17 May 2012

Stobart Group Limited
("Stobart" or "the Group")

Unaudited Preliminary Results for the year ended 29 February 2012

Financial Highlights

- Group revenue was £551.9m (2011: £500.4m)
- Underlying profit before tax* was £35.2m (2011: £34.5m)
- Profit before tax increased to £30.5m (2011: £29.5m)
- Earnings per share** were 9.0p (2011: 9.0p)
- Final dividend of 4.0p (2011: 4.0p) per share payable on 6 July 2012, making a total for the year of 6.0p (2011: 6.0p)
- Cash generated from operations more than doubled to £57.6m (2011: £27.7m)
- Strengthened balance sheet with net assets of £472.7m (2011: £331.7m) with gearing down to 35.1% (29.0% excluding fleet financing) compared to 47.1% in 2011 (33.5% excluding fleet financing).
- Raised £114.5m (net) to further develop Group's Estates division

* *Underlying profit before tax comprises the underlying operating profit of £40.0m (2011: £39.6m) less share based payments of £0.4m (2011: £0.5m) less finance costs of £6.4m (2011: £5.5m) plus finance income of £2m (2011: £0.9m).*
***Earnings per share is based on profit after tax and an actual tax charge of 4.4%.*

Operational Highlights

- New 5-division operating structure working well
- In Stobart Air, the first and main phase of a redeveloped London Southend Airport completed. Two major airlines now operating to 13 European destinations; the Dublin route enables passengers to pre-clear US immigration; plus up to 8 trains per hour operating between the new airport railway station and central London
- Solid contribution from a fast growing Biomass division following the acquisition of the remaining 50% of Stobart Biomass Products in the first quarter
- In Stobart Transport & Distribution, performance reflected very challenging market conditions. Information systems strengthened to protect profitability and margins, and assist restructuring programmes
- Excellent contribution from Stobart Estates, plus acquisition of WADI Properties Limited (including the Moneypenny portfolio)
- Stobart Infrastructure & Civil Engineering more than doubled its profit contribution.

Andrew Tinkler, Chief Executive Officer, commented:

"Over the last year, we have taken a number of major initiatives across the Group which have created the asset base, structure and operational platform to drive up performance and shareholder value in line with our four-year plan.

"Each of the Group's divisions has good growth potential. As we enter the second year of our plan we are confident that the changes we are implementing will deliver enhanced value across the Group."

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Chairman's Statement

This year saw the benefits we expected from both our revised plan and new corporate structure start to come through. We completed the majority of the development at London Southend Airport for our Air division and our growing Biomass business made a useful first time contribution. New operating efficiencies within the Transport & Distribution division were implemented in a difficult trading environment. The Group's Estates division closed a significant acquisition and Infrastructure & Civil Engineering continues to perform well.

May 2011 also saw the business raise £114.5m net through a Placing for investment in support of our four year plan.

Performance

Group turnover rose from £500.4m to £551.9m and underlying profit before tax was £35.2m compared to £34.5m in the previous year. Group profit before tax rose from £29.5m to £30.5m, despite very challenging market conditions.

The Air division made a small loss as we completed the investment in the new facilities at London Southend Airport. Stobart Biomass grew strongly during the year, making a maiden underlying profit contribution of £1.2m. In Transport & Distribution, underlying pre-tax profits fell from £34.2m to £27.4m, as customers were affected by recessionary headwinds. Nevertheless, improved fleet utilisation and greater operational efficiencies from the introduction of new information systems saw an improvement in margins. The Estates division made an important normalised pre-tax profit contribution of £12.4m. Finally, the Infrastructure & Civil Engineering division more than doubled its normalised profit contribution to £4.4m.

Dividend

The Group continues to maintain a dividend policy that balances both growth in earnings and the investment needs of the business. An interim dividend of 2.0p was paid on 9 December 2011. The board is proposing a final dividend of 4.0p per ordinary share, for a total dividend for the year of 6.0p, in line with previous years. The final dividend will be paid to shareholders on 6 July 2012.

Outlook

In May 2011 the Group embarked on a four year plan to realise substantial shareholder value. Our new business structure has settled down well and each division has excellent growth prospects, despite the continuing economic uncertainty.
There is a high level of interaction between the divisions which is aiding this growth. The new information systems now embedded in the Transport & Distribution division are also being deployed in the other divisions to extract further cost benefits and efficiencies.

Our management team is highly motivated and closely focussed on achieving the four year plan outlined in May last year. We remain a dynamic company and our strong, experienced team is ever-ready to spot and capitalise on opportunities as they arise, ensuring we are fully capable of generating growing returns for shareholders in 2012 and beyond.

Rodney Baker-Bates

Chief Executive's Report

2012 has been a key year for us in the delivery of the strategy outlined in our capital raising in May 2011 and I am pleased to report that we remain on track. In a challenging economic climate, we have shown the commitment of our people, our ability to design and introduce the right systems and services for our customers and, above all, our ability to remain focused on our long-term objectives.

The Placing and Open Offer of May 2011 has enabled us to invest across the Group both to develop the asset portfolio and enhance the value of existing assets. Key amongst these investments is the development that we have been able to deliver at London Southend Airport. The latest phase of the redeveloped, refurbished and relaunched airport, arguably the jewel in the Stobart crown this year, has been completed in time for the Olympics and within budget.

Stobart Air

Last year it was a plan and this year it is reality. We have opened a new control tower, railway station, passenger terminal and runway. We have also announced our ten-year partnership with easyJet, which combined with our flying programme with Aer Lingus Regional, will see around one million passengers fly through the airport over the coming year.

The airport now serves thirteen European destinations and with a direct, frequent rail service to the Olympic Park and Liverpool Street, the airport is ahead of programme and set for a very strong year ahead. Significantly, this key asset is now valued at around £115m which reflects the capital investment. Future value is expected to be significantly in excess of this valuation when we hit our targets in three years' time. It was interesting to note the recent activity in the sector, with the sale of Edinburgh Airport, which confirms our view of the potential value in airport assets.

Stobart Biomass

The Biomass division is now in sole Stobart ownership and control. The acquisition of the remaining 50% coincided with the Placing. The synergies between source of supply and our transport and planning network and expertise have strengthened our unique position in the biomass fuel supply market place as a major biomass fuels supplier. We deliver consistently, frequently and reliably to customers, enabling them to plan their plants and output with confidence.

Stobart Transport & Distribution

Transport & Distribution is currently our largest operating division. We have invested significant time in developing and implementing our Time Based Planning system, building on our commitment to eliminate inefficiencies and drive operational benefits for Stobart and our customers. This has not only created greater efficiencies in our planning, but has enabled us to scrutinise in fine detail how our overall system is working from planner, to vehicle, driver and customer, and results in greater utilisation of our fleet.

The Group remains alert for opportunities to work with customers to develop modal shift projects enabling them to both reduce their carbon emissions and look at more sustainable transport options. The recommencement of the Valencia rail service this year – with significantly improved volumes – again highlights our position in the market place as a responsible logistics provider who is able to match environmental considerations with commercial solutions.

We have increased profitability for our customers through splitting the business into clear profit-responsible units. This level of detailed knowledge enables us to reduce logistics costs for our customers through working in close partnership with them, allowing us to drive up both performance levels and customer service. Our proactive response to customer demands allows us to continue to perform resiliently in tough market conditions.

This information led to the decision to carry out a large scale restructure of the ambient transport network with the closure of a large site in Leeds.

In addition, we have now commenced restructuring of our chilled transport operation. This will potentially involve the closure of two existing sites and transfer of operations to a new site at Magna Park in Lutterworth. This is expected to lead to a significant saving in mileage and reduction in vehicles, drivers and site staff required to service the existing work. We estimate that the one-off costs of site closures and new site set-up costs will be in the region of £2.9m and fall in the financial year to 28 February 2013. This restructuring should lead to ongoing cost savings of approximately £1.5m per annum.

Stobart Estates

Through the Placing, our Estates division was able to finance the acquisition of WADI Properties Limited. This comprises the 'Moneypenny' portfolio of 18 commercial properties including retail, offices and industrial assets. We are investing in some of these assets to achieve attractive returns over the medium term. During the first few months following acquisition, Asset Managers were appointed and strategic plans agreed for each individual property. This led to the immediate success in obtaining a residential planning consent for a property at Soho Square in London.

In addition, the strategic acquisition of a 275,000 sq.ft warehouse at Magna Park during the year enabled our Warehousing division to attract significant new business and also provide our Chilled division with a superb new 50,000 sq.ft facility within the building.

The final Estates investment which the Placing enabled is a 145,000 sq.ft warehouse facility at Appleton Thorn which is adjacent to our existing 10 acre transport and office location.

Although a relatively new division in the Stobart Group structure, Estates has already shown strong performance in identifying key operational assets for acquisition. Estates has also already made good progress in realising value and returns for the Group.

Infrastructure & Civil Engineering

The ability of the Group's Infrastructure & Civil Engineering division to deliver the required development on the Magna Park site – and on other Estates developments – brings another synergy to this area of our business. This division's work has also enabled the transformation of London Southend Airport through the design, management and construction of the runway extension and upgrade. Alongside this, the division delivered the necessary road diversion, new terminal and stands at the airport.

The role of Infrastructure & Civil Engineering within the Group is all about enabling us to develop sites and premises on time, to budget and to our required levels of quality, through value engineering and at a lower cost, although we don't see the benefit of this until the sale of the asset.

The Brand

William Stobart writes eloquently about the importance of our brand in the forthcoming Annual Report and its value to customers as a mark of the quality and level of service that they can expect from any part of Stobart Group. The brand continues to be a champion for us in the market place. We constantly strive to improve and develop our communications with customers and other stakeholders to improve the outstanding multi-faceted nature of the Group whose portfolio spans a number of related sectors to provide an integrated and solid foundation for growth.

We are also using our brand to support some innovative services which have developed from our internal practices.

Stobart Group's success is in our ability to make sure we have the right people in the right roles, with the right resource at the right time to deliver consistently high performance for our customers and the Group. Our strategic goals are clear and understood throughout the business. Our focus is on delivering value for shareholders in three years' time by realising the value of our assets and operations.
We are on track and looking forward to a positive year ahead.

Andrew Tinkler

Operational & Financial Review

Results

Group revenue increased to £551.9m from £500.4m in the previous year. Underlying profit before tax was £35.2m compared to £34.5m in 2011 and recorded profit before tax rose to £30.5m from £29.5m in 2011.

The Group has restructured its business segments in line with the new business structure that was announced in the Annual Report last May. The new business segments are Stobart Air, Stobart Biomass, Stobart Transport & Distribution, Stobart Estates and Stobart Infrastructure & Civil Engineering. The 2011 figures have been restated in line with these new segments (further details are provided in Note 1 to the financial statements). Reporting under the new segments should allow investors more easily to value the different parts of the business.

Earnings Per Share

Basic earnings per share were unchanged at 9.0p taking into account the weighted average number of shares in the period increased to 325.6m shares from 257.9m, principally due to the placing of new shares in May 2011 and a materially lower tax charge.

Taxation

The tax charge of £1.3m (2011: £6.2m) is at an effective rate of 4.4% (2011: 21.1%). The effective rate has been reduced by £3.1m due to the impact of the change in corporation tax rate on the deferred tax balances and by £3.1m due to the impact of utilisation of losses brought forward on which deferred tax was not recognised.

Statement of Financial Position

We have a strengthened balance sheet with net assets increased to £472.7m (2011: £331.7m) principally due to the Placing in the year and profits taken to reserves.

Non-current Assets

Property, plant and equipment increased to £280.6m (2011: £237.7m) principally due to the capital developments at London Southend Airport. Investment properties increased to £99.6m (2011: £2.0m) due to the acquisition of WADI Properties Limited and a site at Appleton Thorn.

The balance of commercial vehicles held has reduced to £26.6m from £49.2m as most of the truck replacements in the year have been taken on operating leases. However, we still retain the residual protection with manufacturers' guaranteed buy-back after three years.

Investments in associates and joint ventures has reduced to £1.1m (2011: £30.8m) following the acquisition of the remaining 50% of the shares in Stobart Biomass Products Limited which was previously classified as a joint venture. The remaining associates and joint ventures represent interests in property related entities.

Intangible assets increased to £281.5m (2011: £231.3m) following the acquisitions in the year. Included in intangible assets are our brand names, trademarks and designs which are carried in the accounts at cost of £60.0m and which have been recently independently valued at £179.4m.

Funding

The net debt of the Group has increased to £166.0m (2011: £156.1m). The net debt includes a new bank loan of £87.7m acquired with the Moneypenny portfolio, which is a non-recourse facility, and new loan notes of £7.8m in connection with the acquisition of Stobart Biomass Products Limited.

The net cash has increased to £31.0m (2011: £3.9m) and overdrafts reduced to £4.6m (2011: £35.9m) due to the remaining cash from the placing in May 2011.

There remains £30m available on the £100m facility with M&G UK Companies Financing Fund.

The finance lease liabilities have decreased to £28.8m (2011: £45.0m) as most of the vehicle replacements which were funded using finance leases are taken on operating leases.

The gearing ratio is 35.1% (2011: 47.1%) and the gearing ratio ignoring fleet financing is 29.0% (2011: 33.5%).

Cashflow

Cash generated from operations was £57.6m (2011: £27.7m). The increase is due to a stronger focus on working capital management reducing debtor days and in some cases extending supplier payment terms.

Cash outflow for capital expenditure in the year totalled £93.4m (2011: £55.4m). This includes development expenditure at London Southend Airport of £56.2m mainly for the new terminal, runway and aircraft stands. Other significant items include purchase of a property at Magna Park for £16.0m which was subsequently sold in the year and purchase of a property at Appleton Thorn for £6.0m.

Cash received from disposal of property, plant and equipment was £44.8m (2011: £10.5m). This includes £22.7m for the disposal of the Magna Park property and £22.1m in relation to disposals of commercial vehicles.

The Group raised £114.5m from the placing in May 2011 and there are currently 354.0m ordinary shares in issue.

Interest paid in cash totalled £4.4m (2011: £5.6m) and interest received totalled £2.0m (2011: £0.9m).

Dividends paid totalled £17.6m (2011: £15.9m) reflecting an increased number of shares but the same annual dividend rate of 6p (2010: 6p).

The future

The diversified business structure forms a great platform for future growth and value potential. The operations at London Southend Airport will create significant value as passenger numbers increase at the airport.

The long-term contracts being negotiated in Stobart Biomass will generate strong, sustainable income streams in future years.

Transport & Distribution has maintained impressive margins for its sector and reacted quickly to adverse market conditions by implementing improved real-time systems and restructuring operations as a result of them. The new structure gives this division the base for more efficiencies and future growth.

Estates will continue to deliver the value from our assets which it has demonstrated in the current year.

Stobart Infrastructure & Civil Engineering will support and manage our ongoing developments without showing any returns until the sale of the asset.

Dividends

As indicated at the interims, the Board proposes a final dividend of 4.0p (2011: 4.0p) reflecting the normal one third/two thirds split bringing the total dividend for the year to 6.0p (2011: 6.0p). Subject to the approval of shareholders, the final dividend will be paid on 6 July 2012. The ex-dividend date is 23 May 2012 and the record date is 25 May 2012.

Stobart Air Performance

Revenue for the Air division was £8.8m (2011: £6.8m) and underlying loss before tax was £0.4m (2011: £0.2m profit).

London Southend Airport has had a very busy year and is on target to achieve two million passengers annually earlier than the forecast 2020. Construction of the new control tower, rail station, phase one passenger terminal and runway extension have all been completed and the new facilities opened at the end of the financial year.

Critically, in addition to Aer Lingus Regional services and charter flights by Jet2, easyJet has opened a new base for three aircraft at Southend. As a result we predict almost one million passengers to fly through the airport over the next year. Flights currently operate to thirteen destinations including Barcelona, Amsterdam, Faro and Belfast, with new routes commencing to Dublin, Geneva and Venice in the coming year.

We have written off one-off pre-contract costs of £1.1m in relation to training and referencing staff in advance of the launch of the easyJet operation. These costs are within the separately disclosed items in the Income Statement.

The airport is ideally placed to benefit from the 2012 Games with additional aircraft parking facilities to be completed in May and excellent connectivity through as many as eight trains an hour from our on-site rail station running to the games' main venue in Stratford. In addition, the new 129 bedroom Holiday Inn branded airport hotel is on schedule to open in time for the global sporting event.

Looking to the future, construction of the passenger terminal extension is scheduled for the latter part of 2012. This phase two development will see it more than double in size, ensuring high levels of passenger service are maintained as the airport develops.

At Carlisle Airport, a revised planning application has been submitted and we await the decision in Summer 2012. In the meantime we have reduced costs of the ongoing airport operation.

Stobart Biomass Performance

Revenue for the Biomass division was £8.4m (2011: £nil) and underlying profit before tax was £1.2m (2011: £nil).

On 19 May 2011 the Group acquired the remaining 50% of the voting rights of Stobart Biomass Products for £18.2m comprising £11.0m loan notes and 5.8m ordinary shares with a value of £1.24 each. Stobart Biomass Products is now a wholly owned division situated within the Group structure.

Stobart Biomass is continuing to develop its own material supply network into the existing UK contracts, utilising the Eddie Stobart fleet of walking floor and chipliner vehicles for transport. The 2012 financial year saw increased UK sales of both recycled and forestry residue products. This growth is confidently projected to continue as we negotiate future long-term contracts for the supply of biomass to the UK's rapidly expanding commercial, industrial and domestic markets.

Over the past year, Stobart Biomass has also increased its export routes and product range, securing new contracts with European companies for the supply of materials such as RCF, recycled fibre and RDF, which is refuse-derived fuel.

Although much of the European supply is delivered by specially chartered cargo ships, Stobart Biomass also utilises the Eddie Stobart International fleet for exporting a large volume of product by road to northern Europe.

Stobart Transport & Distribution Performance

Revenue for the Transport & Distribution division was £519.5m (2011: £475.3m) and underlying profit before tax reduced to £27.4m (2011: £34.2m).

Revenue growth has been driven by new and renewed contracts, including the new contract for Tesco grocery at the Daventry rail terminal, a full year of our Britvic contract and growth in transport work for Stobart Biomass. £11.4m of the revenue increase can be attributed to fuel price increases passed on to customers. This has a 0.2% downward impact on margins.

We have incurred cost increases of circa £4m, which have not been fully recovered through rate increases, mainly due to the increase in our customers' costs.

In addition, the profitability of the division has been affected by fluctuating customer order volumes caused by a high level of retail promotions and also by reduced volumes in our chilled fleet and reduced utilisation of our warehouses. The division has refocused on cost efficiency and profitability and has implemented two major initiatives during the year:

- We have greatly improved the timeliness and detail of our business information which allows us to pinpoint where we are losing time and money within the fleet and take actions to improve performance. Our improved 'Time-Based Planning' systems enable us to record every element of each vehicle's journey which is summarised in real time and analysed in detail at the end of every week.

  Local performance issues and improvements have already been identified but there is further room for improvements in managing collection and delivery times, lane rates and local operational management.

- As a consequence of our improved management information, in the second half of the year we restructured the ambient fleet business to increase the utilisation of the vehicles and reduced costs in parts on the fleet. This restructuring had a one-off cost of £1.4m (included within the separately disclosed items in the Income Statement) and savings of £1m per annum. We closed a depot in Leeds and reduced headcount by around 282 adjusting to a more optimal ratio of tramper drivers to day-night drivers.

- We have also announced the restructure our chilled transport operation. This will involve closing two of our existing sites and transferring operations to a new site at Magna Park in Lutterworth. This is expected to lead to a significant saving in mileage and reduction in vehicles, drivers and site staff required to service the existing work. We estimate that the one-off costs of site closures and new site set up costs will be in the region of £2.9m and fall in the financial year to 28 February 2013. This restructuring should lead to ongoing cost savings of approximately £1.5m per annum.

Operational subdivisions

UK Ambient Operations

Following the restructure, these operations are separated into eight fleets with General Managers responsible for their own profit and loss. This is where the new Time Based Planning software was launched and has resulted in improvements in profit of over 20% in the second half of the year compared to the first six months.

UK Chilled Operations

There have been some business wins, notably with Arla Foods. However, the chilled network suffered volume decline in the second half of the year impacting profit by around £3m. Whilst still profitable, it has been materially affected compared to the previous financial year. The Time Based Planning software was introduced at the start of this calendar year and a restructuring exercise is in place to enhance profits by over £1.5m per annum in future.

International and Ireland

Our Irish business has continued to grow and our dedicated customer sites are performing well. We continue to invest in growing our general fleet and warehousing with other customers in Ireland and have incurred further business set up costs of £1.9m in the year. In continental Europe our niche service offerings in F1 and motorsport have performed very well but remain seasonal.

Environmental Transport

These operations were established to support the growing biomass market. The foundations are in place to support the huge growth expected in this sector.

Rail Freight

In 2011 Stobart Rail Freight began operation of the new rail terminal at Tesco's Daventry Grocery Distribution Centre. The new terminal offers even greater control, flexibility and efficiency for every customer wishing to use Stobart rail services to and from the Midlands. The new terminal acts as a central hub, enhancing the rail solutions we offer for distribution by rail across the UK. Potential routes are constantly in development and new services are planned in the next twelve months.

Warehousing

Warehousing has experienced a mixed year with growth in certain sites, including Daresbury, but some voids in other parts of the UK, particularly during the second half of the year. The majority of these have been rectified and empty space continues to be filled.

Port Operations

Whilst increasing the throughput at the terminal to over six trains a day, this operation has also extended its container transport offering with tramper drivers now widening the network.

Stobart Estates Performance

Revenue for the Estates division was £6.7m (2011: £4.4m) and underlying profit before tax was £12.4m (2011: £3.9m).

The Stobart Estates division is responsible for the management, development and realisation of all of the Group's property assets. These assets comprise operational property sites including our freehold transport and storage sites and our two airports; the Moneypenny portfolio of investment properties; and our property related asset investments.

The division will use the funds raised in the Placing in 2011 along with other funds to make a number of property acquisitions and to further invest in those Group properties which are considered to have development potential.

It has been an extremely busy and exciting year for the Estates division, during which we began to make acquisitions in line with our Business Plan. Highlights include the acquisition of a key strategic 275,000 sq.ft warehouse at Magna Park, Lutterworth, for Eddie Stobart. This property was sold in February 2012 under a sale and leaseback transaction, realising a profit on disposal of £5.4m, with a further £1.1m realised over the term of the lease. This facility has been instrumental in securing new chilled and ambient storage business for the Transport & Distribution Division.

The division has also benefitted from the gains in value of £5.7m on One Plantation Place, a property asset held for sale.

Stobart Estates has also purchased a 145,000 sq.ft warehouse adjacent to our existing Appleton Thorn transport and office complex, increasing the Group's presence in this major distribution location. This was acquired as an investment property and is currently being sub-let to tenants.

During the 2012 financial year, the division also acquired the diverse Moneypenny portfolio via the acquisition of WADI Properties Limited. Moneypenny comprised a total of 18 freehold and long leasehold properties which have served to diversify and strengthen the existing Stobart Estates portfolio. With targeted investment and astute asset management we believe these assets will deliver significant gains for the Group in the future.

A good start has been made, with residential planning consent already being obtained for a highly desireable site at Soho Square in the centre of London for conversion into luxury flats. Asset Managers have been appointed on some properties, with others now identified for early disposal in the coming year.
Since the year end we have also obtained planning consent for 1.4m sq.ft of warehousing at Stobart Park, Widnes. This marks an important milestone for the Stobart Estates Division.

The Estates division has a target IRR for new acquisitions and developments of 20%.

Stobart Infrastructure & Civil Engineering Performance

Revenue for the Infrastructure and Civil Engineering division was £57.2m (2011: £37.1m) and underlying profit before tax was £4.4m (2011: £2.1m).

External Activity

This division has become one of the UK's leading names in rail network maintenance, repair and improvement. Operating throughout the UK, Infrastructure Engineering is active in delivering earthworks, structures, bridge replacement, permanent way renewals, refurbishment and maintenance, drainage, lineside infrastructure projects and emergency works.

In the coming year, the division is contracted to deliver numerous track re-ballasting projects for Network Rail. We continue the yearly contract for the supply of Road-Rail plant and expect confirmation on numerous tendered contract works for bridge and viaduct reconstruction and refurbishment works. Our expertise in track-related engineering has seen us win our first major track renewals project for Manchester Metrolink, a relationship we hope to nurture and grow into the future.

We continue to be an approved supplier to the Major Framework contractors on both the Multi-Asset and Buildings and Civils Frameworks for Network Rail.

One of the many things the Division concentrates on is the regeneration of brownfield sites into valuable business space, recycling often contaminated land back into use. Wherever possible, during redevelopment or improvement, environmentally responsible innovations are also introduced. These typically range from recycling of concrete and steelwork into hardcore and valuable scrap, through to lime stabilisation to make previously contaminated land suitable for construction.

Internal Activity

Internally this division is responsible for the development and improvement of the Group's property holdings. It will continue to deliver various projects as part of the regeneration of London Southend Airport throughout the year.

£44.0m (2011: £23.3m) of revenue and £2.6m (2011: £1.1m) of profit (which is removed on consolidation) was earned on Group development projects. The division has played a major role in the transformation of London Southend Airport, undertaking works on the road diversion and runway, the new terminal building and the new car parks.

The division also acted as an expert project manager for works carried out by other subcontractor parties, reducing our exposure to contractual risk. We have also carried out further works in preparing for development of our site at the Mersey Multimodal Gateway in Widnes.

This valued engineering enhances the value of our assets and reduces costs and disruption through knowledgeable tendering and effectively working around our existing operations. Revenue and profit on Group work is eliminated on consolidation and this value will not be realised until sale of the assets.

The rail infrastructure engineering business was flat due to the cutbacks in expenditure by Network Rail and other major customers, but demand for plant hire was strong. Strict cost control measures have been implemented and we believe that the market will recover but the timescale is difficult to predict.

Infrastructure build will enable further development of the Widnes site, whilst the proposed Magna Park transport site will be delivered ready for operation for the Group.

Ben Whawell, Chief Financial Officer

Consolidated Income Statement

For the year to 29 February 2012

	Unaudited Year to 29.02.2012 £'000	Audited Restated Year to 28.02.2011 £'000
Revenue	551,921	500,395
Operating expenses - underlying	(523,592)	(463,484)
Share of post tax profits of associates and joint ventures accounted for using the equity method	500	624
Profit on sale and leaseback	5,385	-
Gain in value of property asset held for sale	5,740	2,050
Underlying operating profit	**39,954**	**39,585**
Share based payments	(391)	(467)
Credit for business purchase	2,567	-
New territory and new business set up costs	(3,415)	(2,654)
Transaction costs written off	(1,816)	(59)
Restructuring costs	(1,734)	(479)
Amortisation of acquired intangibles	(222)	-
Costs due to extreme weather	-	(1,830)
Profit before interest and tax	**34,943**	**34,096**
Finance costs	(6,377)	(5,553)
Finance income	1,980	924
Profit before tax	**30,546**	**29,467**
Tax	(1,344)	(6,229)
Profit for the year attributable to equity holders of the parent	29,202	23,238

Earnings per ordinary share		
Basic	8.98p	9.03p
Diluted	8.97p	9.02p

Consolidated Statement of Comprehensive Income

For the year to 29 February 2012

	Unaudited Year to 29.02.2012 £'000	Audited Year to 28.02.2011 £'000
Profit for the year	**29,202**	**23,238**
Exchange differences on translation of foreign operations	(293)	(10)
Cash flow hedge	(456)	107
Tax on items relating to components of other comprehensive income	114	(30)
Other comprehensive (expense) / income for the year, net of tax	**(635)**	**67**
Total comprehensive income for the year attributable to equity shareholders of the parent	**28,567**	**23,305**

Consolidated Statement of Financial Position

As at 29 February 2012

	Unaudited 29.02.2012 £'000	Audited 28.02.2011 £'000
Non-current Assets		
Property, plant and equipment		
- Land and buildings	228,447	168,798
- Plant and machinery	20,746	15,099
- Fixtures, fittings and equipment	4,845	4,582
- Commercial vehicles	26,591	49,206
	280,629	237,685
Investment in associates and joint ventures	1,100	30,780
Investment property	99,603	2,000
Intangible assets	281,523	231,286
Other investments	10	10
Other receivables	4,111	2,186
	666,976	503,947
Current Assets		
Inventories	2,494	2,357
Trade and other receivables	105,701	108,716
Cash and cash equivalents	31,044	3,937
	139,239	115,010
Assets of disposal groups classified as held for sale	7,790	2,050
	147,029	117,060
Total Assets	**814,005**	**621,007**
Non-current Liabilities		
Loans and borrowings	179,241	91,762
Other liabilities	15,465	14,479
Corporation tax	-	-
Deferred tax	29,453	39,880
	224,159	146,121
Current Liabilities		
Trade and other payables	97,696	72,312
Loans and borrowings	17,852	68,285
Corporation tax	1,592	2,580
	117,140	143,177
Total Liabilities	341,299	289,298
Net Assets	472,706	331,709

Consolidated Statement of Financial Position, Continued
As at 29 February 2012

	29.02.2012 £'000	28.02.2011 £'000
Capital and reserves		
Issued share capital	35,397	26,517
Share premium	300,788	181,168
Foreign currency exchange reserve	(771)	(478)
Reserve for own shares held by EBT	(488)	(663)
Hedge reserve	(1,423)	(1,081)
Retained earnings	139,203	126,246
Total Equity	**472,706**	**331,709**

Consolidated Statement of Changes in Equity

For the year to 29 February 2012

Attributable to equity holders of the parent

Unaudited	Issued Share capital £'000	Share premium £'000	Foreign Currency Exchange Reserve £'000	Reserve for Own Shares held by EBT £'000	Hedge reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2011	26,517	181,168	(478)	(663)	(1,081)	126,246	331,709
Profit for the year	-	-	-	-	-	29,202	29,202
Other comprehensive income/(expense) for the year	-	-	(293)	-	(342)	-	(635)
Total comprehensive income/expense for the year	-	-	(293)	-	(342)	29,202	28,567
Proceeds on share issues	8,880	124,969	-	-	-	-	133,849
Share issue costs	-	(5,349)	-	-	-	-	(5,349)
EBT shares vested	-	-	-	175	-	-	175
Share based payment credit	-	-	-	-	-	886	886
Tax on share based payments	-	-	-	-	-	447	447
Dividends	-	-	-	-	-	(17,578)	(17,578)
Balance at 29 February 2012	35,397	300,788	(771)	(488)	(1,423)	139,203	472,706

Consolidated Statement of Changes in Equity, Continued
For the year to 28 February 2011

Attributable to equity holders of the parent

Audited	**Issued Share capital £'000**	**Share premium £'000**	**Foreign Currency Exchange Reserve £'000**	**Reserve for Own Shares held by EBT £'000**	**Hedge reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 March 2010	25,079	164,255	(468)	(803)	(1,158)	118,451	305,356
Profit for the year	-	-	-	-	-	23,238	23,238
Other comprehensive income (expense) for the year	-	-	(10)	-	77	-	67
Total comprehensive income/expense for the year	-	-	(10)	-	77	23,238	23,305
Proceeds on share issues	1,438	17,190	-	-	-	-	18,628
Share issue costs	-	(277)	-	-	-	-	(277)
EBT shares vested	-	-	-	140	-	-	140
Share based payment credit	-	-	-	-	-	467	467
Dividends	-	-	-	-	-	(15,910)	(15,910)
Balance at 28 February 2011	26,517	181,168	(478)	(663)	(1,081)	126,246	331,709

Consolidated Cash Flow Statement

For the year to 29 February 2012

	Unaudited Year to 29.02.2012 £'000	Audited Year to 28.02.2011 £'000
Cash generated from operations	**57,634**	**27,671**
Income taxes paid	(2,191)	(2,341)
Net cash flow from operating activities	**55,443**	**25,330**
Acquisition of subsidiaries and other businesses – net cash paid	(9,602)	-
Purchase of property, plant and equipment	(93,400)	(55,419)
Proceeds from the sale of property, plant and equipment	44,786	10,540
Investment in joint venture	-	(15,156)
VAT outflow in relation to disposal of Widnes assets	-	(4,200)
Net loans advanced to associates and joint ventures	(1,925)	(3,119)
Interest received	1,980	859
Net cash flow from investing activities	**(58,161)**	**(66,495)**
Issue of ordinary shares	119,876	-
Share issue costs	(5,349)	(277)
Dividend paid on ordinary shares	(17,578)	(15,910)
Proceeds from new finance leases	14,469	18,275
Repayment of capital element of finance leases	(30,753)	(23,630)
Proceeds from new borrowings	2,028	90,000
Repayment of borrowings	(17,273)	(40,489)
Interest paid	(4,355)	(5,627)
Net cash flow from financing activities	**61,065**	**22,342**
Increase/(decrease) in cash and cash equivalents	58,347	(18,823)
Cash and cash equivalents at beginning of year	(31,946)	(13,123)
Cash and cash equivalents at end of year	**26,401**	**(31,946)**
Cash	31,044	3,937
Overdraft	(4,643)	(35,883)
Cash and cash equivalents at end of year	**26,401**	**(31,946)**

Accounting policies

Basis of preparation

The unaudited financial information set out in this preliminary announcement is derived from but does not constitute the Group's statutory accounts for the year ended 29 February 2012 and year ended 28 February 2011 and, as such, does not contain all information required to be disclosed in the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information has been extracted from the Group's consolidated statutory accounts upon which the auditors have yet to issue an opinion.

The preliminary announcement has been prepared on the same basis as the accounting policies set out in the previous year's financial statements, except as noted below.

Restatement of prior year financial statements

The gain in value of £5.7m (2011: £2.1m) on One Plantation Place, a property asset held for sale, in our Estates division has been presented within underlying operating profit as a result of our divisional reorganisation. This property asset is an investment in a property unit trust. The gain relates to a reversal of a past impairment that was in discontinued operations in 2009. The gain has been included within the Estates division in the current year to reflect the directors' view of where the investment and ultimate disposal is managed. A comparative gain in the prior year of £2.1m was presented below underlying operating profit but included in our headline underlying profits. This gain has been restated in the current year to be consistent.

Operating Expenses and Other Operating Income

Operating expenses are after charging / (crediting) the following:

	Unaudited 2012 £'000	Audited 2011 £'000
Employee benefits expenses excluding share based payments	178,638	165,736
Depreciation	16,269	18,064
Other purchases and external expenses	328,685	279,684
Operating expenses - underlying	**523,592**	**463,484**

Profit on sale and leaseback

The profit on sale and leaseback relates to the disposal of the Magna Park property, which was sold in February 2012 for a consideration of £22.7m, realising a profit on disposal of £6.5m. £5.4m has been recognised in the income statement with the remaining £1.1m to be realised over the term of the lease.

Profit before interest and tax is stated after charging / (crediting) the following:		
Depreciation of property, plant and equipment	16,269	18,064
Profit on disposal of property, plant and equipment	(7,902)	(1,243)
Release of government grants	(128)	(123)
Operating lease expense		
- Plant and machinery	20,269	16,556
- Property	15,914	15,668
Fees charged to the income statement relating for services by Group auditors		
- Statutory audit fee relating to audit of Stobart Group Limited	80	75
- Statutory audit fee relating to audit of subsidiaries	164	135
- Other taxation services	2	27
- Other services	138	27
	384	**264**

Costs due to extreme weather

Costs due to extreme weather of £nil (2011: £1,830,000) include incremental vehicle damages and running costs caused by weather that results in a substantial part of our fleet being adversely affected for a prolonged period. Incremental costs include vehicle damages, drivers working unproductively and fuel inefficiency costs. The prior year exceptional costs were caused by the extreme weather in November and December 2010 in the busy run up to Christmas.

New territory and new business set up costs

New territory and new business set up costs of £3,415,000 (2011: £2,654,000) comprise costs of investing in new major territories or significant areas of business to commence or accelerate development of our business presence. These costs include establishment costs, legal and professional fees, losses and certain staff and training costs. The current year exceptional costs were in relation to the development of businesses in Ireland and in relation to the major new business at London Southend Airport. The prior year exceptional costs were in relation to the development of businesses in Ireland and Spain.

Transaction costs written off

Transaction costs comprise costs of making investments in new businesses or costs of financing transactions that are not permitted to be debited to the cost of investment or as issue costs. These costs include costs on any aborted transactions. The costs are principally professional fees in relation to the acquisition of Stobart Biomass Products Limited (£140,000) and WADI Properties Limited (£994,000). These costs also include costs on aborted transactions other costs (£682,000).

Restructuring costs

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

	Unaudited 2012 £'000	**Audited 2011 £'000**
Reorganisation of the UK Transport business	1,384	-
Reorganisation and integration of Chilled business	182	319
Reorganisation of the Warehousing business	168	-
Other	-	160
	1,734	**479**

Segmental information

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

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

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

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

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

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

The Executive Directors are regarded as the Chief Operating Decision Maker (CODM). The Directors monitor the results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. The main segmental profit measures are earnings before interest, tax, depreciation and amortisation and also profit before tax both shown before separately disclosed items.

Income taxes, non-fleet finance costs and certain central costs are managed on a group basis and are not allocated to operating segments. These costs are included in Adjustments and eliminations.

Unaudited

Period ended 29 February 2012	Stobart Air £'000	Stobart Biomass £'000	Stobart Transport & Distribution £'000	Stobart Estates £'000	Stobart Infrastructure & Civil Eng. £'000	Adjustments and eliminations £'000	Group £'000
Revenue							
External	8,792	8,404	514,852	6,708	13,128	37	551,921
Internal	-	-	4,627	-	44,048	(48,675)	-
Total revenue	8,792	8,404	519,479	6,708	57,176	(48,638)	551,921
Depreciation and amortisation	(258)	(63)	(14,480)	(224)	(1,066)	(178)	(16,269)
Share of profit of associates and joint ventures	-	100	-	-	-	-	100
Reversal of write downs of assets	-	-	-	400	-	-	400
Property on sale and leaseback	-	-	-	5,385	-	-	5,385
Gain on property asset held for sale	-	-	-	5,740	-	-	5,740
Share based payment	-	-	-	-	-	(391)	(391)
Segment EBITDA	**(167)**	**1,297**	**44,741**	**13,605**	**5,641**	**(9,285)**	**55,832**
Segment PBT	**(436)**	**1,170**	**27,442**	**12,405**	**4,387**	**(9,802)**	**35,166**
Credit for business purchase							2,567
New territory business set-up costs							(3,415)
Transaction costs written off							(1,816)
Restructuring costs							(1,734)
Amortisation of acquired Intangibles							(222)
Profit before tax							**30,546**
Assets							
Equity accounted investments	-	-	-	8,890	-	-	8,890
Additions to non-current assets	3,289	102	15,410	69,333	4,260	318	92,712
Operating assets	11,139	54,326	417,835	309,058	15,245	6,402	814,005
Operating liabilities	(24,460)	(2,110)	(128,403)	(151,283)	(18,703)	(16,340)	(341,299)
Net assets	**(13,321)**	**52,216**	**289,432**	**157,775**	**(3,458)**	**(9,938)**	**472,706**

Audited

Period ended 28 February 2011	Stobart Air £'000	Stobart Biomass £'000	Stobart Transport & Distribution £'000	Stobart Estates £'000	Stobart Infrastructure & Civil Eng. £'000	Adjustments and eliminations £'000	Group £'000
Revenue							
External	6,836	-	475,279	4,433	13,820	27	500,395
Internal	-	-	-	-	23,283	(23,283)	-
Total revenue	**6,836**	**-**	**475,279**	**4,433**	**37,103**	**(23,256)**	**500,395**
Depreciation and amortisation	(238)	-	(16,242)	(483)	(911)	(190)	(18,064)
Share of profit of associates and joint ventures	-	80	-	-	-	-	80
Reversal of write downs of assets	-	-	-	544	-	-	544
Gain on property asset held for sale	-	-	-	2,050	-	-	2,050
Share based payment	-	-	-	-	-	(467)	(467)
Segment EBITDA	**433**	**80**	**52,923**	**4,755**	**3,177**	**(4,186)**	**57,182**
Segment PBT	**169**	**80**	**34,233**	**3,916**	**2,145**	**(6,054)**	**34,489**
Costs due to extreme weather							(1,830)
New territory business set-up costs							(2,654)
Transaction costs written off							(59)
Restructuring costs							(479)
Profit before tax							**29,467**
Assets							
Equity accounted investments	-	30,080	-	700	-	-	30,780
Additions to non-current assets	-	-	24,439	28,636	354	712	54,141
Operating assets	2,851	30,080	402,676	166,303	13,663	5,434	621,007
Operating liabilities	(22,593)	-	(162,334)	(79,099)	(12,551)	(12,721)	(289,298)
Net assets	**(19,742)**	**30,080**	**240,342**	**87,204**	**1,112**	**(7,287)**	**331,709**

Inter-segment revenues are eliminated on consolidation.

Included in adjustments and eliminations are central costs of £5,440,000 (2011: £4,986,000), intra-group profit of £2,589,000 (2011: 1,068,000) and other costs attributable to internal capital developments not capitalised in the Group accounts of £1,773,000 (2011: £nil).

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

Taxation

Tax charged in the income statement

	Unaudited 2012 £'000	**Audited 2011 £'000**
Current income tax:		
UK Corporation tax		
- Continuing operations	2,877	1,683
Overseas tax	873	138
Adjustment in respect of prior years	(2,705)	(1,423)
Total current tax	1,045	398
Deferred tax:		
Origination and reversal of temporary differences	1,591	7,155
Impact of change in rate	(3,119)	(1,351)
Adjustment in respect of prior years	1,827	27
Total deferred tax	**299**	**5,831**
Total charge in the income statement	**1,344**	**6,229**

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:

	Unaudited 2012 £'000	Audited 2011 £'000
Numerator		
Continuing operations		
Profit used for basic earnings	29,202	23,238
Effect on earnings of dilutive potential ordinary shares	-	27
Diluted earnings	**29,202**	**23,265**
Denominator	**Number**	**Number**
Weighted average number of shares used in basic EPS	325,115,491	257,330,462
Effects of convertible Income Shares	-	339,555
Effects of employee share options	400,944	253,479
Weighted average number of shares used in diluted EPS	**325,516,435**	**257,923,496**
Own shares held and therefore excluded from weighted average number	**4,885,411**	**6,634,836**

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 in March 2010. These are therefore dilutive instruments at 28 February 2011. On 9 April 2010, 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, 2.79m, 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. 1,395,000 of these share options vested on 31 March 2010 and are included as dilutive instruments for the year to 28 February 2011. 979,848 and 769,577 of these share options vested on 10 March 2011 and 3 July respectively and are included as dilutive instruments for the year to 29 February 2012. On 5 December 2008, 1.0m share options were granted to a senior manager under a share option agreement. On 10 August 2011, 250,000 of these options vested. The remaining share options under the above arrangements are not dilutive instruments as the vesting conditions have not been met unconditionally at the year-end date.

On 7 December 2011, 35m share options were granted to directors and senior managers under a Long Term Incentive Plan. These are potentially dilutive instruments but were not included in the calculation of diluted earnings per share because the vesting conditions have not been met unconditionally at the year-end date. In addition, they would be anti-dilutive for the year as the average market price of the shares was lower than the exercise price attached to these share options.

Own shares held in an employee benefit trust are excluded from the weighted average number of shares.

Dividends

Dividends Paid on Ordinary Shares

	Unaudited		**Audited**	
	2012	**2012**	**2011**	**2011**
	Rate		**Rate**	
	p	**£000**	**p**	**£000**
Final dividend for 2011 paid 7 July 2011	4.0	10,607	-	-
Interim dividend paid 9 December 2011	2.0	6,971	-	-
Final dividend for 2010 paid 18 June 2010	-	-	4.0	10,607
Interim dividend paid 8 December 2010	-	-	2.0	5,303
Dividends paid	**6.0**	**17,578**	**6.0**	**15,910**

A final dividend of 4.0p per share totaling £13,960,014 was declared on 17 May 2012 and will be paid on 6 July 2012. This is not recognised as a liability as at 29 February 2012.

Business combinations

Acquisition of Stobart Biomass Products Limited

On 19 May 2011 the Group acquired the remaining 50% of the voting rights of Stobart Biomass Products Limited, an unlisted company based in the United Kingdom, which has been set up to source and distribute biomass fuels for renewable energy production in the UK and Europe. Following the transaction, Stobart Biomass Products Limited became a 100% owned subsidiary undertaking of the Group.

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

	Fair value recognised on acquisition £'000
Intangible assets	1,794
Property, plant and equipment	212
Cash and cash equivalents	342
Trade and other receivables	1,210
Trade payables	(1,052)
Other payables and deferred income	(2,260)
Deferred tax	(484)
Net assets	(238)
Goodwill arising on acquisition	48,665
Total consideration	**48,427**

The fair value and gross amount of the trade receivables amounts to £1,210,000. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected. The total cost of the combination was £48,427,000 and comprised the following:

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

In connection with the acquisition, the Group issued 5,806,452m ordinary shares with a fair value of £1.24 each. The price was the market price at the date of acquisition. The goodwill of £48,665,000 represents the value of the future earning potential of the business and other intangible assets which cannot be individually separated and reliably measured due to their nature, in excess of the fair value of net assets identified. There is no contingent consideration as defined in IFRS 3 'Business Combinations' in connection with this acquisition but the vendor, AW Jenkinson, will remain in the business and participates in the Executive Share Incentives scheme.

The amount of goodwill that is expected to be deductible for tax purposes is £2,000,000.

Immediately prior to the acquisition the fair value of the existing 50% equity interest in Stobart Biomass Products Limited was £30,180,000. There was no resulting gain or loss taken to the income statement following remeasurement of this.

Transaction costs related to the acquisition of £140,000 have been recognised as an expense in transaction costs written off in the Consolidated Income Statement.

From the date of acquisition, Stobart Biomass Products Limited has contributed £8,404,000 of revenue and £1,170,000 to the net profit before tax of the group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been £1,432,000 higher and profit from continuing operations would have been £194,000 higher.

Acquisition of WADI Properties Limited

On 28 February 2012 the Group acquired the entire issued share capital of WADI Properties Limited. WADI Properties Limited is an unlisted company registered in the United Kingdom and is the holding company for a number of companies whose principal activity is property investment.

The fair value of the identifiable assets and liabilities of WADI Properties Limited at the date of acquisition were as follows:

	Fair value recognised on acquisition £'000
Investment properties	91,093
Property, plant and equipment	2,037
Trade and other receivables	187
Cash and cash equivalents	207
Trade payables	(157)
Other payables and deferred income	(1,687)
Corporation tax	(725)
Loans and borrowings	(87,692)
Deferred tax	11,154
Net assets acquired	14,417
Excess of fair value of net assets acquired over cost	(2,567)
Total consideration	**11,850**

The fair value and gross amount of the trade receivables amounts to £187,000. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

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

The total cost of the combination was £11,850,000 and comprised the following:

	£'000
Cash consideration	5,150
Initial share consideration	6,700
Total	**11,850**

The initial share consideration was satisfied by the issue of 5,399,742 ordinary shares at a fair value of £1.24 each. This share price was the market price at the date of acquisition. Deferred consideration of up to £500,000 is payable and will be satisfied by the issue of further shares. The amount of deferred consideration payable is dependent on the level of working capital and debt in the acquired companies, as determined by the completion accounts. No provision for deferred consideration has been made since the directors do not believe any further consideration will be payable.

The fair value of the assets and liabilities identified, and the provision for deferred consideration payable, are both provisional due to the proximity of the acquisition to the group's year end and also because the completion accounts process has not been formally completed.

Transaction costs related to the acquisition of £994,000 have been recognised as an expense in transaction costs written off in the Consolidated Income Statement.

Due to the timing of the acquisition, WADI Properties Limited has not contributed any revenue or profit to the group results for the year. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been approximately £7,250,000 higher and profit from continuing operations would have been approximately £2,300,000 higher.

Financial assets and liabilities

Loans and borrowings	Unaudited 2012 £'000	Audited 2011 £'000
Non-current		
Fixed rate		
- Obligations under finance leases and hire purchase contracts	15,750	12,153
- Loan notes	7,779	-
- Bank loans	74,828	-
Variable rate:		
- Obligations under finance leases and hire purchase contracts	2,402	10,490
- Bank loans	78,482	69,119
	179,241	**91,762**
Current		
Fixed rate		
- Obligations under finance leases and hire purchase contracts	9,293	18,485
Variable rate:		
- Obligations under finance lease and hire purchase contracts	1,404	3,917
- Overdrafts	4,643	35,883
- Bank loans	2,512	10,000
	17,852	**68,285**
Total loans and borrowings	197,093	160,047
Cash	31,044	3,937
Net Debt	**166,049**	**156,110**

Issued share capital and reserves

	Unaudited 2012 £'000	Audited 2011 £'000
Authorised share capital – Ordinary Shares		
Authorised – 505,272,670 (2011: 300,000,000) shares of 10p each	50,527	30,000
	£	£
Authorised share capital – Deferred Shares		
Authorised – 1,000 shares of 0.1p each	1	1

	Unaudited		Audited	
	Number of shares 2012 £'000	**Share Capital 2012 £'000**	**Number of shares 2011 £'000**	**Share Capital 2011 £'000**
Ordinary Shares of 10p each issued and fully paid				
At beginning of period	265,165	26,517	250,788	25,079
Issued during the period	88,796	8,880	14,377	1,438
Total share capital	**353,961**	**35,397**	**265,165**	**26,517**

On 19 May 2011, 5,806,452 ordinary shares were issued upon the investment in Stobart Biomass Products Limited. These shares had a fair value of 124p each.

On 19 May 2011, 77,339,766 ordinary shares were issued following a share placement. These shares had a fair value of 155p each.

On 10 August 2011, 250,000 ordinary shares were issued in relation to vesting of share options.

On 28 February 2012, 5,399,742 ordinary shares were issued upon the acquisition of WADI Properties Limited. These shares had a fair value of 124p each.

Notes to the consolidated cash flow statement

Cash generated from operations	Unaudited Year to 29.02.2012 £'000	Audited Year to 28.02.2011 £'000
Profit before tax	**30,546**	**29,467**
Adjustments to reconcile profit before tax to net cash flows		
Non-cash:		
Movement in unrealised gain on revaluation of investment properties	(500)	-
Realised profit on sale of property, plant and equipment	(7,902)	(1,243)
Share of post tax profits of associates & joint ventures accounted for using the equity method	(100)	(124)
Reversal of writedown in held for sale assets	(5,740)	(2,050)
Reversal of writedown of loan to joint venture	(400)	(500)
Depreciation of property, plant and equipment	16,269	18,064
Finance income	(1,980)	(924)
Interest expense	6,377	5,538
Amortisation of income share issue costs	-	15
Amortisation of intangible assets	222	-
Credit for business purchase	(2,567)	-
Share option charge	391	467
Working capital adjustments:		
Increase in inventories	(135)	(798)
Decrease / (increase) in trade and other receivables	4,287	(22,222)
Increase in trade and other payables	18,866	1,981
Cash generated from operations	**57,634**	**27,671**
Issue of ordinary shares	119,876	-
Issue costs paid on issuance of ordinary shares	(5,349)	(277)
	114,527	**(277)**

Related Parties

Relationships of Common Control or Significant Influence

WADI Properties Limited was formerly owned by WA Developments International Limited, a company owned by W A Tinkler and W Stobart who are significant shareholders, directors and key management of the Group and are also members of key management. W A Tinkler is a director of the Group. On 28 February 2012, WADI Properties Limited was acquired by the group for a total potential consideration of £11.9m (see note 11).

WA Developments International Limited is owned by W A Tinkler and W Stobart. The Group made purchases totalling £72,000 (2011: £93,000) from and sales totalling £282,000 (2011: £161,000) to WA Developments International Limited. £789,000 (2011: £ nil) was due from and £404,000 (2011: £nil) was due to WA Developments International Limited at the year end.

WA Developments International GMBH is a subsidiary of WA Developments International Limited. During the year, the Group made sales of £12,000 (2011: £12,000) to WA Developments International GMBH of which £20,000 (2011: £ nil) was owed to the Group at the year end.

Moneypenny Limited was a subsidiary of WADI Properties Limited until that company was acquired by the Group on 28 February 2012. Up until the date of acquisition the Group made sales of £nil (2011: £230,000) and purchases of £250,000 (2011: £237,000) from Moneypenny Limited. £nil (2011: £nil) was owed by the Group at the year end.

VLL Limited is a subsidiary of WA Developments International Limited. During the year, the Group made sales of £57,000 (2011: £70,000) and made purchases of £569,000 (2011: £809,000) relating to the provision of passenger transport from VLL Limited. £86,000 (2011: £nil) was owed to the Group at the year end.

STA (2006) LLP is a joint venture of WA Develoments International Limited. During the year the Group made sales of £nil (2011: £22,000) to STA (2006) LLP of which £32,000 (2011: £nil) was 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 (2011: £2,053,000) at the year end of which £1,053,000 (2011: £1,553,000) has been provided for.

The Group had loans due to its associated interest, Ropewalks One LLP of £nil (2011: £18,000) at the year end of which £nil (2010: £18,000) has been provided for.

The Group had loans outstanding from its joint venture interest, Westbury Fitness Hull Limited of £471,000 (2011: £471,000) at the year end of which £471,000 (2011: £471,000) has been provided for.

The Group had loans outstanding from its joint venture interest Westar Limited of £2,022,000 (2011: £2,022,000) of which £1,922,000 (2011: £1,822,000) has been provided for.

On 19 May 2011 the Group acquired the remaining 50% of the voting rights of Stobart Biomass Products Limited (see note 11). Up until the date of acquisition the Group made sales of £191,000 (2011: £304,000) to Stobart Biomass Products Limited. The Group had loans outstanding from Stobart Biomass Products Limited of £nil (2011: £1,038,000) at the year end.

The Group had loans due to its associated interest, Endeavour Ware Limited of £416,000 (2011: £416,000) at the year end.

The Group had loans outstanding from its associate interest, Everdeal Limited of £4,111,000 (2011: £2,251,000) at the year end.

There were no other transactions between the Group and the joint ventures and associates during the year ended 29 February 2012 and the year ended 28 February 2011.

Key Management Personnel

Key management personnel are the executive and non-executive directors as well as William Stobart who stepped down as director in the prior year.

During the year, W A Tinkler made purchases of £nil (2011: £nil), of which £nil (2011: £84,000) was owed to the Group at the year end. This was at an arm's length rate.

Post Balance Sheet Events

After the year end the Group purchased £4.1m of its own shares at prevailing market prices.