433)**
Net assets	5,908	6,187
Goodwill arising on acquisition	4,375	
Total consideration	**10,283**	

The total cost of the combination was £10,283,000 and comprised the following:

	£'000
Cash	10,000
Costs associated with the acquisition	283
Total	**10,283**

The goodwill of £4,375,000 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. This has resulted from expected synergies with our existing business, especially in managing Group engineering projects, customer loyalty and the assembled workforce.

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

On 30 June 2008 and 4 July 2008 the Group acquired certain parts of the chilled and ambient operations of Innovate Logistics Limited which specialises in chilled and ambient haulage, distribution, warehousing and process management services in the UK.

The fair value of the identifiable assets and liabilities of the business acquired at the dates of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair value recognised on acquisition £'000	Previous carrying value £'000
Other receivables	633	-
Deferred tax	286	-
	919	**-**
Other payables and deferred income	(1,656)	-
	(1,656)	-
Net assets	(737)	-
Goodwill arising on acquisition	1,684	
Total consideration	**947**	

The total cost of the combination was £947,000 and comprised the following:

	£'000
Costs associated with the acquisition	947
Total	**947**

The goodwill of £1,684,000 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. This includes synergies with our existing business, customer loyalty and the assembled workforce.

Acquisition of London Southend Airport Company Limited

On 5 December 2008 the Group acquired 100% of the voting rights of London Southend Airport Company Limited which operates and manages a commercial airport.

The fair value of the identifiable assets and liabilities of London Southend Airport Company 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	36,439	2,484
Cash and cash equivalents	569	569
Trade receivables	753	763
Other receivables	560	560
Inventories	65	65
	38,386	**4,441**
Bank loans and overdrafts	(113)	(113)
Trade payables	(384)	(384)
Other payables and deferred income	(3,466)	(3,233)
Finance leases	-	-
Corporation tax	125	57
Deferred tax	(9,507)	-
	(13,345)	**(3,673)**
Net assets	25,041	768
Excess of net fair value acquired over cost	(3,609)	
Total consideration	**21,432**	

The total cost of the combination was £21,432,000 and comprised the following:

	£'000
Cash	10,020
Deferred contingent cash consideration	5,000
Loan notes issued	6,000
Costs associated with the acquisition	412
Total	**21,432**

The excess of the fair value of the assets and liabilities acquired over the cost of £3,609,000 represents a bargain purchase and has been recognised in the income statement, shown as credit for business purchase.

The deferred contingent consideration is dependent upon planning permission for an extension to the runway and ancillary facilities.

Acquisition of Irish trailer operation

On 1 April 2008 the Group acquired certain parts of the business which was part of the Irish trailer operation of TDG. The consideration totalled £347,800 comprising cash of £250,000 and fees of £97,800. Limited disclosures have been made in respect of this acquisition due its immateriality.

13. Property, Plant and Equipment

Year to 28 February 2010	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Total £'000
Cost or valuation					
At 1 March 2009	132,707	18,800	4,245	86,689	242,441
Acquisition of subsidiaries	13,900	246	-	7	14,153
Additions	44,314	3,323	2,195	13,418	63,250
Disposals	(49,068)	(1,302)	(75)	(25,732)	(76,177)
At 28 February 2010	**141,853**	**21,067**	**6,365**	**74,382**	**243,667**
Aggregate depreciation and impairment losses					
At 1 March 2009	1,272	3,498	1,323	24,788	30,881
Charge for the period	1,077	2,254	912	11,425	15,668
Disposals	(201)	(520)	(1)	(13,065)	(13,787)
At 28 February 2010	**2,148**	**5,232**	**2,234**	**23,148**	**32,762**
Net book value at 28 February 2010	**139,705**	**15,835**	**4,131**	**51,234**	**210,905**

Year to 28 February 2009	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Total £'000
Cost or valuation					
At 1 March 2008	72,228	10,901	1,931	53,212	138,272
Acquisition of subsidiaries	43,453	5,330	940	13,807	63,530
Additions	17,518	2,751	1,387	33,044	54,700
Disposals	(152)	(182)	(13)	(13,374)	(13,721)
Revaluations	(340)	-	-	-	(340)
At 28 February 2009	**132,707**	**18,800**	**4,245**	**86,689**	**242,441**
Aggregate depreciation and impairment losses					
At 1 March 2008	338	1,456	738	24,542	27,074
Charge for the period	1,034	2,105	585	9,706	13,430
Disposals	(100)	(63)	-	(9,460)	(9,623)
At 28 February 2009	**1,272**	**3,498**	**1,323**	**24,788**	**30,811**
Net book value at 28 February 2009	**131,435**	**15,302**	**2,922**	**61,901**	**211,560**
Net book value at 29 February 2008	**71,890**	**9,445**	**1,193**	**28,670**	**111,198**

Certain land and buildings were acquired through the business acquisitions and were subject to independent valuations as part of the fair value exercise, or were acquired during the period at market value.

Bank borrowings are secured on the Group's freehold land and buildings.

Included in land and buildings at 28 February 2010 are assets under construction of £10.7m (2009: £7.5m).

The balance as at 1 January 2007 consisted only of land and buildings at Weston Point Docks in Runcorn, which were acquired through the acquisition of Westlink Group Limited in the year ended 31 December 2006. These properties were revalued by Knight Frank, an independent valuer, in prior periods and a revaluation uplift of £340,000 was recorded. Following the acquisition of the Eddie Stobart business in September 2007, the Group's policy is not to revalue operating land and buildings. Accordingly this revaluation surplus was reversed in the year to 28 February 2009.

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and are secured on the related assets:

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Total £'000
Cost	-	7,686	1,762	64,838	74,286
Aggregate deprecation	-	(1,699)	(203)	(16,758)	(18,660)
Net book value at 28 February 2010	**-**	**5,987**	**1,559**	**48,080**	**55,626**
Net book value at 28 February 2009	**-**	**3,689**	**66**	**55,573**	**59,328**

14. Intangible assets

	Goodwill	Brand names	Total
Cost			
At 1 March 2008	104,540	60,000	164,540
Acquisition of James Irlam & Sons Limited and Irlam Storage LLP	52,311	-	52,311
Acquisition of WA Developments	4,375	-	4,375
Acquisition of certain parts of the chilled and ambient operations of Innovate Logistics Limited	1,684	-	1,684
Acquisition of Irish trailer operation	348	-	348
At 28 February 2009	**163,258**	**60,000**	**223,258**
Acquisition of Stobart Air Limited	8,028	-	8,028
At 28 February 2010	**171,286**	**60,000**	**231,286**
Impairment			
At 1 March 2009 and 28 February 2010	**-**	**-**	**-**
Net book value			
At 1 March 2008	104,540	60,000	164,540
At 28 February 2009	163,258	60,000	223,258
At 28 February 2010	**171,286**	**60,000**	**231,286**

There are no internally generated intangible assets.

Brand names consist of the Eddie Stobart brand and other Stobart-associated brands. This brand name is considered to have an indefinite useful life as there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group. The Group invests significant amounts to support the brand profile and development.

Further details of the accounting for the acquisition in the year are set out in note 12.

Impairment testing of goodwill and intangible assets with indefinite lives

The goodwill and brands with indefinite lives from business combinations have been allocated to three cash-generating units. Carrying amounts of goodwill and brands with indefinite lives allocated to each cash generating unit are set out below:

	Eddie Stobart		Stobart Rail		Stobart Ports		Total	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Carrying amount of goodwill	141,642	133,614	4,375	4,375	25,269	25,269	171,286	163,258
Carrying amount of brands with indefinite useful lives	60,000	60,000	-	-	-	-	60,000	60,000

Eddie Stobart cash-generating unit

The recoverable amount of the goodwill in the Eddie Stobart cash-generating unit has been based on value in use calculations using projections from financial forecasts approved by senior management covering a 5-year (2009: 5 year) period. The main assumptions on which the forecasts were based include sales volumes and profit margins. The pre-tax discount rate applied to the cash flow projections is 7.3% (2009: 9.0%), taking in to account the cost of equity and debt for the CGU, and cash flows beyond the 5-year period are deemed to be in perpetuity but no growth (2009: nil) is assumed in the calculations after 5 years.

No impairment losses have been recognised in the period or the prior period. The calculation of the value in use is most sensitive to the discount rate and sales volumes. With regard to the assessment of value in the Eddie Stobart unit, management believes that no reasonably possible change in the discount rate or sales volumes would cause the carrying value of the unit to exceed its recoverable amount.

Stobart Rail cash-generating unit

The recoverable amount of the goodwill in the Stobart Rail cash-generating unit has been based on value in use calculations using projections from financial forecasts approved by senior management covering a 5-year (2009: 5 year) period. The main assumptions on which the forecasts were based include Network Rail work volumes. The pre-tax discount rate applied to the cash flow projections is 8.4% (9.9%), taking in to account the cost of equity and debt for the CGU, and cash flows beyond the 5-year period are deemed to be in perpetuity but no growth (2009: nil) is assumed in the calculations after 5 years.

No impairment losses have been recognised in the period or the prior period. The calculation of the value in use is most sensitive to the discount rate. With regard to the assessment of value in the Stobart Rail unit, management believes that no reasonably possible change in the discount rate would cause the carrying value of the unit to exceed its recoverable amount.

Stobart Ports cash-generating unit

The recoverable amount of the goodwill in the Stobart Ports cash-generating unit has been based on fair value less costs to sell calculations using estimated discounted cash flows after tax and direct selling costs. The calculations are based on projections from financial forecasts approved by senior management covering a 5-year (2009: 5 year) period. The main assumptions on which the forecasts were based include container volumes and profit margins. The discount rate applied to the cash flow projections is 6.2% (2009: 7.0%), based on the weighted average cost of capital of the division, and cash flows beyond the 5-year period are deemed to be in perpetuity with a growth rate of 6.0% following the expected development of the port.

No impairment losses have been recognised in the period or the prior period. The calculation of the value in use is most sensitive to the discount rate, growth rate and container volumes. The recoverable amount exceeds the carrying amount by a significant amount. In order for the recoverable amount to be equal to the carrying amount, the value of the discount rate would need to be increased by approximately 50% and the value of the growth rate would need to be reduced by approximately 65%.

15. Investment Property

Investment property in the prior year were carried at fair value and included in Assets Held for Sale, determined based on valuations performed by Knight Frank, an accredited independent valuer, as at 28 February 2009 on the basis of open market value, supported by market evidence. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms length transaction at the date of the valuation. The valuation was performed in accordance with the RICS Valuation Standards issued by the Royal Institution of Chartered Surveyors and is based on available market evidence. The Directors consider that there has been no material change to the valuation in the year based on an in-house review of the valuation.

	2010 £'000	2009 £'000
Opening Balance	**-**	**3,803**
Impairment charge in prior year	-	(1,803)
Reclassification to assets of disposal groups held for sale in the prior year	-	(2,000)
Reclassification from assets of disposal groups held for sale to investment property in the current year	2,000	-
Closing balance	**2,000**	**-**

In the prior year's financial statements the Debden property had been classified as held for sale and included in discontinued operations. In the current year the Debden property has been reclassified to Investment Properties in continuing operations as it is expected to be held for more than 12 months before disposal. The income statement and certain notes have been restated where appropriate in accordance with IFRS5.

At 28 February 2010, there were no restrictions on the realisability of investment property or remittance of income and proceeds of disposal (2009: none).

At 28 February 2010, contractual obligations to purchase investment property amounted to £ nil (2009: £ nil).

16. Investments in Subsidiary Companies

The financial statements include the financial statements of Stobart Group Limited and the principal subsidiaries listed in the following table:

Name of Subsidiary	Place of incorporation	Proportion of ordinary shares held directly	Proportion of ordinary shares held indirectly	Business Activity
Stobart Holdings Limited	England	100%		Holding company
Eddie Stobart Group Limited	England		100%	Contract logistics
Eddie Stobart Limited	England		100%	Contract logistics
Eddie Stobart Promotions Limited	England		100%	Corporate Merchandising
Eddie Stobart Belgium NV	Belgium		100%	Contract logistics
Eddie Stobart Insurance Limited	Isle of Man		100%	Insurance
Stobart (Ireland) Limited	Ireland		100%	Contract logistics
James Irlam & Sons Limited	England		100%	Contract logistics
Stobart Rail Limited	England	100%		Rail services
Victa Westlink Rail Limited	England		100%	Contract logistics
Westlink Group Limited	England	100%		Holding company
Inhoco 3185 Limited	England		100%	Holding company
Westlink Holdings Limited	England		100%	Property investment
Westlink Storage & Shipping Limited	England		100%	Contract logistics
AHC Westlink Limited	England		100%	Contract logistics
AHC (Isle of Man) Limited	Isle of Man		100%	Holding company
Marsh Maintenance Limited	England		100%	Property investment
O'Connor Group Management Limited	England		100%	Holding company
O'Connor Container Transport Limited	England		100%	Contract logistics
O'Connor Container Storage Limited	England		100%	Contract logistics
O'Connor Properties Limited	England		100%	Property investment
Stobart Airports Limited	England	100%		Holding company
London Southend Airport Company Limited	England		100%	Commercial airport
Stobart Air Limited	England		100%	Commercial airport
Stobart Properties Limited	England	100%		Trading company
SPD1 Limited	England		100%	Contract logistics
WPL Ventures Limited	Guernsey	100%		Holding company
WPL Investments Limited	Guernsey	100%		Holding company
Endeavour Guernsey Limited	Guernsey		100%	Property investment

17. Investments in Associates and Joint Ventures

	Year end	Issued Ordinary Shares of £1 each	Residence	Percentage of nominal value of issued shares or members' capital held
Ropewalks One LLP	30 September	n/a	UK	50%
One Plantation Place Unit Trust[1]	31 March	n/a	Jersey	22%
Westbury Fitness Limited	31 December	10,000	Guernsey	50%
Westbury Fitness Hull Limited	30 April	1	Isle of Man	50% (wholly owned by Westbury Fitness Limited)
Westar Limited	31 December	10,000	Guernsey	50%
Westar 2 Limited	31 December	10,000	Guernsey	50%
Burion Limited	31 December	2	Guernsey	50% (wholly owned by Westar Limited)
The Synergy Gateshead Unit Trust	31 December	n/a	Jersey	50% (wholly owned by Westar Limited and Burion Limited)
The Gateshead Unit Trust	31 December	n/a	Jersey	Wholly owned by The Synergy Gateshead Unit Trust
Endeavour Ware Limited[1]	31 December	10,000	Guernsey	47.5%
Endeavour Guildford Limited	31 December	2	Guernsey	50%
Weston Point Studios Limited	31 August	2	UK	50%
Convoy Limited	5 April	2	Isle of Man	50%
Starion Tottenham Court Road Limited	30 April	1	Isle of Man	50%

1 These entities are associates, all others are joint ventures.

The businesses of all of the above associates and joint ventures are property related businesses. The assets and liabilities of these businesses are classified as held for sale and they are classified as discontinued operations as they are all part of a co-ordinated plan to dispose of the property and related business operations. The property related assets are written down to nil in the statement of financial position. The Group has been unable to sell these assets in the last year due to the fall in the commercial property market but continues to look for opportunities to dispose of these assets on reasonable commercial terms. Disclosures in relation to discontinued operations are set out in note 6.

The above holdings are all held indirectly by Stobart Group Limited.

18. Inventories

	2010 £'000	2009 £'000
Consumable supplies	1,365	1,528
Goods held for resale	194	172
	1,559	**1,700**

19. Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables – net	60,687	55,658
Other receivables and prepayments	23,061	16,107
Corporation tax receivable	478	-
Loans to related parties	185	339
	84,411	**72,104**

All receivables are due within one year of the statement of financial position date. The majority of our receivables are current. The amount of receivables past due but not impaired, is not material.

A provision for £312,000 against a receivable amount has been made in the year after a customer, Jarvis plc, entered Administration after the year end. There were no other material provisions against receivables in the year or prior year.

Movement in the provision for doubtful debts	2010 £'000	2009 £'000
At 1 March	27	-
Impairment losses recognised on receivables	766	27
At 28 February	793	27

The analysis of trade receivables that were past due but not impaired was as follows:

	2010 £'000 Receivable	2010 £'000 Provision	2009 £'000 Receivable	2009 £'000 Provision
Current	54,358	-	51,083	-
1 month overdue	2,547	(355)	2,655	-
2 months overdue	3,457	-	1,853	(27)
3+ months overdue	1,118	(438)	94	-
	61,480	**(793)**	**55,685**	**(27)**

The standard period for credit sales is up to 30 days. The Group assess credit worthiness of all trade debts on an ongoing basis. New customers are subject to stringent credit checks.

20. Trade and other payables (current)

	2010 £'000	2009 £'000
Trade payables	29,227	26,364
Other taxes and social security	9,963	8,366
Other payables, accruals and deferred income	28,172	22,667
Government grants	234	162
Interest rate swap	1,608	-
Contingent consideration (note 12)	5,000	-
	74,204	**57,559**

21. Non-current payables

	2010 £'000	2009 £'000
Contingent consideration (note 12)	-	5,000
Other payables, accruals and deferred income	234	108
Government grants	2,280	1,483
Deferred lease liability	8,427	8,829
	10,941	**15,420**

22. 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**

The Income Shares are entitled to a fixed preferential distribution of 8% per annum, payable quarterly in arrears. The holders of the Income Shares had options to redeem at par or convert to Ordinary Shares or neither around 31 March 2010 and are therefore shown as due within one year. In April 2010, 789,058 Income Shares were redeemed for £1 each and 3,628,158 were converted into 3,098,440 Ordinary Shares. The holders of the remaining income shares are entitled to £1 of capital per income share ranking ahead of the ordinary shares in the event of a liquidation.

The obligations under finance leases and hire purchase contracts are taken out with various lenders at fixed interest rates prevailing at the inception of the contracts.

Interest is charged on the loan notes outstanding at the year end at a rate of LIBOR plus 8% until the amount is repaid in December 2010. The Group may repay loan notes early.

The variable rate borrowings comprised a term loan, two property loans, a revolving credit facility, and overdraft facilities. The revolving credit facility was fully repaid before the year end.

Interest is charged on the term loan and revolving credit facility based on a rate of LIBOR plus 1.5%. The term loan of £10.5m is to be partly repaid by £6,500,000 in 28 equal instalments payable quarterly commencing on 19 November 2007. A further £3,269,069 was repaid on 16 April 2010. In February 2013, the bank will obtain a valuation of the properties for which the term loan was used to finance and shall use such valuation to determine the timing of the loan repayments to maturity in August 2014. The loan will be repaid in full by 8 August 2014. The term loan may be prepaid (minimum £1m) by the Company by giving 10 business days' notice to the lender. There are certain financial covenants in the facility agreement.

Interest is charged on the property loans based on a rate of LIBOR plus 1.5%. The loans are repayable by equal quarterly instalments.

The overdraft facility is secured on working capital and bears interest at 1.5% above the Bank of England base rate.

The Group was in compliance with financial covenants throughout the year and the previous year.

£179,000 of the cash balance is included in the assets of disposal groups classified as held for sale. Cash included in continuing operations was £13,134,000.

The book value and fair values of financial assets and financial liabilities are as follows:

Continuing Operations 2010	Book value 2010 £'000	Fair value 2010 £'000
Financial assets		
Cash	13,134	13,134
Trade and other receivables	60,872	60,872
Financial liabilities		
Trade payables	29,227	29,227
Other payables	28,172	28,172
Overdrafts	26,436	26,436
Loans and borrowings	33,236	33,236
Finance leases and hire purchase arrangements	50,400	50,400
Interest rate swap	1,608	1,608

Continuing Operations 2009	Book value 2009 £'000	Fair value 2009 £'000
Financial assets		
Cash	7,251	7,251
Trade and other receivables	55,997	55,997
Financial liabilities		
Trade payables	26,364	26,364
Other payables	22,667	22,667
Overdrafts	16,572	16,572
Loans and borrowings	58,181	58,181
Finance leases and hire purchase arrangements	53,389	53,389

For trade and other receivables/payables with a remaining life of less than one year, the carrying amount is considered to reflect the fair value.

The fair values of loans and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorder fair value that are not based on observable market data.

Liabilities measured at fair value	28.02.2010 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swap	1,608	-	1,608	-

During the reporting period ending 28 February 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial instruments - Risk Management

The Group is exposed through its operations to the following financial risks:

> Credit risk
> Liquidity risk
> Fair value or cash flow interest rate risk
> Capital risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Bank overdrafts
- Floating-rate bank loans
- Finance leases
- Cash at bank
- Trade and other payables
- Income shares
- Loan notes

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and polices.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

All credit sales are made under Group payment and delivery terms and conditions and are mostly covered by insurance. All credit limits are formally set and are in agreement with the bank.

The recoverability of the net trade receivables book is considered highly likely. This is supported by the history of collection by the Group.

Interest rate risk

The Group is exposed to cash flow interest risk from long-term borrowings and cash at variable rates. It is Group policy that finance lease borrowings are taken at variable rates, previously these were fixed rates. There are loan facilities at variable rates. These borrowing policies are managed centrally. The Group has also used interest rate caps and collars to manage the risk of interest rate fluctuations though there are none in place at the year end. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

During 2010 and 2009, the Group's borrowings at variable rate were denominated in Pounds Sterling.

At 28 February 2010, if interest rates on Pounds Sterling denominated borrowings had been 100 basis points higher/lower with all other variables held constant, the annualised effect on the Group's profit before tax from continuing operations would be £571,000 (2009: £613,000). The impact on retained earnings, reflecting the after tax impact, would not be materially different.

During the year the Group has taken out an interest rate swap to manage its exposure to interest rate risk. The Group has chosen to hedge account for this swap under IAS 39.

Cash flow hedge

Financial instruments designated as cash flow hedges are held at fair value in the statement of financial position.

At 28 February 2010, the Group held an interest rate swap contract which was designated as hedges against a proportion of the interest cash flow payable in respect of its LIBOR floating rate borrowings.

The fair value of interest rate swap contracts at 28 February 2010 is £1,608,000 (2009: £ nil).

The interest rate hedges of the expected future interest cash flows was assessed to be highly effective and an unrealised loss of £1,608,000, with a deferred tax credit of £450,000 was included in other comprehensive income.

The principal amount of the swap was £28,825,000 at 28 February 2010 and reduces in equal quarterly installments of £175,000 to £25,500,000 by October 2014.

Capital management

The objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratios. Gearing based on net debt divided by capital was 31.7% at 28 February 2010 (2009: 43.2%). Gearing excluding fleet finance and financed fleet assets was 15.2% at 28 February 2010 (2009: 25.5%). The Group includes the following within borrowings; bank loans and overdrafts, finance leases and hire purchase contracts, income shares and loan notes. Capital comprises equity attributable to the equity holders of the parent.

The Group uses share capital to partly fund major acquisitions where considered appropriate.

The Group is not subject to any externally imposed capital restraints.

Dividends are payable out of distributable profits after considering the forecast funding requirements and headroom.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. See also the maturity profile of loans and borrowings below.

The Group prepares rolling weekly 3-month cash flow projections and daily cash forecasts for the following week. Actual cash and debt positions along with available facilities and headroom are reported weekly. Working capital levels including analyses of receivables and payables profiles are reported by Division weekly. These are monitored by Group management. For the largest part of the business, cash is monitored against forecast and reported to Group management on a daily basis.

In addition, full annual 5-year forecasts are prepared including cash flow and headroom forecasts. These are full detailed forecasts built up by Division and consolidated for the Group.

The financial statements have been prepared using the going concern basis as the financial forecasts support the assumption that the Group will be able to meet its obligations when they fall due.

The table below summarises the maturity analysis of loans and borrowings at 28 February 2010 based on contractual undiscounted payments:

	< 1 year £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Period to 28 February 2010				
Loans and borrowings	49,273	7,913	4,743	61,929
Finance lease borrowings	20,818	32,307	-	53,125
Trade payables	29,227	-	-	29,227
Other payables	28,172	-	-	28,172
Interest rate swap	1,608	-	-	1,608
	129,098	**40,220**	**4,743**	**174,061**
Period to 28 February 2009				
Loans and borrowings	20,061	53,288	5,545	78,894
Finance lease borrowings	19,482	37,905	-	57,387
Trade payables	26,364	-	-	26,364
Other payables	22,667	-	-	22,667
	88,574	**91,193**	**5,545**	**185,312**

23. Share-based payments

	2010 £'000	2009 £'000
Expenses arising from equity-settled share based payment transactions:		
Share options	118	115
Long term incentive plan	2,144	650
Cash settled employer's National Insurance charge on options under long term incentive plan that have vested	251	-
Total expense arising from share-based payment transactions	**2,513**	**765**

Of the share based payment charge above, £ nil (2009: £33,000) is included in restructuring costs, £9,000 (2009: £16,000) is included in discontinued activities, £1,758,000 (2009: nil) has been deducted in arriving at the net profit on disposal of the Widnes assets as directly related to that disposal (see note 3) and £746,000 (2009: £716,000) is included on the face of the income statement as share based payments on underlying operating profit.

The share-based payment plans are described below.

Share options

On 21 September 2007 1,504,120 options over the 10p ordinary shares were granted with an exercise price of £1.66 each. The options vest over a 3 year period and there are no performance conditions attached. These options lapse in September 2017.

Incentive Plan

On 10 March 2008, 2.84m share options were granted to Directors and management under the Stobart Executive Equity Incentive Plan (SEEIP). The exercise price of the options is nil.

On 3 July 2008 2.25m share options were granted to Directors and management under the Stobart Executive Equity Incentive Plan (SEEIP). The exercise price of the options is nil.

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

The Incentive Plan is designed to provide incentives to key employees of the Group who are selected to participate by the Group's remuneration committee. Participants will be allocated units, each of which will represent one 10p ordinary share and will vest on the third anniversary of the date of grant. Fifty, forty and forty percent of the units granted 10 March 2008, 3 July 2008 and 20 August 2009 respectively will vest subject to the total shareholder return ("TSR") of the Group measured over a three year performance period from the date of grant relative to a comparator group. Fifty, sixty and sixty percent of the units granted 10 March 2008, 3 July 2008 and 20 August 2009 respectively will vest subject to the achievement of a specified increase in the Company's earnings per share ("EPS") over two, three and three consecutive financial years respectively starting in the year in which the grant is made.

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

During the year, 1,420,000 of the March 2008 options became fully vested and are exercisable at the year end.

The options under the Incentive Plan have no lapse date.

Movements in the period

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the period:

	2010 No.'000	2010 WAEP	2009 No.'000	2009 WAEP
Outstanding at 1 March	6,594	0.38	1,504	£1.66
Granted during the period	2,388	£ nil	5,090	£ nil
Outstanding at 28 February	**8,982**	**£0.28**	**6,594**	**£0.37**
Exercisable at 28 February	**1,420**		**-**	

The following table lists the inputs to the models used for the periods ended 28 February 2010 and 28 February 2009.

2009 Share options	SEEIP options subject to TSR	SEEIP options subject to EPS
Dividend yield (%)	5.7	5.7
Expected volatility (%)	23	23
Risk-free interest rate (%)	1.82	1.82
Expected life of options (years)	3	3
Weighted average share price (£)	1.13	1.13
Model used	Monte Carlo	Black-Scholes

2008 Share options	SEEIP options subject to TSR	SEEIP options subject to EPS
Dividend yield (%)	6.0	6.0
Expected volatility (%)	35	35
Risk-free interest rate (%)	4.0	4.0
Expected life of options (years)	3	2-3
Weighted average share price (£)	1.21	1.17
Model used	Monte Carlo	Black-Scholes

2007 Share options	Share options
Dividend yield (%)	5.4
Expected volatility (%)	30
Risk-free interest rate (%)	4.9
Expected life of options (years)	3
Weighted average share price (£)	1.66
Model used	Black-Scholes

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The weighted average fair value, at date of grant, of the share options granted in the year is 72p (2009: 81.5p).

24. Deferred tax

Deferred income tax liabilities	2010 £'000	2009 £'000
Accelerated allowances on plant and machinery	4,647	4,037
Rollover relief	-	-
Revaluation of properties to fair value on acquisition	18,224	15,439
Brands recognised on acquisition	16,800	16,800
Other temporary differences	(5,428)	(2,007)
	34,243	**34,269**

Deferred tax assets have been recognised in respect of certain tax losses and other temporary differences giving rise to deferred tax assets because it is probable that the assets will be recovered.

Deferred tax totalling £8,420,537 has not been provided on trading losses carried forward in the Group on the basis that it is unlikely they will be relievable against chargeable profits in future.

25. Issued share capital and reserves

	2010 £'000	2009 £'000
Authorised share capital – Ordinary Shares		
Authorised – 300,000,000 (2009: 300,000,000) shares of 10p each	30,000	30,000
	£	**£**
Authorised share capital – Deferred Shares		
Authorised – 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 4 April 2008, 65,367,494 ordinary shares were issued in relation to the acquisition of the Irlam business and Stobart Rail Ltd. Of these, 7,692,306 ordinary shares were issued as consideration to the vendors. The remaining shares were issued for cash.

On 5 December 2008, 15,753,525 ordinary shares were issued in relation to the acquisition of London Southend Airport.

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.

Voting Rights

Ordinary shareholders are entitled to vote at all general meetings.

The Deferred Shares have no voting rights.

Capital Entitlement

The ordinary shareholders are entitled to all capital once the holders of Income Shares have been paid their entitlement of £1 of capital per Income Share. The deferred shareholders are entitled to the repayment of the amounts paid up on the Deferred Shares after payment in respect of each Ordinary Share and £1m.

Nature and purpose of other reserves

Own shares held by EBT: This comprises the weighted average cost of own shares held by the employee benefit trust.

Foreign currency exchange reserve: Gains/losses arising on retranslating the net assets of overseas operations into Sterling.

Hedge reserve: The hedge reserve is used to record the effect of a cash flow hedge.

26. Lease commitments

Group as lessee

The Group has operating lease agreements for land and buildings, used primarily for the provision of warehousing facilities to customers and as vehicle depot locations, and in respect of the Group's transport vehicle and trailer fleet. These leases typically have terms of renewal but do not contain purchase options. Property leases typically include rent review clauses which allow for upward revision to the rental charge on a periodic basis, according to prevailing market conditions. Where escalation clauses are present that stipulate specific increases to the rental amount the operating lease expense is recorded on a straight-line basis. Similarly, lease incentives are recorded on a straight-line basis.

At the statement of financial position date, the Group had outstanding commitments for future minimum payments under non-cancellable operating leases, which fall due as follows:

	Property 2010 £'000	Vehicles, plant and equipment 2010 £'000	Property 2009 £'000	Vehicles, plant and equipment 2009 £'000
Within one year	15,866	20,433	13,826	12,834
After one year but not more than five years	55,460	12,329	47,264	26,306
More than five years	75,636	597	60,491	43
	146,962	**33,359**	**121,581**	**39,183**

Group as lessor

The Group has entered into commercial property leases on certain of its properties. These non-cancellable leases have remaining terms of between 1 and 30 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2010 £'000	2009 £'000
Within one year	2,709	4,280
After one year but not more than five years	4,522	10,799
More than five years	8,496	581
	15,727	**15,660**

Finance lease and hire purchase commitments:

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	Min. lease payments 2010 £'000	Interest 2010 £'000	Principal 2010 £'000	Min. lease payments 2009 £'000	Interest 2009 £'000	Principal 2009 £'000
Within one year	20,818	(1,927)	18,891	19,482	(1,676)	17,806
After one year but not more than five years	32,307	(798)	31,509	37,905	(2,322)	35,583
	53,125	**(2,725)**	**50,400**	**57,387**	**(3,998)**	**53,389**

Capital commitments:

At 28 February 2010, the Group had commitments of £23,956,091 (2009 - £9,832,159).

27. Notes to the consolidated cash flow statement

Cash generated from operations	Notes	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	6	(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	13	15,668	13,430
Investment income	7	(928)	(650)
Interest expense	8	6,621	8,475
Amortisation of income share issue costs		29	29
Credit for business purchase	12	-	(3,609)
Share option charge – excluding amounts included above within Realised profit on sale of property, plant and equipment	23	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**

28. Related Parties

Relationships of Common Control or Significant Influence

Stobart Rail Limited (formerly WA Developments Limited) was owned by A Tinkler and W Stobart who are significant shareholders and Directors of Stobart Group. On 4 April 2008, WA Developments Limited was acquired by the Group for £10m (see note 12).

WA Developments International Limited is owned by A Tinkler and W Stobart. The Group made purchases totaling £167,000 (2009: £375,000) from and sales totaling (£69,000) (2009: £665,000) to WA Developments International Limited. £152,000 (2009: £624,000) was due from and £135,000 (2009: £9,000) was due to WA Developments International Limited at the year end.

Stobart Air Limited was a subsidiary of WA Developments International Limited. On 30 May 2009, Stobart Air Limited was acquired by the Group for £9.9m (see note 12). During the period prior to acquisition, the Group made sales of £5,000 (2009: £436,000) to Stobart Air Limited of which £ nil (2009: £ nil) was outstanding owed to the Group at the year end.

WA Developments International GMBH is a subsidiary of WA Developments International Limited. During the year, the Group made sales of £33,000 (2009: £174,000) to WA Developments International GMBH of which £33,000 (2009: £ nil) was outstanding owed to the Group at the year end.

Moneypenny Limited is a subsidiary of WA Developments International Limited. During the year, the Group made purchases of £250,000 (2009: £232,000) from Moneypenny Limited of which £ nil (2009: £29,000) was outstanding owed by the Group at the year end.

AstSigns Limited is 27% owned by W Stobart. During the year, the Group made purchases of £349,000 (2009: £297,000) from AstSigns Limited of which £28,000 (2009: £4,000) was outstanding owed by the Group at the year end.

STA (2006) LLP is a joint venture of WA Developments International Limited. During the year the Group made sales of £9,000 (2009: £ nil) to STA (2006) LLP of which £9,000 (2009: £ nil) was outstanding owed to the Group at the year end.

Associates and Joint Ventures

The Group had loans outstanding from its joint venture interest, Starion Tottenham Court Road Limited of £2,053,000 (2009: £2,053,000) at the year end of which £2,053,000 (2009: £2,053,000) has been provided for.

The Group had loans due to its joint venture interest, Ropewalks One LLP of £33,190 (2009: £512,000 due from Ropewalks One LLP) at the year end.

The Group received a dividend of £ nil (2009: £490,000) from Endeavour Guildford Limited, £ nil (2009: £384,000) from Endeavor Ware Limited and £256,000 (2009: £125,000) from Westbury Fitness Hull Limited. The Group had loans outstanding from Endeavour Guildford Limited of £ nil at the year end (2009: £ nil).

There were no other transactions between the Group and the joint ventures and associates during the year ended 28 February 2010 and the year ended 28 February 2009.

Key Management Personnel

Key management personnel are the Executive and Non-Executive Directors whose remuneration is set out in the Directors' Remuneration Report.

During the year, A Tinkler made purchases of £97,000 (2009: £69,000), of which £166,000 (2009: £69,000) was outstanding owed to the Group at the year end. This was at an arms length rate.

29. Post Balance Sheet Events

On 24 March 2010 Stobart Group Limited acquired a controlling interest in the newly formed Stobart Biomass Products Limited for £30m being half in shares and half in cash.

Independent Auditor's Report

To the Members of Stobart Group Limited

We have audited the Company Financial Statements of Stobart Group Limited for the year ended 28 February 2010 which comprise the Income Statement, the Statement of Comprehensive Income, The Statement of Financial Position, the Statement of Changes In Equity, the Cash Flow Statement and the related notes A to L. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements.

Opinion on financial statements

In our opinion the Group Financial Statements:

> Give a true and fair view of the state of the company's affairs as at 28 February 2010 and of its profit for the year then ended;

> Have been properly prepared in accordance with IFRSs as adopted by the European Union; and

> Have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where:

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

> Proper accounting records have not been kept by the Company;

> The Company's accounts are not in agreement with the accounting records; or

> We have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group Financial Statements of Stobart Group Limited for the year ended 28 February 2010.

Stuart Watson
For and on behalf of Ernst & Young LLP, Manchester

12 May 2010

Stobart Group Limited Company Income Statement

For the year to 28 February 2010

	Notes	Year to 28.02.2010 £'000	Year to 28.02.2009 £'000
- Impairment of investment in subsidiary	G	-	(37,579)
- Impairment of loans to subsidiary	H	(1,400)	(21,646)
- Administrative expenses	B	(4,546)	(2,314)
(Loss) before taxation and interest		**(5,946)**	**(61,539)**
Finance costs	C	(1,264)	(603)
Finance income	D	413	344
Dividends received from Group companies		39,903	-
Profit / (Loss) before tax		**33,106**	**(61,798)**
Income tax	E	(150)	200
Profit / (Loss) for the year		**32,956**	**(61,598)**

Stobart Group Limited Company Statement of Comprehensive Income for the year ended 28 February 2010

The Company has no other comprehensive income to report for the year. (2009: £ nil).

The total comprehensive income recognised for the year is the profit for the year of £32,956,000 (2009: Loss of £61,598,000).

Stobart Group Limited Company Statement of Financial Position

As at 28 February 2010

	Notes	28.02.2010 £'000	28.02.2009 £'000
Non-current Assets			
Investments in subsidiaries	G	233,921	221,979
Loans to subsidiaries	H	74,917	69,999
Property, plant and equipment	I	1,677	634
Total non-current assets		310,515	292,612
Current Assets			
Other receivables		1,732	1,019
Cash and cash equivalents		8,299	2,968
Total current assets		10,031	3,987
Total Assets		**320,546**	**296,599**
Non-current Liabilities			
Loans and borrowings	J	235	11,240
Total non-current liabilities		235	11,240
Current Liabilities			
Loans and borrowings	J	16,947	449
Other payables	K	11,316	24,432
Total current liabilities		28,263	24,881
Total Liabilities		**28,498**	**36,121**
Total Net Assets		**292,048**	**260,478**
Capital and reserves attributable to equity holders of the Company			
Issued share capital	25	25,079	24,175
Share premium	25	164,255	155,805
Retained earnings		102,714	80,498
Total Equity		**292,048**	**260,478**

The financial statements on pages 91 to 99 were approved at a meeting of the Board of Directors held on 12 May 2010 and signed on its behalf by:

Rodney Baker-Bates, Chairman

Ben Whawell, Director

Company Statement of Changes in Equity

For the year ended 28 February 2010

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 1 March 2009	**24,175**	**155,805**	**80,498**	**260,478**
Profit attributable to equity holders	-	-	32,956	32,956
Total comprehensive income for the year	-	-	32,956	32,956
Share based payment	-	-	2,253	2,253
Proceeds on share issue	904	8,703	-	9,607
Share issue costs	-	(253)	-	(253)
Dividends on Ordinary Shares	-	-	(12,993)	(12,993)
Balance at 28 February 2010	**25,079**	**164,255**	**102,714**	**292,048**

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 1 March 2008	**16,063**	**70,535**	**155,946**	**242,544**
Loss attributable to equity holders	-	-	(61,598)	(61,598)
Total comprehensive income for the year	-	-	(61,598)	(61,598)
Share based payment	-	-	765	765
Proceeds on share issue	8,112	88,366	-	96,478
Share issue costs	-	(3,096)	-	(3,096)
Dividends on Ordinary Shares	-	-	(14,615)	(14,615)
Balance at 28 February 2009	**24,175**	**155,805**	**80,498**	**260,478**

The notes (identified alphabetically) are an integral part of these separate financial statements.
Where the same items appear in the Group Financial Statements, reference is made to the notes (identified numerically).

Company Cash Flow Statement

For the year ended 28 February 2010

	Notes	28.02.2010 £'000	28.02.2009 £'000
Cash flows from operating activities			
Profit / (Loss) before taxation		**33,106**	**(61,798)**
Adjustments for:			
Depreciation of property, plant and equipment		270	32
Investment income		(413)	(344)
Interest expense		1,235	574
Amortisation of income share issue costs		29	29
Share based payment		190	249
Impairment of investment in subsidiary		1,400	59,225
		35,817	(2,033)
(Increase)/decrease in other receivables		(51)	79
(Decrease)/increase in payables		(630)	562
Cash generated from operations		**35,136**	**(1,392)**
Cash flows from investing activities			
Purchase of investments		-	(68,420)
Purchase of property, plant and equipment		(1,313)	(645)
Repayment of loans advanced (from) / to subsidiaries		(19,824)	4,132
Bank and other interest received		413	344
Interest paid		(1,299)	(454)
Net cash flows from investing activities		**(22,023)**	**(65,043)**
Financing activities			
Issue of Ordinary Shares		-	86,478
Issue costs paid on issuance of Ordinary Shares		(253)	(3,096)
Dividends paid on Ordinary Shares		(12,993)	(14,615)
Proceeds from new finance leases		1,290	577
Repayment of finance leases		(826)	(128)
Draw down of loan		5,000	-
Net cash flows from financing activities		**(7,782)**	**69,216**
Increase/(decrease) in cash and cash equivalents		**5,331**	**2,781**
Cash and cash equivalents at 1 March		2,968	187
Cash and cash equivalents at 28 February		**8,299**	**2,968**

A Accounting policies of Stobart Group Limited

Basis of preparation

The separate 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 European Union ("adopted IFRSs").

The separate financial statements are presented in Pounds Sterling (GBP) and all values are rounded to the nearest thousand (£'000) except where otherwise stated.

The accounting policies that are used in the preparation of these separate financials statements are consistent with accounting policies used in the preparation of the consolidated financial statements of Stobart Group Limited as set out in the consolidated financial statements. The Company's accounting policies are set out in note 1 of the Group financial statements.

The additional accounting policies that are specific to the separate financial statements of the Company are set out below.

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

Judgements, estimates and assumptions

Investment in subsidiaries

Investments in subsidiary undertakings are stated at cost less any provision for impairment. Where the recoverable amount is less than the carrying amount, an impairment is recognised.

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 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.

B Administrative Expenses

	2010 £'000	2009 £'000
Other expenses comprise the following:		
- Management charge to subsidiary companies	(292)	(40)
- Other expenses	4,591	1,468
- Share based payment	190	765
- Auditor remuneration – Audit of financial statements	50	99
- Tax consultancy fees	7	22
	4,546	**2,314**

C Finance Costs

	2010 £'000	2009 £'000
Bank loans and loan notes:		
Interest payable	813	152
Income Shares:		
Distributions paid	422	422
Amortisation of issue costs	29	29
	1,264	**603**

D Finance Income

	2010 £'000	2009 £'000
Finance income comprises the following:		
- Interest receivable from subsidiary companies	393	299
- Bank and other interest	20	45
	413	**344**

E Taxation

Taxation on profit on ordinary activities

	2010 £'000	2009 £'000
Current tax:		
UK corporation tax	-	-
Guernsey tax	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	150	(200)
Total deferred tax	150	(200)
Total charge / (credit) in the income statement	**150**	**(200)**

Reconciliation of income taxation charge

A reconciliation of the income tax charge applicable to the results from ordinary activities at the statutory income tax rate to income tax for the year is as follows:

	2010 £'000	2009 £'000
Profit / (loss) before taxation	33,106	(61,798)
UK income tax rate at 28% (2009: 28%)	9,270	(17,303)
Effects of:		
Income not taxable including dividends received from group companies	(11,173)	-
Group relief surrendered for nil consideration	1,661	720
Expenses incurred not relievable against current tax and other differences	392	16,383
	150	**(200)**

The deferred tax included in the statement of financial position is as follows:

	2010 £'000	2009 £'000
Included in other receivables	50	200

	2010 £'000	2009 £'000
Accelerated allowances on plant and machinery	(150)	-
Other temporary differences	200	200
	50	**200**

F Dividends

See note 11 of the Group financial statements.

G Investments in Subsidiary Companies

	2010 £'000	2009 £'000
WPL Ventures Limited	130	130
WPL Investments Limited	37,579	37,579
Westlink Group Limited	2,665	1,092
Stobart Holdings Limited	131,629	131,344
James Irlam & Sons Limited	57,570	57,570
Stobart Rail Limited	10,606	10,411
Stobart Airports Limited	21,432	21,432
Stobart Air Limited	9,889	-
Less provision for impairment	(37,579)	(37,579)
	233,921	**221,979**

Cost or valuation	**2010 £'000**	**2009 £'000**
At 1 March 2009	259,558	169,622
Additions	9,879	89,420
Share based payment	2,063	516
At 28 February 2010	271,500	259,558

	2010 £'000	**2009 £'000**
Amounts provided:		
At 1 March 2009	(37,579)	-
Provision for impairment	-	(37,579)
At 28 February 2010	(37,579)	(37,579)
Net book value at 28 February 2010 and 28 February 2009	**233,921**	**221,979**
Net book value at 28 February 2009 and 1 March 2008	**221,979**	**169,622**

A table listing all the subsidiaries owned by the Company is set out in note 16.

H Non current loans to Subsidiaries

	2010 £'000	2009 £'000
Westlink Group Limited	31,730	39,781
Westlink Holdings Limited	22,976	22,976
WPL Investments Limited	24,091	23,646
WPL Ventures Limited	552	1,013
Eddie Stobart Group Limited	6,181	5,309
Stobart Properties Limited	31	61
O'Connor Transport Limited	-	3
SPD1 Limited	147	-
Stobart Rail Limited	8,047	-
London Southend Airport Company Limited	5,708	356
Less provision for impairment	(24,546)	(23,146)
	74,917	**69,999**

As at 28 February 2010 and 28 February 2009 none of the amounts included above were past due.

Movements in the provision for impairment are as follows:	**2010 £'000**	**2009 £'000**
At 1 March	23,146	1,500
Amounts written off	1,400	21,646
At 28 February 2010	**24,546**	**23,146**

Interest charged for the year, included within the loan balances, amounted to £393,361 (2009: £298,835). Interest is charged on the loans at base rate plus a margin between 2% and 3% (2009: between 2% and 3%).

I Property, plant and equipment

	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Total £'000
Cost			
At 1 March 2008	-	21	21
Additions	634	11	645
At 28 February 2009	634	32	666
Additions	1,286	27	1,313
At 28 February 2010	**1,920**	**59**	**1,979**
Aggregate depreciation and impairment losses			
At 1 March 2009	-	-	-
Charge	9	23	32
At 28 February 2010	9	23	32
Charge	241	29	270
At 28 February 2010	**250**	**52**	**302**
Net book amount at 28 February 2010	**1,670**	**7**	**1,677**
Net book amount at 28 February 2009	**625**	**9**	**634**

J Loans and borrowings

	Interest Rate	2010 £'000	2009 £'000
Non-current			
Fixed rate borrowings			
- Loan notes	8%	-	6,000
- Income shares	8%	-	5,240
- Obligations under finance leases and hire purchase contracts	Various	235	-
		235	**11,240**
Current			
Fixed rate borrowings			
- Loan notes	8%	6,000	-
- Bank loans	Various	5,000	-
- Income shares	8%	5,269	-
- Obligations under finance leases and hire purchase contracts	Various	678	449
		16,947	**449**

Income shares

The Income Shares are entitled to a fixed preferential distribution of 8% per annum, payable quarterly in arrears. The holders of the Income Shares had options to redeem at par or convert to Ordinary Shares or neither around 31 March 2010. In April 2010, 789,058 Income Shares were redeemed for £1 each and 3,628,158 were converted into 3,098,440 Ordinary Shares. The holders of the remaining income shares are entitled to £1 of capital per income share ranking ahead of the ordinary shares in the event of a liquidation.

The obligations under finance leases and hire purchase contracts are taken out with various lenders at fixed interest rates prevailing at the inception of the contracts.

Interest is charged on the loan notes outstanding at the year end at a rate of LIBOR plus 8%, until the amount is repaid in December 2010. The Group may repay loan notes early.

Stobart Group Limited
Isabelle Chambers, Route Isabelle, St Peter Port
Guernsey, Channel Islands GY1 3TX.

www.stobartgroup.com

Registered in Guernsey, registered number 39117.

Printed on environmentally friendly paper.