The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

24 October 2018

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

Interim results for the six months ended 31 August 2018

Stobart Group Limited, the Aviation, Energy, Rail & Civils, Investments and Infrastructure business, today announces its interim results for the six months to 31 August 2018.

Stobart has made strong commercial progress during the period in its core operating businesses. Stobart Aviation and Stobart Energy are both well-invested and set for significant growth. The Group has also moved quickly to advance the steps it outlined following the AGM to strengthen the commercial management and governance of the group.

Financial Highlights

- Revenue growth of 21.4% to £151.3m
- Pro forma underlying EBITDA[1] in our two major growth divisions have increased to £24.4m; Aviation +14.6% and Energy +88.8%
- Loss for the period after taxation £17.5m (2017: £111.9m profit, which included £123.8m profit on disposal of associate)
- Returned £34.7m to shareholders, including dividends paid in the period of £31.3m (2017: £26.4m)
- Net debt has increased to £75.6m (2017: £36.6m)

Financial Summary

The 2017 profit included £123.8m received from the partial disposal of Eddie Stobart Logistics. The 2018 loss includes the investment in London Southend Airport route development and marketing of £18.0m (2017: £9.1m).

	31 August 2018 £m	31 August 2017 £m
Revenue	151.3	124.6
Pro forma underlying EBITDA[1] (2017: excluding £123.8m profit on disposal of associate)	17.0	15.4
EBITDA	(6.1)	123.1
Loss for the period (2017: excluding £123.8m profit on disposal of associate)	(17.5)	(11.9)
(Loss)/profit for the period	(17.5)	111.9
Dividends paid	9.0p	7.5p

[1] Underlying EBITDA represents profit/(loss) before interest, tax, depreciation, amortisation, swaps, non-underlying items. Refer to note 3 for reconciliation to profit/(loss) before tax. The Group has defined and outlined the purpose of its alternative performance measures, in the Glossary in note 14.

Aviation – accelerating passenger growth

- Pro forma underlying Aviation EBITDA[1] increased 14.6% to £15.7 million (2017: £13.6m)
- Aviation EBITDA loss of £2.7m (£2017: £3.6m profit) including £18.1m (2017: £9.0m) relating to UK Flybe franchise operation (UKFFO)
- London Southend Airport passengers up 37% to 838,742 (2017: 610,492)

- Milestone five-year agreement with Ryanair at London Southend Airport - additional one million passengers expected in the first year of operations
- easyJet based a fourth aircraft at the airport, adding three new routes; it now flies to over 20 destinations from London Southend
- Stobart Jet Centre delivered 1,000 movements since re-launch in January 2018
- Stobart Air accelerated route development, marketing, brand and customer awareness at LSA, with net investment of £18.0m (2017: £9.1m). This investment is expected to be significantly reduced next year
- Stobart Aviation Services secured a significant ground handling contract with easyJet at London Stansted Airport

Energy – significantly increasing tonnage

- Pro forma underlying Energy EBITDA[1] increased 88.8% to £8.7 million (2017: £4.6m)
- Energy EBITDA of £6.5m (2017: 2.5m)
- 657,950 tonnes sold – up 71.9% (2017: 382,775)
- Underlying EBITDA per tonne increased by 9.8% to £13.19 (2017: £12.01)
- Year on year improvement driven by customer mix, benefits of increased volume and tight cost control

Rail & Civils – project reviews and focus on contract quality

- Appointment of new commercial team strengthened management, with the division undertaking a detailed review of its commercial operations, contracts and project finances
- Management team now placing more focus on contract quality and securing contracts with external tier one customers
- Rail & Civils EBITDA loss of £4.8m (2017: £1.4m profit)

Strengthened commercial management and governance

- Strengthened Board with appointments of Nick Dilworth as Chief Operating Officer and Ginny Pulbrook as Non-Executive Director
- Appointed Interim Chief Financial Officer, Michael Williamson
- Selected leading independent search firm, Russell Reynolds, to identify additional Board appointments
- Appointed Alice Mayhew, a senior employment barrister at Devereux Chambers, to carry out an independent investigation into the concerns raised by certain employees regarding alleged bullying and whistleblowing. This investigation was completed on 18 October 2018 and concluded that there is no culture of bullying within Stobart Group. Interviewees did not report having been bullied or subjected to undue pressure or having witnessed bullying or undue pressure being placed on others. The report made recommendations, and the Company is currently reviewing how best to incorporate these

Warwick Brady, Chief Executive Officer, Stobart Group, commented

"We have remained focused on operational progress in our Aviation and Energy divisions, which have both performed well in the period.

Having invested in the infrastructure for these divisions, we are now well placed to accelerate our commercial growth plans and demonstrate the value of the Group's excellent operating businesses."

A presentation for analysts will be held today at 9.30am at Redleaf Communications, Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE. Email stobart@redleafpr.com to confirm your attendance. Click the link below to see a video of our CEO discussing our highlights for the year.

The person responsible for arranging the release of this announcement on behalf of Stobart Group is Louise Brace, Company Secretary.

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

Interim Results for the six months ended 31 August 2018

The summary results for the six months to 31 August 2018 are set out below. The pro forma results are shown before the effect of the accelerated investment in growth at London Southend airport through our UK Flybe franchise operation (UKFFO). See income statement and note 1 for further details.

Divisional Revenue Summary

	31 August 2018 £m	31 August 2017 £m
Aviation – pro forma	87.1	82.4
Aviation – effect of UKFFO	15.7	6.6
Aviation statutory	102.8	89.0
Energy	29.9	25.3
Rail & Civils	22.6	20.1
Investments	2.0	-
Infrastructure	1.1	1.9
Eliminations	(7.1)	(11.7)
Statutory total revenue	**151.3**	**124.6**

Divisional Profit Summary

	31 August 2018		31 August 2017	
Divisional Underlying EBITDA[1]	Pro forma £m	Statutory £m	Pro forma £m	Statutory £m
Aviation	15.7	(1.9)	13.6	6.2
Energy	8.7	8.7	4.6	4.6
Underlying EBITDA[1] from two main operating divisions	**24.4**	**6.8**	**18.2**	**10.8**
Rail & Civils	(4.8)	(4.8)	1.4	1.4
Investments	2.8	2.8	124.6[2]	124.6[2]
Infrastructure	(1.1)	(1.1)	0.5	0.5
Central costs and eliminations	(4.3)	(4.3)	(5.5)	(5.5)
Underlying EBITDA[1]	**17.0**	**(0.6)**	**139.2[2]**	**131.8[2]**
Non-underlying items		(7.5)		(10.6)
Gain/(loss) on swaps		3.6		(1.3)
Depreciation		(10.9)		(6.6)
Impairment of loan notes		(2.5)		-
Finance costs (net)		(0.9)		(1.7)
Tax		1.3		0.3
(Loss)/profit for the period – Statutory total		**(17.5)**		**111.9**

[1] Defined in glossary in note 14
[2] Includes £123.8m relating to the profit on disposal of associate, Eddie Stobart Logistics. Excluding this from underlying EBIDTA, Investments would be £0.8m, the pro forma underlying EBITDA would be £15.4m and statutory underlying EBITDA would be £8.0m.

Divisional Reviews

Stobart Group has the following operating divisions; Aviation, Energy and Rail & Civils. Stobart also holds a portfolio of infrastructure assets and investments, to which the Group aims to add value and realise when appropriate.

Stobart Aviation

Stobart Group invests in, develops and operates a number of aviation-related businesses focused on meeting the growing demand for airport capacity and improved customer experience. The Aviation division comprises:

- Airport – London Southend Airport (LSA) including the Holiday Inn Hotel and Stobart Jet Centre;
- Airline – Stobart Air regional airline and aircraft leasing business; and
- Aviation Services – Ground handling business.

	31 August 2018 £m	**31 August 2017 £m**
Pro forma revenue	87.1	82.4
Pro forma underlying EBITDA[1]	15.7	13.6
Revenue	102.8	89.0
EBITDA	(1.9)	6.2

[1] Defined in glossary in note 14

London Southend Airport

	31 August 2018 £m	**31 August 2017 £m**
Passenger numbers – LSA	838,742	610,492
EBITDA per passenger – LSA	£3.26	£1.74

London Southend Airport has successfully attracted new airlines and passengers as we continue to invest in our airport proposition. The airport is set for substantial growth in 2019 and beyond as further airlines are attracted to the airport and new routes are added.

In the first six months, passenger numbers increased by 37% to 838,742 (2017: 610,492). easyJet's decision to base a fourth aircraft at the airport is expected to result in over one million easyJet passengers in 2018. We also signed a milestone agreement with Ryanair to base three aircraft at London Southend, expected to bring a further one million additional passengers annually from Summer 2019. Including agreements with Air Malta and Adria Airways, we are now offering routes to an additional 11 destinations and expect to welcome circa 2.5 million passengers in 2019.

We are driving performance through an improving customer proposition which increases profitability per passenger. For example, we signed a new agreement with The Restaurant Group (TRG) to introduce six new food and beverage brands to the airport. So far, we have opened Giraffe STOP and Costa Coffee outlets under this agreement and expect to open a new bespoke pub, The Navigator, later this year. We were also delighted to have achieved an occupancy rate of over 90% at The Holiday Inn. London Southend was voted the best London airport by passengers in the annual Which?

magazine survey for the sixth year running, and it was rated the most accessible airport in London and the South East by the Civil Aviation Authority (CAA).

With our existing airport capacity becoming better utilised as passenger numbers increase, we will leverage this fixed cost base, with additional capital expenditure, resulting in an improved cost per passenger, in turn increasing profitability.

The progress made with new and existing airlines, combined with our enhanced customer proposition, puts us well on track to deliver our target to welcome five million passengers by 2022.

Stobart Jet Centre

With over 1,000 movements so far this year, Stobart Jet Centre has already exceeded the volume of business seen in the whole of 2017 as capacity has been increased and we have attracted more international customers. We have been encouraged that The Jet Centre is securing return visits by customers due to the high quality of its service.

We are increasingly confident that Stobart Jet Centre will become a significant contributor to London Southend Airport's financial performance in the short to medium term.

Stobart Air

Stobart Air operates flights under franchise agreements with Aer Lingus and Flybe. The business is recognised within the industry for its operational excellence and quality of customer service.

During the period Stobart Air saw improvements in the total number of passengers, passengers per flight and revenue per passenger. Total passenger numbers increased by 16.9% to 1.1 million (2017: 0.9 million) during the period.

Stobart Air has played a fundamental part in the growth strategy for London Southend Airport. As previously announced, Stobart Group incurred net costs of £18.0 million in route development and marketing for the airport. This expenditure represents the development of routes operated under the UK Flybe franchise operation (UKFFO). Demonstrating route viability and building customer awareness was central to securing a milestone agreement with Ryanair that will allow us to accelerate the growth of the airport. The UKFFO, for which tickets went on sale in December 2016 and which commenced flights in May 2017, is being withdrawn following the agreements with easyJet and Ryanair to expand their operations at LSA. The jet operation will cease before the end of the current financial year, and the ATR turboprop operation before the end of the following financial year.

Stobart Air intends to grow its valuable relationship with Aer Lingus, maximise its revenue potential and improve load factors on established routes. Stobart Air will also leverage the value of its aircraft by securing additional commercial relationships with other airlines.

Stobart Aviation Services

Stobart Aviation Services is a start-up business launched to exploit Stobart's logistics expertise to deliver ground handling operations at airports.

During the period, Stobart Aviation Services secured its first major milestone external contract at London Stansted with easyJet. This contract has been running for circa six months, allowing the business to demonstrate its service expertise and capabilities. Stobart Aviation Services has also put in place the right structure, teams and systems to deliver the backbone of an efficient ground handling service, so it is now well positioned to scale-up by securing additional contracts.

Stobart Energy

Stobart Energy is the UK's leading provider of biomass, with long-term agreements in place to supply two million tonnes per annum, and the capacity to provide three million tonnes per annum by FY 2022.

	31 August 2018 £m	31 August 2017 £m
Revenue	29.9	25.3
Underlying EBITDA[1]	8.7	4.6
EBITDA	6.5	2.5
Tonnes sold	657,950	382,775
Underlying EBITDA per tonne	£13.19	£12.01

[1] Defined in glossary in note 14

A key driver for the 72% growth in tonnes of fuel sold was that plants commissioned last year are now approaching commercial volumes. Underlying EBITDA per tonne continues to prove the business model and is ahead of our 2018 strategic target of £10 per tonne with the year-on-year improvement driven by customer mix, the benefits of increased volume and continued focus on cost management.

The continuing challenges around the commissioning of third-party power stations means that, although volumes sold have increased year-on-year, our infrastructure has been under-utilised. Two major plants in Widnes and Tilbury have experienced unplanned outages during the first half of the year. Commissioning also started later than expected at Margam and Templeborough and the development of Port Clarence has slipped to early 2019.

Consequently, we continue to work hard to maintain the integrity and viability of the supply chains we have created for these plants resulting in non-underlying costs of £2.2m.

We continue to invest in people, processing and storage capacity, and have specialist transport fleet and IT systems to ensure we have a best in class infrastructure ready to deliver a full end-to-end supply chain solution to our customers.

Though it continues to prove challenging to forecast accurately the successful operation of third-party power plants, we expect further progress in the second half. We are confident the business has the right infrastructure in place to ensure the division can grow rapidly as more plants start to operate on a more consistent basis.

Stobart Rail & Civils

Stobart Rail & Civils is one of the UK's leading providers of innovative and efficient rail and non-rail civil engineering projects.

	31 August 2018 £m	31 August 2017 £m
Revenue		
- External customers	12.7	6.3
- Internal customers	9.9	13.8
Total	22.6	20.1
Underlying EBITDA[1]	(4.8)	1.4
EBITDA	(4.8)	1.4

[1] Defined in glossary in note 14

The appointment of a new commercial team, including a new finance director, has strengthened management. During the period, Stobart Rail & Civils undertook a detailed review of its commercial operations, all open contracts and project economics. During the period, a review of ongoing contracts that commenced in prior periods was undertaken, including their forecast outturn. The result of the review was to downgrade the recorded performance of those contracts which is reflected in the current period results.

The management team are placing more focus on contract quality and securing contracts with external tier one customers. To that end, a new commercial director and two regional directors have been appointed. The division also secured two framework agreements with Manchester's Metrolink and achieved delivery partner status for Transpire, the Trans Pennine route upgrade. The benefits of improved contract bidding will be seen in future periods.

Infrastructure and Investments

The Stobart Infrastructure segment manages, develops and realises value from a portfolio of property assets as well as investments in biomass energy plants. Divisional underlying EBITDA has reduced compared to the prior period, which is primarily due to the impact of lost revenue arising from the closure of Carlisle & Lake District Airport (CLDA) during its development.

There were realisations of £27.5m from the disposal of two property assets in the period, both at or above book value. These included a sale and leaseback transaction for part of our Widnes site, which incorporated our waste wood processing plant, the newly constructed offices for Stobart Group and Stobart Energy, and a separate plot on which a new 15-acre waste wood storage area is to be constructed. The net proceeds from this transaction were £25.3m.

Following the relocation of staff to our newly constructed office and terminal building at CLDA, the division has completed the disposal of the former Stobart Group/Stobart Rail offices in Carlisle, realising net disposal proceeds of £2.2m. Two further property disposals have been completed in the second half of the year. Elsewhere, the business continues to progress the retail-led development scheme at our site in Speke with a view to disposal in the next financial year.

The Stobart Investments segment holds non-controlling interests in Eddie Stobart Logistics and AirPortr.

Financial Review

Revenue has increased by 21.4% to £151.3m in the six months to 31 August 2018, driven by growth in the operating divisions. Aviation has grown by 5.8% to £87.1m (pro forma), with London Southend Airport (LSA) passenger numbers increasing by 37.4% to 838,742 year-on-year. The division benefitted from the start-up of the Aviation Services operation with revenue of £2.3m. Revenue in Energy has grown by 18.0% to £29.9m on the back of a 71.9% increase in tonnes to 657,950. Revenue in Rail & Civils has grown by 12.3% to £22.6m.

Pro forma underlying EBITDA, excluding the profit on disposal of associate, has increased by 10.4% to £17.0m (2017: £15.4m). Aviation has seen pro forma underlying EBITDA grow by 14.6% to £15.7m on the back of increasing passenger numbers through LSA. Energy has delivered an 88.8% increase in underlying EBITDA to £8.7m, while improving underlying EBITDA margins to £13.19 per tonne from £12.01 per tonne, an increase of 9.8%. The performances in these two divisions have offset the losses incurred in Rail & Civils. This operation is refocusing its efforts on external contracts and a more rigorous commercial approach.

Group EBITDA loss was £6.1m (2017: £123.1m profit, including £123.8m profit on disposal of Eddie Stobart Logistics). The current period includes £18.1m of losses in the UK Flybe franchise operation. A summary of divisional profitability is set out on page 3 and further details of divisional performance are set out in the Divisional Reviews section.

The loss for the period of £17.5m (2017: £111.9m profit) is after the accelerated expenditure of £18.0m (£2017: £9.1m) in route development and marketing at LSA, described in detail below. This expenditure has aided the airport in securing three Ryanair based aircraft from next year and a fourth easyJet based aircraft from July 2018.

Central costs and eliminations have reduced from £5.5m to £4.3m, due to a reduction in the charge for share-based payments, after the vestings charged in the prior year, and reduced travel costs.

Pro forma presentation on income statement

In August, the Group announced that the UK Flybe franchise operations (UKFFO) out of London Southend Airport will be withdrawn by February 2020. The operation, for which tickets went on sale in December 2016, commenced flights in May 2017 with the purpose of building awareness and accelerating growth at the airport. The Ryanair contract was secured in June 2018 and easyJet have added a fourth aircraft based at the airport from July 2018. These operations will replace the UKFFO. The pro forma loss in the period was £18.0m (2017: £9.1m) and has been presented in a separate unreviewed pro forma column on the face of the income statement to enable the reader to better understand the results. Further details can be found in note 1.

Swaps

The mark to market gain on swaps in the period was £3.6m (2017: £1.3m loss). The increase is mainly driven by the mark to market valuations relating to aviation fuel and diesel swaps following the rise in fuel prices.

Depreciation and interest

Depreciation has increased by £4.4m to £10.9m, with the majority of this increase relating to a reassessment of aircraft depreciation rates in our aircraft leasing business. Other increases followed from investment in operating assets across all divisions. The impairment of loan notes relates to a write down in value of loan notes receivable from green energy plants.

Finance costs of £1.7m (2017: £2.7m) decreased due to the repayment of aircraft leasing loans in Propius (£1.1m), partly offset by increased charges following drawdowns on the RCF. Finance income of £0.8m (2017: £1.0m) decreased due to interest no longer being accrued on loan notes due from green energy plants.

Taxation

The tax credit is £1.3m (2017: £0.3m). This arises from tax deductions obtained following the exercise of a significant number of share options by employees during the interim period and the utilisation of tax loss attributes (see note 6 for further details).

Non-underlying items

	31 August 2018 £'000	31 August 2017 £'000
New business and new contract set up costs	3,837	4,873
Transaction costs	112	247
Litigation and claims	1,575	3,300
Share of post-tax profits of associates: Amortisation of contracts	-	237
Non-underlying items within EBITDA	**5,524**	**8,657**
Amortisation of acquired intangibles	1,969	1,969
Total non-underlying items	**7,493**	**10,626**

We incurred £2.2m of contract set-up costs in the Energy division in connection with the delayed commissioning of biomass plants, £0.8m in the Aviation division for new route development and £0.8m in the Infrastructure division in connection with Carlisle Lake District Airport development. Transaction costs are related to the acquisitions and aborted transactions in the Aviation division. The charge for litigations and claims relates to the ongoing board issues. Contingent assets relating to any outstanding claims are not recognised unless recovery is considered virtually certain, in accordance with accounting standards. The charges in relation to the non-cash amortisation of the brands and contracts, presented below EBITDA in the income statement, are expected to continue in future periods (see note 4 for further details).

Earnings per Share

Pro forma earnings per share from underlying operations[1] were 1.89p (2017: 37.13p). Total basic earnings per share were 5.06p loss (2017: 32.03p profit) (see note 8 for further details).

[1] Defined in glossary in note 14

Dividend and share buybacks

	31 August 2018	31 August 2017
Interim dividend (April)	4.5p	3.0p
Final dividend (July)	4.5p	4.5p
	9.0p	**7.5p**
Total dividends paid (£'000)	31,256	26,440

Quarterly dividends of 4.5p were paid on 13 April 2018, 6 July 2018 and 5 October 2018. The full-year dividend for the year ended 28 February 2018 was 18.0p.

During the period, the Group purchased 1.5m of its own shares for £3.4m. In addition, 7.0m shares were transferred from treasury to the Group's Employee Benefit Trust for nil consideration. These shares will be used to satisfy awards granted by the Group under its long-term incentive plans. 4.1m shares were used to satisfy awards in the period. At the period end, there were no shares held in treasury. Following the AGM, the Group has the mandate to make further market acquisitions within certain limits. The Board will consider this on an opportunistic basis.

Balance sheet

	31 August 2018 £'000	28 February 2018 £'000
Non-current assets	484,275	486,935
Current assets	124,659	167,236
Total assets	**608,934**	**654,171**
Non-current liabilities	(168,453)	(141,462)
Current liabilities	(90,198)	(106,789)
Net assets	**350,283**	**405,920**

The decrease in the net asset position of £55.6m principally relates to dividends paid, purchase of treasury shares and the loss for the period.

Non-current assets have remained stable over the period, with increases in land and buildings of £7.8m, mainly in relation to the development of Carlisle Lake District Airport. This increase was offset by a £5.8m reduction in available for sale investments and £2.0m amortisation of intangible assets.

Other financial assets represent the Groups investment in Eddie Stobart Logistics (ESL) with a fair value at 31 August 2018 of £57.9m. During the period, a dividend of 4.4p per share was received totalling £2.0m. Included in the statement of comprehensive income is the loss of £5.8m for the six months to 31 August 2018, following a 13.0p reduction in the ESL share price from 142.5p to 129.5p.

Current assets have decreased by £42.6m. £22.8m of the decrease relates to the sale and leaseback of property inventory at Widnes and £13.7m relates to the reduction in cash over the six months to 31 August 2018.

Non-current liabilities have increased by £27.0m, principally driven by the increase in loans and borrowings. See note 10 for further details. The £16.6m reduction in current liabilities relates to the seasonal decrease in forward sales in our regional airline and a reduction in trade creditors in the Rail division following the completion of two large Group civils projects and an external rail contract.

Debt and gearing

	31 August 2018	28 February 2018
Net debt/(cash):		
- asset-backed finance	£40.0m	£40.0m
- other	£35.6m	(£3.4m)
Total net debt	**£75.6m**	**£36.6m**
Pro forma underlying EBITDA[1]/ interest	17.8	44.4
Net debt/total assets	12.4%	5.6%
Gearing	21.6%	9.0%

[1] Defined in glossary in note 14

On 30 July 2018, the Group completed the amendment and extension of our Revolving Credit Facility (RCF) with Lloyds Bank and Allied Irish Bank. The increased £80m facility will continue to provide the group with flexibility and committed headroom at a competitive rate. Along with other factors within the control of the Group, this facility will help to mitigate liquidity risk for the next four years to January 2022.

At 31 August 2018, the committed undrawn headroom in the RCF was £16.0m (28 February 2018: £25.0m), and with cash balances of £29.4m (28 February 2018: £43.1m), total headroom was £45.4m (28 February 2018: £68.1m).

Cash flow

	31 August 2018 £'000	31 August 2017 £'000
Operating cash flow	(18,143)	(7,075)
Investing activities	24,308	168,768
Financing activities	(19,871)	(153,317)
(Decrease)/increase in the period	(13,706)	8,376
At beginning of period	43,108	30,653
Cash at end of period	**29,402**	**39,029**

There was an operating cash outflow in the period of £18.1m (2017: £7.1m) principally relating to losses in the period relating to the UKFFO and adverse working capital movements. The working capital outflows principally related to a reduction in creditors in Rail following the completion of major projects and the seasonal reduction in forward sales in our airline.

There was a cash outflow of £14.9m in relation to the UKFFO that is ceasing. This operation will be replaced by the Ryanair flights that are due to start in summer 2019 and the fourth based easyJet aircraft that arrived in July 2018. Due to ongoing commitments, the Group will incur further costs through to February 2020.

Net cash inflows from investing activities include proceeds from the sale of property inventories and property, plant and equipment (PPE) totalling £29.2m, purchase of property inventories and PPE of £11.7m, principally relating to the development of Carlisle Lake District Airport, and receipt of refundable deposits relating to aircraft £7.0m. Within the £29.2m proceeds is £25.3m in relation to land at Widnes that was subject to sale and leaseback.

Net cash outflows from financing activities includes the repayment of finance leases and the net drawdown of the RCF (£16.2m), in addition to £31.3m of dividends paid, £3.4m for the purchase of 1.5m treasury shares and interest paid of £1.4m.

As the Group focuses on growth opportunities for Aviation and Energy, we will be undertaking a capital review in the second half to ensure we are best placed to optimise shareholder returns.

Key Risks and Uncertainties

As with any business, risk assessment and the implementation of mitigating actions and controls are vital to successfully achieving the Group's strategy. The Board has overall responsibility for risk management and internal control within the context of achieving the Group's objectives. The key risks are set out in our 2018 Annual Report and are broadly unchanged except that an additional risk has been identified in connection with the Board dispute.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and

- The interim management report includes a fair review of the information required by:

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

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

The above statement of Directors' responsibilities was approved by the Board on 23 October 2018.

Iain Ferguson	**Warwick Brady**	**Nick Dilworth**
Ginny Pulbrook	**Andrew Wood**	**John Coombs**

Stobart Group Limited

Condensed Consolidated Income Statement
For the six months ended 31 August 2018

		Six months ended 31 August 2018			Six months ended 31 August 2017		
Continuing operations	**Notes**	**Unreviewed pro forma before UKFFO £'000**	**Unreviewed pro forma UKFFO £'000**	**Statutory total £'000**	**Unreviewed pro forma before UKFFO £'000**	**Unreviewed pro forma UKFFO £'000**	**Statutory total £'000**
Revenue	3	135,602	15,717	151,319	118,003	6,550	124,553
Other operating income		3,924	-	3,924	124,381	-	124,381
Operating expenses		(126,958)	(33,775)	(160,733)	(110,740)	(15,550)	(126,290)
Share of post-tax profits of associates and joint ventures		(588)	-	(588)	474	-	474
EBITDA		**11,980**	**(18,058)**	**(6,078)**	**132,118**	**(9,000)**	**123,118**
Analysed as							
Underlying EBITDA		16,991	(17,545)	(554)	139,225	(7,450)	131,775
Non-underlying items included in EBITDA	4	(5,011)	(513)	(5,524)	(7,107)	(1,550)	(8,657)
EBITDA		**11,980**	**(18,058)**	**(6,078)**	**132,118**	**(9,000)**	**123,118**
Gain/(loss) on swaps		3,579	-	3,579	(1,298)	-	(1,298)
Depreciation		(10,931)	-	(10,931)	(6,540)	-	(6,540)
Amortisation	4	(1,969)	-	(1,969)	(1,969)	-	(1,969)
Operating profit/(loss)		**2,659**	**(18,058)**	**(15,399)**	**122,311**	**(9,000)**	**113,311**
Analysed as							
Underlying operating profit/(loss)		9,639	(17,545)	(7,906)	131,387	(7,450)	123,937
Non-underlying items included in EBITDA	4	(5,011)	(513)	(5,524)	(7,107)	(1,550)	(8,657)
Non-underlying items below EBITDA	4	(1,969)	-	(1,969)	(1,969)	-	(1,969)
Operating profit/(loss)		**2,659**	**(18,058)**	**(15,399)**	**122,311**	**(9,000)**	**113,311**
Impairment of loan notes	5	(2,500)	-	(2,500)	-	-	-
Finance costs	5	(1,698)	-	(1,698)	(2,628)	(75)	(2,703)
Finance income	5	741	40	781	979	-	979
(Loss)/profit before tax		**(798)**	**(18,018)**	**(18,816)**	**120,662**	**(9,075)**	**111,587**
Tax	6	1,320	-	1,320	292	-	292
Profit/(loss) for the period		**522**	**(18,018)**	**(17,496)**	**120,954**	**(9,075)**	**111,879**
Analysed as							
Underlying profit/(loss) for the period		6,536	(17,505)	(10,969)	129,695	(7,525)	122,170
Non-underlying items included in profit/(loss) for the period		(6,014)	(513)	(6,527)	(8,741)	(1,550)	(10,291)
Profit/(loss) for the period		**522**	**(18,018)**	**(17,496)**	**120,954**	**(9,075)**	**111,879**
Earnings per share							
Basic	8			(5.06p)			32.03p
Diluted	8			(5.06p)			31.16p

Stobart Group Limited

Condensed Consolidated Income Statement
For the six months ended 31 August 2018

Continuing operations	Notes	Audited Year ended 28 February 2018 Unaudited pro forma before UKFFO £'000	Unaudited pro forma UKFFO £'000	Audited statutory total £'000
Revenue		226,974	15,019	241,993
Other operating income		133,513	-	133,513
Operating expenses		(219,643)	(36,974)	(256,617)
Share of post-tax profits of associates and joint ventures		3,480	-	3,480
EBITDA		**144,324**	**(21,955)**	**122,369**
Analysed as				
Underlying EBITDA		154,107	(18,945)	135,162
Non-underlying items included in EBITDA	4	(9,783)	(3,010)	(12,793)
EBITDA		**144,324**	**(21,955)**	**122,369**
Gain on swaps		1,038	-	1,038
Depreciation		(15,332)	-	(15,332)
Amortisation		(3,938)	-	(3,938)
Operating profit/(loss)		**126,092**	**(21,955)**	**104,137**
Analysed as				
Underlying operating profit/(loss)		139,813	(18,945)	120,868
Non-underlying items included in EBITDA	4	(9,783)	(3,010)	(12,793)
Non-underlying items below EBITDA	4	(3,938)	-	(3,938)
Operating profit/(loss)		**126,092**	**(21,955)**	**104,137**
Finance costs	5	(5,173)	(43)	(5,216)
Finance income	5	1,701	-	1,701
Profit/(loss) before tax		**122,620**	**(21,998)**	**100,622**
Tax	6	(618)	-	(618)
Profit/(loss) for the period		**122,002**	**(21,998)**	**100,004**
Analysed as				
Underlying profit/(loss) for the period		132,595	(18,988)	113,607
Non-underlying items included in profit/(loss) for the period		(10,593)	(3,010)	(13,603)
Profit/(loss) for the period		**122,002**	**(21,998)**	**100,004**
Earnings per share				
Basic	8			28.66p
Diluted	8			28.00p

Stobart Group Limited

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 August 2018

	Six months ended 31 August 2018 Unaudited £'000	Six months ended 31 August 2017 Unaudited £'000	Year ended 28 February 2018 Audited £'000
(Loss)/profit for the period	**(17,496)**	**111,879**	**100,004**
Change in fair value of assets classified as available-for-sale	(5,810)	-	(7,822)
Foreign currency translation differences – equity accounted associate	-	(45)	(45)
Items recycled to income statement – equity accounted associates	-	1,397	1,397
Items recycled to income statement – equity accounted joint ventures	-	-	(3,006)
Exchange differences on translation of foreign operations	1,180	(2,068)	(2,103)
Tax on items relating to components of other comprehensive income	37	1,130	-
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods, net of tax	**(4,593)**	**414**	**(11,579)**
Re-measurement of defined benefit plan	1,103	564	1,311
Tax on items relating to components of other comprehensive income	(188)	(96)	(226)
Other comprehensive income not being reclassified to profit or loss in subsequent periods, net of tax	**915**	**468**	**1,085**
Other comprehensive (expense)/income for the period, net of tax	**(3,678)**	**882**	**(10,494)**
Total comprehensive (expense)/income for the period	**(21,174)**	**112,761**	**89,510**

Stobart Group Limited

Condensed Consolidated Statement of Financial Position
As at 31 August 2018

	Notes	31 August 2018 Unaudited £'000	28 February 2018 Audited £'000
Non-current assets			
Property, plant and equipment			
- Land and buildings	9	186,837	179,936
- Plant and machinery	9	54,707	59,210
- Fixtures, fittings and equipment	9	8,995	4,649
- Commercial vehicles and aircraft	9	54,646	57,347
		305,185	**301,142**
Investment in associates and joint ventures		3,856	349
Other financial assets		57,880	63,690
Investment property		4,711	4,700
Intangible assets		102,451	104,420
Other receivables		10,192	12,634
		484,275	**486,935**
Current assets			
Inventories		29,394	51,801
Trade and other receivables		59,563	65,427
Cash and cash equivalents	10	29,402	43,108
Assets held for sale		6,300	6,900
		124,659	**167,236**
Total assets		**608,934**	**654,171**
Non-current liabilities			
Loans and borrowings	10	(88,934)	(63,023)
Defined benefit pension scheme		(2,181)	(3,652)
Other liabilities		(45,584)	(47,259)
Deferred tax		(17,424)	(19,435)
Provisions		(14,330)	(8,093)
		(168,453)	**(141,462)**
Current liabilities			
Trade and other payables		(64,785)	(80,820)
Loans and borrowings	10	(16,019)	(16,710)
Corporation tax		(9,394)	(8,384)
Provisions		-	(875)
		(90,198)	**(106,789)**
Total liabilities		**(258,651)**	**(248,251)**
Net assets		**350,283**	**405,920**
Capital and reserves			
Issued share capital		35,434	35,434
Share premium		301,326	301,326
Foreign currency exchange reserve		(704)	(1,884)
Reserve for own shares held by employee benefit trust		(1,033)	(330)
Retained earnings		15,260	71,374
Total Equity		**350,283**	**405,920**

Stobart Group Limited

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2018

For the six months ended 31 August 2018
Unaudited

	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2018	35,434	301,326	(1,884)	(330)	71,374	405,920
Loss for the period	-	-	-	-	(17,496)	(17,496)
Other comprehensive income/(expense) for the period	-	-	1,180	-	(4,858)	(3,678)
Total comprehensive income/(expense) for the period	-	-	1,180	-	(22,354)	(21,174)
Employee benefit trust	-	-	-	(703)	238	(465)
Share-based payment credit	-	-	-	-	674	674
Sale of treasury shares	-	-	-	-	(3,416)	(3,416)
Dividends	-	-	-	-	(31,256)	(31,256)
Balance at 31 August 2018	**35,434**	**301,326**	**(704)**	**(1,033)**	**15,260**	**350,283**

For the six months ended 31 August 2017
Unaudited

	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2017	35,434	301,326	2,766	(330)	48,338	387,534
Profit for the period	-	-	-	-	111,879	111,879
Other comprehensive (expense)/income for the period	-	-	(1,609)	-	2,491	882
Total comprehensive (expense)/income for the period	-	-	(1,609)	-	114,370	112,761
Employee benefit trust	-	-	-	-	238	238
Share-based payment credit	-	-	-	-	1,093	1,093
Purchase of treasury shares	-	-	-	-	(10,143)	(10,143)
Dividends	-	-	-	-	(26,440)	(26,440)
Balance at 31 August 2017	**35,434**	**301,326**	**1,157**	**(330)**	**127,456**	**465,043**

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2018

For the year ended 28 February 2018
Audited

	Issued share capital £'000	Share premium £'000	Foreign currency exchange reserve £'000	Reserve for own shares held by EBT £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2017	35,434	301,326	2,766	(330)	48,338	387,534
Profit for the period	-	-	-	-	100,004	100,004
Other comprehensive expense for the period	-	-	(4,650)	-	(5,844)	(10,494)
Total comprehensive (expense)/income for the period	-	-	(4,650)	-	94,160	89,510
Employee benefit trust	-	-	-	-	513	513
Share-based payment credit	-	-	-	-	1,678	1,678
Tax on share-based payment credit	-	-	-	-	792	792
Sale of treasury shares	-	-	-	-	2,500	2,500
Purchase of treasury shares	-	-	-	-	(18,483)	(18,483)
Dividends	-	-	-	-	(58,124)	(58,124)
Balance at 28 February 2018	**35,434**	**301,326**	**(1,884)**	**(330)**	**71,374**	**405,920**

Stobart Group Limited

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 August 2018

	Notes	Six months ended 31 August 2018 Unaudited £'000	Six months ended 31 August 2017 Unaudited £'000	Year ended 28 February 2018 Audited £'000
Cash used in continuing operations	12	**(18,143)**	**(7,006)**	**(9,335)**
Income taxes paid		-	(69)	(215)
Net cash flow from operating activities		**(18,143)**	**(7,075)**	**(9,550)**
Purchase of property, plant and equipment and investment property		(9,840)	(50,532)	(75,058)
Purchase of property inventories		(1,829)	(2,624)	(4,098)
Proceeds from the sale of property, plant and equipment and investment property		3,888	1,012	6,772
Proceeds from the sale of property inventories		-	-	3,356
Non-underlying transaction and restructuring costs		(112)	(1,443)	(1,962)
Proceeds from disposal of assets held for sale		-	-	7,916
Proceeds from sale and leaseback, net of fees		25,346	115,028	127,473
Movement in maintenance reserves		(300)	(3,324)	10,296
Refundable deposit repaid/(advanced)		7,043	(1,416)	(4,759)
Distributions from joint ventures		-	-	937
Net amounts advanced to joint ventures		-	(33)	-
Other loans advanced		-	-	(2,000)
Proceeds from disposal of associate		-	111,966	111,931
Interest received		112	152	216
Cash outflow from discontinued operations		-	(18)	(18)
Net cash flow from investing activities		**24,308**	**168,768**	**181,002**
Dividend paid on ordinary shares		(31,256)	(26,440)	(58,124)
Repayment of capital element of finance leases		(7,420)	(5,089)	(12,365)
Repayment of borrowings		-	(66,792)	(66,792)
Net drawdown from/(repayment of) revolving credit facility		23,609	(42,420)	(2,420)
Purchase of treasury shares, net of fees		(3,416)	(10,728)	(16,568)
Interest paid		(1,388)	(1,848)	(2,728)
Net cash flow from financing activities		**(19,871)**	**(153,317)**	**(158,997)**
(Decrease)/increase in cash and cash equivalents		(13,706)	8,376	12,455
Cash and cash equivalents at beginning of period		43,108	30,653	30,653
Cash and cash equivalents at end of period		**29,402**	**39,029**	**43,108**

1 Accounting policies of Stobart Group Limited

Corporate information

The condensed consolidated financial statements of the Group for the six months ended 31 August 2018 were authorised for issue in accordance with a resolution of the Directors on 23 October 2018. Stobart Group Limited is a Guernsey registered company whose ordinary shares are publicly traded on the London Stock Exchange. The principal activities of the Group are described in note 3.

Basis of preparation

The condensed consolidated financial statements of the Group for the six months ended 31 August 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 28 February 2018. Except for the 28 February 2018 statutory comparatives, the financial information set out herein is unaudited but has been reviewed by the auditors, KPMG LLP, and their report to the Company is attached.

The audited comparative financial information set out in these interim consolidated financial statements does not constitute the Group's statutory accounts for the year ended 28 February 2018 but has been derived from those accounts. Statutory accounts for the period ended 28 February 2018 have been published and KPMG LLP has reported on those accounts. Their audit report was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union.

Pro forma financial information

A pro forma income statement for the period ended 31 August 2018, and all comparative periods, has been prepared by the Directors, on the basis described below. This is to show the financial effect of the accelerated investment in growth at London Southend Airport (LSA), described on the face of the income statement as UKFFO (UK Flybe franchise operations), through the Flybe franchise operation on a risk share basis. This operation, for which tickets went on sale in December 2016 and which commenced flights in May 2017, is being withdrawn following the agreements with easyJet and Ryanair to expand their operations at LSA. The jet operation will cease by the end of the current financial year and the ATR turboprop operation by the end of the following financial year.

The unaudited pro forma information is presented alongside the statutory consolidated income statement. This is to provide information which the Directors consider helps to provide a better understanding of the underlying performance of the Group. The differences between the pro forma income statement information and the consolidated statutory income statement for the year are summarised as follows:

- The pro forma income statement excludes the income received, and the costs incurred, by the airline in respect flights operated under the UK Flybe franchise operation (UKFFO) out of LSA.

- Income received includes ticket and ancillary revenue in relation to the flights. This revenue amounts to £15.7m (2017: £6.6m). The passenger numbers were 318,000 (2017: 128,000).

- Costs include fuel, pilots, cabin crew, aircraft leases, landing fees and overheads. In addition, foreign exchange gains and losses now presented within finance income/costs have been included within the pro forma presentation. The total value of these costs amount to £33.8m (2017: 15.6m).

- The comparative period's results to 31 August 2017 and to 28 February 2018 have been restated on a consistent basis.

- The passengers on these flights operated under the UK Flybe Franchise operation will have also generated commercial income, and related costs, within the airport from revenue streams such as food and beverage, railway, car parking and retail. It is not possible to reliably measure this income, and these passenger numbers through the airport are expected to be replaced by a growing number of passengers on easyJet and Ryanair flights. No adjustment to the results has been made in relation to these transactions.

- The pro forma income statement includes non-underlying items directly linked to the accelerated investment in LSA. These non-underlying items are incomes and expenses, 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 for the period. Total cost included in the pro forma income statement is £0.5m (2017: £1.6m) and relates to new business and new contract set up costs.

A detailed analysis of the effect on the pro forma income statement in the Aviation segment is set out below:

	Six months ended 31 August 2018 £'000	**Six months ended 31 August 2017 £'000**	**Year ended 28 February 2018 £'000**
Revenue from UKFFO	15,717	6,550	15,019
Operating expenses from UKFFO	(33,262)	(14,000)	(33,964)
Non-underlying items	(513)	(1,550)	(3,010)
Finance income/(costs) – FX	40	(75)	(43)
Effect of UKFFO	**(18,018)**	**(9,075)**	**(21,998)**

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the interim financial statements have been prepared on a going concern basis.

The Directors have reviewed the cash flow forecasts of the Group, which cover a period of more than 12 months from the date of authorisation of these interim financial statements, together with the projected covenant compliance of the Group.

The Group, which has net assets of £350.3m and positive working capital of £34.5m, made a loss of £17.5m and had an operating cash outflow of £18.1m during the period. The group has a revolving credit facility of £80.0m, which was £64m drawn at 31 August 2018. The Group has cash balances of £29.4 million and this together with the undrawn facility results in total headroom of £45.4m.

The Directors have performed sensitivity analysis on the forecasts, including the timing and amount of cash generated from asset and investment disposals or refinancing, and forecast revenue and costs.

The Group has other available actions should these transactions not occur as expected, including reducing significant levels of discretionary expenditure assumed during the forecast period. The Directors are satisfied that the Group has adequate resources to fund its cash requirements for the foreseeable future.

The base and sensitised forecasts indicate that the Group will continue to operate within the covenant requirements of the revolving credit facility renewed in July 2018 in the forecast period.

The going concern basis has been adopted and the financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

Significant accounting policies and key estimates and judgements

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group‘s annual financial statements for the year ended 28 February 2018. These accounting policies are expected to be applied for the full year to 28 February 2019.

The estimates and judgements taken by the Directors in preparing these interim financial statements are comparable with those disclosed in the 2018 annual report, except where stated. The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 March 2018. There is no material effect of initially applying these standards and the prior year results have been presented as previously reported. On adoption of IFRS 9, the financial asset investment, 11.8% investment in Eddie Stobart Logistics, was chosen to be designated as fair value through other comprehensive income.

IFRS 15 now applies a five-step model for revenue recognition. In assessing the impact of the adoption of IFRS 15 management considered each revenue stream individually and applied the five-step model in recognising revenue for each respective stream. On conclusion of this assessment, revenue for each revenue stream would be recognised at the same point as if the existing policy had remained in place and therefore there has been no changes to the Group's existing revenue recognition policy.

Revenue recognition within the Aviation division is at a point in time. This covers passenger ticket revenue recognised on the date of travel, airline, airport and handling income recognised in the month of service or operation.

The Energy division recognises revenue for processed material delivered to plants at a point in time which is consistent with the previous IAS 18 treatment. This treatment is consistent for gate receipt income relating to waste wood received.

The Rail division previously recognised some of its contracts under IAS 11 construction contracts, which has been superseded by IFRS 15. Both standards allow for revenue to be recognised over time, however, the new standard requires the determination of whether the performance obligations in the contract are satisfied over time, i.e. control of the good or service transfers to the customer over time. There has been no need for restatement of revenue in the prior periods.

The Group's trade receivables resulting from sales are subject to IFRS 9's new expected credit loss model. The Group was required to revise its impairment methodology under IFRS 9 for this class of asset. There was no material impact as a result in this change in impairment methodology.

During the period, there has been a material change to the estimate of the economic life and residual of three aircraft owned by our aircraft leasing business. The changes are a result of an alteration in strategy for the use of these assets within the Group.

The following standards and amendments have an effective date after the date of these financial statements:

Standard, amendment and interpretation	**Effective for accounting periods commencing on or after**
IFRS 16 – Leases	1 January 2019
Amendments to IAS 19/IFRIC 14	1 January 2019

IFRS 16: The new Leases standard, with certain exceptions, requires the Group, where the Group is a lessee, to recognise right of use assets and lease liabilities for all leases, there no longer being a distinction between operating and finance leases for lessees. The profile of the consolidated income statement impact for items previously accounted for as operating leases is likely to change for the Group, where the Group is a lessee, with a higher periodic expense in the earlier periods of a lease. Following a review of the impact of this standard, it will have a material effect on the consolidated statement of financial position and consolidated income statement presentation and measurement. Based on the leases at 31 August 2018, the new standard would result in right of use or lease assets and corresponding liabilities of approximately £196m when the standard becomes effective. Approximately £118m of this amount relates to leased aircraft operated by our regional airline, Stobart Air.

Amendments to IAS 19 are not expected to have a material effect on the defined benefit obligation disclosures, due to scheme rules giving the Group an unconditional right to a refund if the scheme is in surplus. The adoption of all the other standards, amendments and interpretations is not expected to have a material effect on the net assets, results and disclosures of the Group.

2 Seasonality of operations

There is a material effect of seasonality in both of our largest operating divisions. In the Aviation division there are higher seasonal sales in summer and this is partly offset by higher seasonal sales in winter in the Energy division.

3 Segmental information

The reporting segments are Stobart Aviation, Stobart Energy, Stobart Rail & Civils, Stobart Investments and Stobart Infrastructure. The Stobart Aviation segment specialises in the operation of commercial airports, airline operations and aircraft leasing. The Stobart Energy segment specialises in supply of sustainable biomass for the generation of renewable energy.

The Stobart Rail & Civils segment specialises in delivering internal and external civil engineering development projects including rail network operations. The Stobart Investments segment holds a non-controlling interest in Eddie Stobart Logistics plc. The Stobart Infrastructure segment specialises in management, development and realisation of Group land and buildings assets as well as investments in biomass energy plants.

The Executive Directors are regarded as the Chief Operating Decision Maker. The Directors monitor the results of each business unit separately for the purposes of making decisions about resource allocation and performance assessment. The main segmental profit measure is underlying EBITDA.

Non-underlying costs, income taxes and certain central costs are managed on a Group basis and are not allocated to operating segments. Reportable segments have been prepared on a consistent basis to the prior interim period.

Period ended 31 August 2018	Aviation £'000	Energy £'000	Rail £'000	Investments £'000	Infrastructure £'000	Adjustments and eliminations £'000	Group £'000
Revenue							
External	87,068	29,877	12,729	1,967	1,039	2,922	135,602
Internal	66	-	9,895	-	38	(9,999)	-
Pro forma revenue	**87,134**	**29,877**	**22,624**	**1,967**	**1,077**	**(7,077)**	**135,602**
Effect of UKFFO	15,717	-	-	-	-	-	15,717
Statutory revenue	**102,851**	**29,877**	**22,624**	**1,967**	**1,077**	**(7,077)**	**151,319**
Pro forma underlying EBITDA	**15,650**	**8,677**	**(4,840)**	**2,823**	**(1,054)**	**(4,265)**	**16,991**
Effect of UKFFO	(17,545)	-	-	-	-	-	(17,545)
Underlying EBITDA	**(1,895)**	**8,677**	**(4,840)**	**2,823**	**(1,054)**	**(4,265)**	**(554)**
Non-underlying items	(823)	(2,170)	-	-	(844)	(1,687)	(5,524)
Swaps	-	-	-	-	-	3,579	3,579
Depreciation	(6,182)	(3,168)	(1,114)	-	(348)	(119)	(10,931)
Amortisation	-	(111)	-	-	-	(1,858)	(1,969)
Impairment of loan notes	-	-	-	-	(2,500)	-	(2,500)
Interest	330	(366)	(116)	-	(170)	(595)	(917)
(Loss)/profit before tax	**(8,570)**	**2,862**	**(6,070)**	**2,823**	**(4,916)**	**(4,945)**	**(18,816)**

Inter-segment revenues are eliminated on consolidation. Included in adjustments and eliminations underlying EBITDA are central costs of £4,199,000 (2017: £5,246,000) and intragroup profits eliminated of £66,000 (2017: £252,000).

Period ended 31 August 2017	Aviation £'000	Energy £'000	Rail £'000	Investments £'000	Infrastructure £'000	Adjustments and eliminations £'000	Group £'000
Revenue							
External	82,299	25,328	6,318	-	1,352	2,706	118,003
Internal	65	-	13,833	-	543	(14,441)	-
Pro forma revenue	**82,364**	**25,328**	**20,151**	**-**	**1,895**	**(11,735)**	**118,003**
Effect of UKFFO	6,550	-	-	-	-	-	6,550
Statutory revenue	**88,914**	**25,328**	**20,151**	**-**	**1,895**	**(11,735)**	**124,553**
Pro forma underlying EBITDA	**13,653**	**4,596**	**1,383**	**124,581**	**510**	**(5,498)**	**139,225**
Effect of UKFFO	(7,450)	-	-	-	-	-	(7,450)
Underlying EBITDA	**6,203**	**4,596**	**1,383**	**124,581**	**510**	**(5,498)**	**131,775**
Non-underlying items	(2,574)	(2,126)	-	(237)	(17)	(3,703)	(8,657)
Swaps	(756)	-	-	-	-	(542)	(1,298)
Depreciation	(3,042)	(2,696)	(386)	-	(302)	(114)	(6,540)
Amortisation	-	(111)	-	-	-	(1,858)	(1,969)
Interest	(727)	(210)	(96)	-	629	(1,320)	(1,724)
(Loss)/profit before tax	**(896)**	**(547)**	**901**	**124,344**	**820**	**(13,035)**	**111,587**

4 Non-underlying items

Non-underlying items included in the consolidated income statement comprise the items set out and described below.

	Six months 2018 Unaudited £'000	Six months 2017 Unaudited £'000	Year ended 2018 Audited £'000
New business and new contract set up costs	3,837	4,873	9,037
Transaction costs	112	247	766
Litigation and claims	1,575	3,300	4,058
Bad debt recovery	-	-	(1,305)
Share of post-tax profits of associates: Amortisation of contracts	-	237	237
Non-underlying items within EBITDA	**5,524**	**8,657**	**12,793**
Amortisation of acquired intangibles	1,969	1,969	3,938
Total non-underlying items	**7,493**	**10,626**	**16,731**

New business and new contract set up costs comprise costs of investing in major new business areas or major new contracts to commence or accelerate development of our business presence. The costs in the current year were principally relating to (i) pre-contract costs and excess costs incurred due to delays in customer plants becoming operational in the Energy division and (ii) marketing and support costs in relation to introducing routes at London Southend Airport.

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

The charge for litigation and claims includes costs incurred in relation to the ongoing board dispute and associated legal claims. Contingent assets in relation to any outstanding claims are not recognised unless recovery is considered virtually certain, in accordance with accounting standards.

Amortisation of acquired intangibles comprises the amortisation of intangible assets including those identified as fair value adjustments in acquisition accounting. The charge in the year principally relates to the amortisation of the brand assets.

5 Finance costs, finance income and impairment

	Six months 2018 Unaudited £'000	Six months 2017 Unaudited £'000
Bank loans	822	1,486
Interest on defined benefit pension scheme	47	71
Finance charges payable under finance leases and hire purchase agreements	640	459
Amortisation of deferred issue costs	146	148
Other interest	43	40
Foreign exchange losses	-	499
Total finance costs	**1,698**	**2,703**

	Six months 2018 Unaudited £'000	Six months 2017 Unaudited £'000
Bank interest receivable	118	151
Interest receivable from associates and joint ventures	-	828
Foreign exchange gains	663	-
Total finance income	**781**	**979**

In addition to the amounts above, an impairment charge of £2.5m has been recognised. This relates to the 25% investment in the associated undertaking, Shuban Power Limited, principally comprising shareholder loan notes. The Group receives periodic valuations from the third-party investment manager. The valuation undertaken in the period ended 31 August 2018 indicated there is a potential risk that the shareholder loan notes will not be repaid in full. This impairment may reverse in the future in the event of operational improvement of the energy plant, an increase in long term power price forecasts or changes in the price of feedstock.

6 Taxation

Taxation on profit on ordinary activities

Total tax in the Condensed Consolidated Income Statement	**Six months 2018 Unaudited £'000**	**Six months 2017 Unaudited £'000**	**Year ended 2018 Audited £'000**
Current income tax:			
UK corporation tax	-	-	1,500
Overseas corporation tax	-	30	-
Adjustments in respect of prior years	1,015	-	-
Total current tax	**1,015**	**30**	**1,500**
Deferred tax:			
Origination and reversal of temporary differences	(1,388)	(567)	(389)
Impact of change in rate	-	-	(493)
Adjustment in respect of prior years	(947)	245	-
Total deferred tax	**(2,335)**	**(322)**	**(882)**
Total (credit)/charge in the income statement	**(1,320)**	**(292)**	**618**

The £1,320,000 credit in the period is allocated £354,000 underlying and £966,000 non-underlying. Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and a further reduction to 17% (effective from 1 April 2020) have been announced and were substantively enacted at the balance sheet date. As such, deferred tax has been calculated using a rate of 17%.

7 Dividends

A final dividend of 4.5p per share (2017: 4.5p) totalling £15,628,000 (2017: £15,945,000) was declared on 10 May 2018 and was paid on 6 July 2018.

An interim dividend of 4.5p per share (2017: 4.5p) totalling £15,944,797 (2017: £15,843,953) was declared on 6 September 2018 and was paid on 5 October 2018 to shareholders on the register as at 14 September 2018.

8 Earnings per share

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

	Six months 2018 Unaudited	Six months 2017 Unaudited	Year ended 2018 Audited
Numerator	**£'000**	**£'000**	**£'000**
(Loss)/profit used for basic and diluted earnings	(17,496)	111,879	100,004
Denominator	**Number**	**Number**	**Number**
Weighted average number of shares used in basic EPS	345,974,719	349,275,009	348,915,545
Effects of employee share options	-	9,782,447	8,276,738
Weighted average number of shares used in diluted EPS	**345,974,719**	**359,057,456**	**357,192,283**
Own shares held and therefore excluded from weighted average number	8,354,112	5,053,823	5,413,286

The following table reflects the income used in the basic and diluted underlying earnings per share calculations. The denominator is consistent with the disclosed data in the table above.

	Six months 2018 Unaudited	Six months 2017 Unaudited	Year ended 2018 Audited
Numerator	**£'000**	**£'000**	**£'000**
Underlying profit used for basic and diluted earnings	6,536	129,695	132,595
Underlying earnings per share			
Basic	1.89p	37.13p	38.00p
Diluted	1.89p	36.12p	37.12p

9 Property, plant and equipment

Additions and disposals

During the six months ended 31 August 2018, the Group acquired or developed property, plant and equipment assets with a cost of £18,681,000 (2017: £51,834,000). This included development work at Carlisle Lake District Airport.

Property, plant and equipment assets with a book value of £3,446,000 (2017: £98,688,000) were disposed of by the Group during the six months ended 31 August 2018, resulting in a profit of £442,000 (2017: £192,000).

Capital commitments

At 31 August 2018, the Group had capital commitments of £946,000 (2017: £315,000), principally relating to the development of a processing site in the Energy business.

10 Analysis of net debt

Loans and borrowings	31 August 2018 Unaudited £'000	28 February 2018 Audited £'000
Non-current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	20,471	14,873
Variable rate:		
- Obligations under finance leases and hire purchase contracts	5,025	8,466
- Bank loans	63,438	39,684
	88,934	**63,023**
Current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	6,595	3,932
Variable rate:		
- Obligations under finance leases and hire purchase contracts	9,424	12,778
	16,019	**16,710**
Total loans and borrowings	**104,953**	**79,733**
Cash	29,402	43,108
Net debt	**75,551**	**36,625**

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

On 30 July 2018 the Group completed the amendment and extension of our Revolving Credit Facility (RCF) with Lloyds Bank and Allied Irish Bank. The increased £80m facility will continue to provide the group with flexibility and committed headroom at a competitive rate to mitigate liquidity risk for the next 4 years to January 2022.

The £80,000,000 variable rate committed revolving credit facility, with a facility end date of January 2022, was drawn at £64,000,000 (Feb 2018: £40,000,000) at the period end.

The Group was compliant with all financial covenants throughout both the current and prior periods.

11 Fair values

Financial assets and liabilities

The carrying amounts of the following financial assets and financial liabilities are a reasonable approximation of their fair value: cash and cash equivalents, financial assets at fair value through other comprehensive income, investments in associates and joint ventures, trade and other receivables, trade and other payables, derivative financial assets/liabilities.

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

	Book Value 31 August 2018 Unaudited £'000	Fair Value 31 August 2018 Unaudited £'000
Financial Liabilities		
Bank loans	63,438	63,438
Finance leases and hire purchase arrangements	41,515	42,428

	Book Value 28 February 2018 Audited £'000	Fair Value 28 February 2018 Audited £'000
Financial Liabilities		
Bank loans	39,684	39,684
Finance leases and hire purchase arrangements	40,049	41,317

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 fair value hierarchy is explained in the 2018 Annual Report.

Financial Assets measured at Fair Value

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
As at 31 August 2018				
Other financial assets	61,975	61,975	-	-
Swaps	4,993	-	4,993	-
As at 28 February 2018				
Other financial assets	63,690	63,690	-	-
Swaps	1,414	-	1,414	-

During the six months ended 31 August 2018, 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.

12 Cash generated from operations

	Six months ended 31 August 2018 Unaudited £'000	Six months ended 31 August 2017 Unaudited £'000	Year ended 28 February 2018 Audited £'000
(Loss)/profit before tax	**(18,816)**	**111,587**	**100,622**
Adjustments to reconcile profit before tax to net cash flows:			
Gain in value of investment properties	-	(319)	(939)
Realised profit on sale of property, plant and equipment and investment properties	(443)	(192)	(136)
Share of post-tax profits of associates and joint ventures accounted for using the equity method	588	(474)	(474)
Gain on conversion of loan	(1,095)	-	-
Loss/(gain)/(profit) on disposal of assets held for sale	600	(400)	(3,942)
Profit on disposal of associate	-	(123,870)	(123,892)
Profit on sale and leaseback	(710)	-	(4,064)
Profit on sale of property inventories	-	-	(540)
Release of deferred profit on sale and leaseback	(204)	(239)	(404)
Gain on redelivery of aircraft	(1,676)	-	-
Depreciation of property, plant and equipment	10,931	6,540	15,332
Finance income	(118)	(979)	(1,701)
Finance cost	1,698	2,204	3,411
Release of grant income	(4,867)	(359)	(890)
Release of deferred premiums	(1,308)	(1,142)	(2,346)
Amortisation of intangibles	1,969	1,969	3,938
Share option charge	674	1,093	1,678
Recycling of other comprehensive income amounts on disposal of associate	-	-	(3,006)
Foreign exchange retranslation	(1,292)	(1,789)	30
(Gain)/loss on swaps mark to market valuation	(3,579)	659	(971)
Retirement benefits and other provisions	4,879	(267)	(1,398)
Working capital adjustments:			
Decrease/(increase) in inventories	406	(1,004)	(1,789)
Decrease/(increase) in trade and other receivables	1,618	(3,477)	(9,867)
(Decrease)/increase in trade and other payables	(7,398)	3,453	22,013
Cash used in continuing operations	**(18,143)**	**(7,006)**	**(9,335)**

13 Contingent liabilities

The Group is currently involved in a number of legal proceedings, including claims against, and by a former director. Due to inherent uncertainties, no accurate quantification of any potential cost, or timing of such cost, which may arise from any of the legal proceedings outlined can be made.

14 Glossary - Alternative performance measures

In the reporting of financial information, the Directors have adopted various APMs. These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' APMs.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Non-GAAP APMs are used as they are considered to be both useful and necessary as well as enhancing the comparability of information between reporting periods, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for internal performance analysis, planning, reporting and incentive-setting purposes. The presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies.

Underlying EBITDA

Underlying EBITDA is the key profitability measure used by management for performance review in the day to day operations of the Group.

Underlying EBITDA represents profit/(loss) before interest, tax, depreciation, amortisation, swaps, and non-underlying items. Refer to note 3 for reconciliation to statutory (loss)/profit before tax.

Underlying profit before tax

Underlying profit before tax represents profit before tax and before non-underlying items. Refer to note 3 for reconciliation to statutory loss/(profit) for the period.

Earnings per share from underlying operations

This APM is based on underlying profit after tax which is (loss)/profit for the year before non-underlying items and before pro forma effect of UKFFO (see note 8 for further details).

LSA

London Southend airport.

UKFFO

UK Flybe franchise operation operating out of LSA and currently being withdrawn.

Independent Review Report to Stobart Group Limited

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2018 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

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

Mick Davies
for and on behalf of KPMG LLP
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1 St Peter's Square
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M2 3AE
24 October 2018