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.

14 November 2019

Stobart Group Limited

("Stobart" or the "Group")

Interim results for the six months ended 31 August 2019

Delivering strong strategic and operational performance in line with expectations

Stobart Group Limited, the aviation and energy focused business, today announces its interim results for the six months to 31 August 2019.

Warwick Brady, Chief Executive Officer, Stobart Group, commented

"In London Southend Airport and Stobart Energy, the Group has two businesses with immediate and considerable growth opportunities.

"London Southend Airport continues to attract new airlines and is on course to deliver our target of 5 million annual passengers at £8 EBITDA by February 2023. At the same time, Stobart Energy is now set to become increasingly cash generative.

"Both of these exciting growth businesses require further investment in order to deliver their full potential. The Board has undertaken an extensive review of the capital required to fund this growth and taken the decision to suspend the dividend in order to maximise the capital available for the further development of these growth businesses. We are confident that, with the planned strategic investment, we will deliver superior future returns."

	31 August 2019	31 August 2018	% change
Aviation			
Passenger numbers	1,189,178	838,742	41.8%
Aviation revenue	£26.4m	£20.9m	25.8%
Underlying Aviation EBITDA[1]	£4.1m	£2.9m	43.0%
Energy			
Volume of waste managed	805,663	657,950	22.5%
Energy revenue	£42.9m	£29.9m	43.5%
Underlying Energy EBITDA[1]	£11.7m	£8.7m	35.4%
Underlying EBITDA from the two main operating divisions[1]	£15.8m	£11.6m	37.3%
Revenue	£93.1m	£69.4m	34.1%
Underlying EBITDA[1]	£12.1m	£4.2m	187.1%
Loss for period	(£20.9m)	(£17.5m)	(19.4%)

[1] Defined in glossary in note 15

Summary

Stobart Aviation:

- Passenger numbers at London Southend Airport increased by 41.8% to 1.2 million, with circa 2.3 million passengers expected for the year to February 2020.
- Flybe/Virgin Connect announced yesterday that it is to open a new base at London Southend that will involve two based aircraft and a total of five aircraft serving 10 destinations. These destinations are expected to attract circa 500,000 passengers annually.
- Underlying EBITDA per passenger increased by 3.0% to £3.55 (2018: £3.44). The commencement of operations with a global logistics customer in October 2019 will make a significant contribution to underlying EBITDA per passenger in the next financial year.
- Stobart Group will continue to invest in London Southend Airport to deliver its target of welcoming 5 million passengers per annum at £8 EBITDA per passenger in the year to February 2023.

Stobart Energy:

- Volume of waste managed increased by 22.5% to 805,663 tonnes.
- Underlying EBITDA increased 35.4% to £11.7m (2018: £8.7m), reflecting the growing maturity of the business. Stobart Energy is now set to become increasingly cash generative.
- The Group will continue to invest in the business to maintain its supply chain and infrastructure. The Group also intends to explore commercial partnerships, collaborations and joint ventures across the waste management and 'Energy from Waste' sector.

Financial:

- Group revenue increased by 34.1% to £93.1m, driven, in particular, by a strong performance in Stobart Energy.
- Underlying EBITDA increased by 187.1% to £12.1m and loss for the period increased by £3.4m to £20.9m.
- Loss for the period includes an £8.5m non-cash impairment of intangible assets in Stobart Rail & Civils, £3.7m non-cash brand amortisation and £7.4m of new business and new contract set-up costs.

Balance Sheet:

- Stobart Group has evaluated the significant growth potential within its aviation and energy businesses, and its available sources of investment funding.
- The Board continues to hold an £80m portfolio of non-strategic infrastructure assets. However, the Board intends to dispose of these assets at the right time and in such a way that optimises the value to the Group.
- The Board's intention is to restore the dividend at the point at which the Group becomes significantly cash generative at an operating level, subject to investment requirements to maximise shareholder returns.

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

Interim Results for the six months ended 31 August 2019

Divisional Revenue Summary	**31 August 2019 £m**	**31 August 2018 £m**
Aviation	26.4	20.9
Energy	42.9	29.9
Rail & Civils	29.4	22.6
Investments	2.1	2.0
Non-Strategic Infrastructure	1.3	1.1
Central costs and eliminations	(9.0)	(7.1)
Revenue	**93.1**	**69.4**

Divisional Continuing Profit Summary	**31 August 2019 £m**	**31 August 2018 £m**
Aviation	4.1	2.9
Energy	11.7	8.7
Underlying EBITDA from two main operating divisions[1]	**15.8**	**11.6**
Rail & Civils	(1.0)	(4.8)
Investments	2.3	2.8
Non-Strategic Infrastructure	(1.5)	(1.1)
Central costs and eliminations	(3.5)	(4.3)
Underlying EBITDA[1]	**12.1**	**4.2**
Non-underlying items	(23.0)	(6.9)
Gain on swaps	0.1	3.6
Depreciation	(11.4)	(7.6)
Impairment of loan notes	-	(2.5)
Finance costs (net)	(4.5)	(1.4)
Tax	3.2	1.5
Loss for the period	**(23.5)**	**(9.1)**

[1] Defined in glossary in note 15

Divisional Reviews

Stobart Group is focused on increasing the value of its infrastructure assets in its core Aviation and Energy divisions. The Group also has a Rail & Civils division, and holds a portfolio of investments, including shareholdings in Connect Airways and Eddie Stobart Logistics, and non-strategic infrastructure assets.

Stobart Aviation

Stobart Aviation's principal asset is London Southend Airport. The airport continues to grow rapidly with passenger numbers increasing by 42% to 1,189,178 (2018: 838,742) in the period. The Board expects to welcome circa 2.3 million passengers for the full year, which would represent 164% growth since 2017. The Board expects this rapid growth to continue as a result of its planned investment programme, making the airport more attractive to passengers and airlines alike.

London Southend Airport now offers flights to more than 40 destinations, and partners with airlines including easyJet, Ryanair and Wizz Air. During the period, Stobart Group was part of the Connect Airways consortium that received EU merger approval to take management control of Flybe. Flybe is in the process of rebranding to Virgin Connect and yesterday announced its plan to open a new base at London Southend Airport that will involve two based aircraft and a total of five aircraft serving 10 destinations. These destinations are expected to attract circa 500,000 passengers annually.

London Southend Airport continues to build its reputation for an excellent passenger experience. A Which? Survey in October said the Airport had the joint fastest security waiting time across UK airports. Passengers can also enjoy a growing range of high street brands in the departure lounge, including Dixons, WH Smith, Costa Coffee and Giraffe STOP. As a result, London Southend Airport was reported to be London's best performing airport in a Which? survey for the sixth consecutive year in September.

Another part of the attraction of London Southend Airport is the ease of access. This has improved even further in the period. Passengers can now more easily connect to the first and last flights following the introduction of early morning and late-night trains as well as new bus services. The percentage of passengers travelling to and from the airport by train from Central London has increased to over 30%.

The increase in airline partnerships and passenger numbers in 2019 gives the Board confidence that the airport will welcome 5 million passengers in the year to February 2023 as planned. The improved retail offering and revenue from train passengers and car parking will help deliver the February 2023 EBITDA per passenger target of £8. This target will be further helped by the commencement of operations with a global logistics customer. That customer is utilising existing hangarage on the north side of the airport, away from the passenger operation. In October the Group announced the agreement has created circa 200 jobs in the area and will make a significant contribution to our EBITDA per passenger target from the next financial year onward.

To ensure the customer experience keeps pace with expected passenger growth, improvements will continue to be made to the airport. The investment will help the airport meet its passenger target by enhancing the attractiveness of the airport to airlines and increasing the terminal capacity for customers. The investment will also support the EBITDA per passenger target by allowing the Group to capitalise on the revenue opportunities increased capacity brings. For example, the Group plans to invest in new car parking, and the building of a new hotel. The current hotel is reporting 93% occupancy, higher than other similar hotels at other London Airports.

Other plans include optimising the space within the departures terminal and moving arrivals to a new purpose-built facility. This means London Southend Airport can combine enhanced passenger flow through check-in and security with an even greater retail offering. This work is expected to be completed over the next three years, with the pace of capital expenditure decisions made in reference to the macro-economic environment. In the immediate term, Stobart Group intends to introduce automated check-in facilities and the latest security clearance technology for passenger baggage. This will help maintain the Airport's reputation for being 'quick and easy' and ensure the terminal capacity keeps pace with the short-term increase in passenger numbers.

Stobart Aviation's other businesses have also performed well in the period. Stobart Aviation Services now has over 400 employees and 14 airline client contracts operating across five airports. It has exceeded the targets set in its strategic plan for year one in terms of both revenue and profitability.

Stobart Aviation's relationship with the Tees Valley Combined Authority continues to develop. Durham Tees Valley Airport was rebranded to Teesside International Airport in July and the airport has seen a number of new airlines start or commit to starting services.

At London Southend Airport, the Stobart Jet Centre appointed an experienced new managing director, Fiona Langton. She is tasked with increasing the centre's share of the London private jet market, and also look to grow its presence in Cumbria and Teesside. The pace of growth at Stobart Jet Centre is likely to be tempered by the reduced availability of night time movements that are instead being utilised by the airport's global logistics customer.

Stobart Energy

As of October 2018, 29 out of the 30 energy recovery plants that Stobart Energy supplies have now reached full contractual operational volumes. As a result, the volume of waste managed by Stobart Energy during the period increased by 147,713 tonnes to 805,663 tonnes - equivalent to a run rate of 1.7m tonnes per annum. This represents a 22% increase on the same period last year.

The increase in the volume of waste managed, the consistent energy recovery plants performance and a more efficient supply chain led to a 35% increase in underlying EBITDA to £11.7m for the period.

As these plants have now reached full commercial operations, Stobart Energy will benefit from improved protections in terms of contracted fuel supply that were not available during commissioning. In addition, there will be much lower non-underlying costs which previously related to pre-contract supply chain challenges.

During the period Stobart Energy incurred significant costs in an attempt to maintain the supply chain for the Tilbury Green Power plant following an extended unplanned outage from the end of April until the middle of October. Stobart Energy expects to recover the financial impact of the unplanned outage via an exercise of contractual take or pay provisions and insurance cover.

Stobart Energy has now reached the point at which the energy recovery plants it supplies are operating for sustained periods on a more consistent basis and accepting more contracted fuel. We expect this in turn to ease the pressure on the wider supply chain over the next 12 to 18 months, allowing Stobart Energy to realise the value of the investment it has made to date in its supply chain. In turn, this means margins are expected to improve, allowing it to become increasingly cash generative, and deliver strong and stable cashflows going forward.

A measure of how far Stobart Energy has evolved came through an independent valuation of the energy business, which was received as part of the vesting of the Stobart Energy Incentive Plan (SEIP). The SEIP was an incentive plan put in place to fully align the management of the energy business with shareholder interests by benefitting from a significant increase in the value of the division. For the purpose of determining the value of awards to management under the SEIP, the Remuneration Committee appointed an independent valuer to carry out a valuation of the energy business on a consolidated basis. That independent valuation of the division was an equity value of £237m as at 30 June 2019, compared to a starting valuation of £100m as at 30 June 2016.

The Group is now looking to build on the progress made to date by Stobart Energy. To deliver this progress, the Group will invest in the division's fleet replacement programme, storage sites, replacement mobile processing equipment and IT systems that it requires. The Board believes there are opportunities for further growth across the waste management and 'Energy from Waste' sectors. As a result, it is studying opportunities to leverage its operational experience through establishing commercial partnerships, collaborations and joint ventures that will allow it to grow the volume of waste that it manages.

Update on Capital Plans and Dividend

With the investment programme set out above, the Group's aviation and energy businesses have a clear path to delivering superior value for the Group's shareholders.

In recent years, Stobart's dividend has been largely funded from the sale of assets rather than operational cash generation. The Board believes that this practice is unsustainable and no longer in the interest of shareholders. Whilst the Group continues to hold a significant portfolio of non-strategic infrastructure assets, the Board, will continue to sell assets in such a way that optimises the value to the Group.

As a result, and in order to maximise this opportunity and shareholder value over the medium term, the Board has taken the decision to suspend the dividend, conserving £11m of cash in the current period and £22m per annum that can now be invested in these growth opportunities within the Group.

The Group has also commenced a process to obtain new long-term debt to fund its growth programme and will provide a further update as soon as it is in a position to do so.

Stobart Rail & Civils, Investments and Non-Strategic Infrastructure

Stobart Group also has a portfolio of non-core businesses and assets, from which the Board will aim to optimise shareholder value over time.

Stobart Rail & Civils has been re-orientated to focus on external works. This follows the appointment of a new management team last year. That refreshed team has focused its attention and investment on project delivery and contract management so that works, such as that for Nexus on the Tyne and Weir Metro, are consistently delivered profitably, on time and on budget.

Significant milestones were also reached on the design and construction of the new maintenance facility at Newton Heath for Arriva Northern Rail.

Stobart Rail & Civils has a clear pathway to reduce both its exposure to legacy projects and contribution from internal works and expects to complete all of its legacy projects by February 2023. Network Rail has been slow to award work at the start of Control Period 6 (CP6) which has impacted the whole industry. Stobart Rail & Civils is now well positioned to improve its performance once the

CP6 issues are resolved. While the division is not material in terms of delivering the Group's targets, the action undertaken to de-risk and re-focus the business will allow management to realise value from it in the future.

Another asset, Carlisle Lake District Airport was successfully opened in July 2019 for commercial flights. It is becoming an increasingly important business hub for the Cumbrian and Border regions .

Other investments include stakes in Connect Airways and Eddie Stobart Logistics. In July 2019, Connect Airways (in which Stobart Group holds a 30% interest) received merger control clearance from the European Commission for its acquisition of Flybe. With Connect Airways taking over full management control of Flybe, the leadership teams are focused on plans to grow its regional network, while Stobart Air continues to expand its successful franchise business.

Stobart Group holds an 11.8% investment in Eddie Stobart Logistics. The Company raised £53.1million of secured guaranteed exchangeable bonds against its shareholding in Eddie Stobart Logistics in May 2019. There are no changes to the status or term of the bonds. That position was not affected by the decision made by Eddie Stobart Logistics to suspend its dividend and shares, nor is it impacted by a possible change of ownership. Despite recent events, there remains considerable value in the Eddie Stobart brand which continues to be owned by Stobart Group.

Financial Review

Revenue has increased by 34.1% to £93.1m (2018: £69.4m) in the six months to 31 August 2019, driven by growth in the operating divisions. Aviation has grown by 26.2% to £26.4m (2018: £20.9m), with London Southend Airport (LSA) passenger numbers increasing by 41.8% to 1,189,178 year-on-year. Revenue in Energy has grown by 43.5% to £42.9m (2018: £29.9m) on the back of an 22.5% increase in tonnes to 805,663.

Underlying EBITDA has increased by 187.1% to £12.1m (2018: £4.2m). Aviation has seen underlying EBITDA grow by 43.0% to £4.1m (2018: £2.9m) on the back of increasing passenger numbers through LSA. Energy has delivered a 35.4% increase in underlying EBITDA to £11.7m (2018: £8.7m), as the volume of waste managed increased in the period.

The loss before tax from continuing operations of £26.6m (2018: £10.6m) includes a one-off impairment of intangible assets relating to the Rail & Civils cash generating unit (£8.5m), non-underlying new business and new contract set up costs in the Aviation division (£5.7m), which are expected to be much lower in the second half of the year, and an increased amortisation charge in relation to our brand assets (£3.7m). 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.

Discontinued presentation on income statement
On 22 February 2019, the Group entered in to an agreement to dispose of Propius Holdings Limited (Propius) to Connect Airways. The results of the Propius business for the period are included within discontinued operations. The prior period results have been restated accordingly.

Swaps, Depreciation and Interest
The mark to market gain on swaps in the period was £0.1m (2018: £3.6m). The current period movement is driven by the mark to market valuations relating to diesel and US dollar swaps. Depreciation has increased by £3.8m to £11.4m, with the majority of this increase relating to additional processing site assets and development at London Southend Airport.

Finance costs of £6.7m (2018: £2.0m) have increased largely due to the transition to IFRS 16 and the payment of the Eddie Stobart Logistics plc (ESL) dividend received to the exchangeable bondholders. Finance income of £2.2m (2018: £0.6m) increased due to interest receivable on loans made to Connect Airways and Flybe, plus £0.5m unwind of fair value of the £25m 8% loan notes with Connect Airways. The fair value is based on the present value of the future cash flows, discounted at the estimated market rate of interest.

Non-underlying items

	31 August 2019 £'000	31 August 2018 £'000
New business and new contract set up costs	7,367	3,324
Transaction costs	-	112
Restructuring costs	552	-
Litigation and claims	330	1,575
Impairment	8,474	-
Share of post-tax losses of joint venture	2,490	-
Amortisation	3,739	1,969
Total non-underlying items	**22,952**	**6,980**

We incurred new business and new contract set-up costs in the Aviation division for new route development (£5.7m), the Energy division relating to delayed commissioning of biomass plants (£1.2m) and in the Non-Strategic Infrastructure division in connection with Carlisle Lake District Airport development (£0.5m).

Restructuring costs includes the removal of roles within the Group, Aviation and Rail & Civils businesses. Litigation and claims relate to the ongoing board dispute and trial costs, including income received following cost orders. The impairment charge relates to the write off of goodwill and other intangible assets attributable to Rail & Civils.

Non-underlying share of post-tax losses of joint venture relate to costs incurred by Connect Airways in acquiring Flybe, Stobart Air and Propius. Amortisation relates to the Eddie Stobart brand (£3.7m), which has doubled compared to the prior period, following a review of the residual value. The charges in relation to the non-cash amortisation of the brand is expected to continue in future periods (see note 5 for further details).

Taxation

The tax credit is £3.2m (2018: £1.5m). This arises due to the forecast utilisation of tax loss attributes arising in the period and an accelerated unwind of the Group's deferred tax liability relating to intangible assets (see note 7 for further details).

Loss per share

Loss per share from underlying continuing operations[1] was 0.50p (2018: 0.89p). Total basic loss per share from continuing operations was 6.40p (2018: 2.63p) (see note 8 for further details).

[1] Defined in glossary in note 15

Dividends

	31 August 2019	31 August 2018
Interim dividend (April)	-	4.5p
Final dividend (July)	3.0p	4.5p
	3.0p	**9.0p**
Total dividends paid (£'000)	11,125	31,256

A final dividend of 3.0p per share was paid on 31 July 2019.

Balance sheet

	31 August 2019 £'000	28 February 2019 £'000
Non-current assets	521,149	467,416
Current assets	89,187	79,736
Total assets	**610,336**	**547,152**
Non-current liabilities	(195,867)	(137,722)
Current liabilities	(170,293)	(112,476)
Net assets	**244,176**	**296,954**

The decrease in the net asset position of £52.8m principally relates to the revaluation of ESL investment (£16.4m), dividends paid (£11.1m) and the loss for the period (£20.9m).

Non-current assets have increased in the period, largely due to the transition to IFRS 16. This increase was offset by a reduction in other financial assets and amortisation, and write off, of intangible assets.
Other financial assets represent the Groups investment in ESL with a fair value at 31 August 2019 of £28.6m. Included in the Condensed Consolidated Statement of Comprehensive Income is the loss of £16.4m for the six months to 31 August 2019, following a 29.5p reduction in the ESL share price from 100.5p to 71.0p, prior to the suspension in trading of ESL shares. Following this suspension, management have made the judgement that the fair value of this investment is lower than this share price on the date of suspension, so have provided for a further 10% reduction in value.

Current assets have increased by £9.5m, which primarily relates to an increase in receivables, offset by a cash reduction in the period. Non-current liabilities have increased by £58.1m, principally driven by the increase in loans and borrowings, following the transition to IFRS 16. See note 11 for further details.

Current liabilities include the secured guaranteed exchangeable bonds (Bonds) as in accordance with IAS 1 it is necessary for the Bonds, issued on 3 May 2019, to be presented as a current liability because the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. The bondholders have an unconditional right to require the group to settle the Bonds by giving the bondholders shares in ESL at any time. The Group has no obligation to settle the Bonds in cash within 12 months of the balance sheet date.

Debt and gearing

	31 August 2019	28 February 2019
Net debt:		
- asset-backed finance	£147.5m	£97.5m
- IFRS 16 lease obligations	£76.9m	-
- cash	(£7.7m)	(£14.4m)
Total net debt	**£216.7m**	**£83.1m**
Underlying EBITDA[1]/underlying interest	3.1	2.1
Net debt/total assets	35.5%	15.2%
Gearing	88.7%	28.0%

[1] Defined in glossary in note 15

In May 2019, the Group placed £53.1m of Bonds issued out of its wholly owned subsidiary Stobart Finance plc. The Bonds have a five-year maturity and are unconditionally and irrevocably guaranteed by the Company and are exchangeable into ordinary shares of one penny each in the capital of ESL.

On 1 March 2019, The Group adopted IFRS 16 which created lease liabilities of £78.2m. These liabilities have replaced operating lease charges in the Condensed Consolidated Income Statement for nearly all leases held. See note 1 for further information and details of the transition.

At 31 August 2019, the committed undrawn headroom of the RCF was £29.0m (28 February 2019: £22.0m), and with cash balances of £7.7m (28 February 2019: £14.4m), total headroom was £36.7m (28 February 2019: £36.4m).

Cash flow

	31 August 2019 £'000	**31 August 2018 £'000**
Operating cash flow	(18,612)	(18,143)
Investing activities	(9,359)	24,308
Financing activities	21,264	(19,871)
Decrease in the period	(6,707)	(13,706)
Cash at beginning of period	14,432	43,108
Cash at end of period	**7,725**	**29,402**

There was an operating cash outflow in the period of £18.6m (2018: £18.1m) principally relating to adverse working capital movements in the Energy and Aviation divisions, which are expected to improve in the second half. The working capital outflows are principally related to increased receivable balances from new business.

There was a cash outflow of £1.8m in relation to the UK Flybe Franchise Operation (UKFFO) that is ceasing, but due to ongoing commitments the Group will see the cash impact until February 2020.

Net cash outflows from investing activities include the purchase of property, plant and equipment (PPE) totalling £13.0m, principally relating to the development at London Southend Airport.

Net cash inflows from financing activities include proceeds from the issue of Bonds (£51.4m), repayment of finance leases (£9.5m) and the net repayment of the RCF (£7.0m), in addition to £11.1m of dividends paid.

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 statutory accounts for the year ended 28 February 2019 and are broadly unchanged.

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 statutory accounts for the year ended 28 February 2019 that could do so.

The above statement of Directors' responsibilities was approved by the Board on 14 November 2019.

Lewis Girdwood
Director
14 November 2019

Stobart Group Limited

Condensed Consolidated Income Statement
For the six months ended 31 August 2019

Continuing operations	Notes	Unaudited Six months ended 31 August 2019 Underlying £'000	Non-underlying £'000	Total £'000	Unaudited Six months ended 31 August 2018 Underlying £'000	Non-underlying £'000	Total £'000
Revenue	3	93,131	-	93,131	69,429	-	69,429
Other operating income		194	-	194	2,248	-	2,248
Operating expenses		(81,360)	(8,249)	(89,609)	(66,873)	(5,011)	(71,884)
Share of post-tax profits of associates and joint ventures		140	(2,490)	(2,350)	(588)	-	(588)
EBITDA		**12,105**	**(10,739)**	**1,366**	**4,216**	**(5,011)**	**(795)**
Gain on swaps		114	-	114	3,579	-	3,579
Depreciation		(11,354)	-	(11,354)	(7,552)	-	(7,552)
Amortisation	5	-	(3,739)	(3,739)	-	(1,969)	(1,969)
Impairments	5	-	(8,474)	(8,474)	-	-	-
Operating profit/(loss)		**865**	**(22,952)**	**(22,087)**	**243**	**(6,980)**	**(6,737)**
Impairment of loan notes		-	-	-	(2,500)	-	(2,500)
Finance costs	6	(6,732)	-	(6,732)	(2,032)	-	(2,032)
Finance income	6	2,186	-	2,186	654	-	654
Loss before tax		**(3,681)**	**(22,952)**	**(26,633)**	**(3,635)**	**(6,980)**	**(10,615)**
Tax	7	1,849	1,333	3,182	565	966	1,531
Loss for the period from continuing operations		**(1,832)**	**(21,619)**	**(23,451)**	**(3,070)**	**(6,014)**	**(9,084)**
Discontinued operations							
Profit/(loss) from discontinued operations, net of tax				2,567			(8,412)
Loss for the period				**(20,884)**			**(17,496)**
Loss per share expressed in pence per share – continuing operations							
Basic	8			(6.40p)			(2.63p)
Diluted	8			(6.40p)			(2.63p)
Loss per share expressed in pence per share – total							
Basic	8			(5.70p)			(5.06p)
Diluted	8			(5.70p)			(5.06p)

Stobart Group Limited

Condensed Consolidated Income Statement
For the six months ended 31 August 2019

		Audited Year ended 28 February 2019		
Continuing operations	**Notes**	**Underlying £'000**	**Non-underlying £'000**	**Total £'000**
Revenue	3	146,889	-	146,889
Other operating income		1,310	-	1,310
Operating expenses		(135,631)	(17,135)	(152,766)
Share of post-tax profits of associates and joint ventures		(1,740)	-	(1,740)
EBITDA		**10,828**	**(17,135)**	**(6,307)**
Loss on swaps		(353)	-	(353)
Depreciation		(16,305)	-	(16,305)
Amortisation	5	-	(3,938)	(3,938)
Impairments	5	-	(7,800)	(7,800)
Operating loss		**(5,830)**	**(28,873)**	**(34,703)**
Impairment of loan notes	5	(3,208)	-	(3,208)
Finance costs	6	(5,213)	-	(5,213)
Finance income	6	1,010	-	1,010
Loss before tax		**(13,241)**	**(28,873)**	**(42,114)**
Tax	7	(3,321)	2,791	(530)
Loss for the period from continuing operations		**(16,562)**	**(26,082)**	**(42,644)**
Discontinued operations				
Loss from discontinued operations, net of tax				(15,535)
Loss for the period				**(58,179)**
Loss per share expressed in pence per share – continuing operations				
Basic	8			(12.19p)
Diluted	8			(12.19p)
Loss per share expressed in pence per share – total				
Basic	8			(16.64p)
Diluted	8			(16.64p)

Stobart Group Limited

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 August 2019

	Six months ended 31 August 2019 Unaudited £'000	Six months ended 31 August 2018 Unaudited £'000	Year ended 28 February 2019 Audited £'000
Loss for the period	**(20,884)**	**(17,496)**	**(58,179)**
Change in fair value of assets classified as available-for-sale	-	(5,810)	-
Discontinued operations, net of tax, relating to exchange differences	(1,212)	1,180	2,041
Tax on items relating to components of other comprehensive income	-	37	-
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods, net of tax	**(1,212)**	**(4,593)**	**2,041**
Re-measurement of defined benefit plan	(1,231)	1,103	(260)
Change in fair value of financial assets classified as FVOCI	(16,358)	-	(18,772)
Tax on items relating to components of other comprehensive income/(expense)	273	(188)	45
Other comprehensive (expense)/income not being reclassified to profit or loss in subsequent periods, net of tax	**(17,316)**	**915**	**(18,987)**
Other comprehensive expense for the period, net of tax	**(18,528)**	**(3,678)**	**(16,946)**
Total comprehensive expense for the period	**(39,412)**	**(21,174)**	**(75,125)**

Stobart Group Limited

Condensed Consolidated Statement of Financial Position
For the six months ended 31 August 2019

	Notes	31 August 2019 Unaudited £'000	28 February 2019 Audited £'000
Non-current assets			
Property, plant and equipment	10	329,569	262,915
Investment in associates and joint ventures		10,777	10,459
Other financial assets		28,560	44,918
Investment property		3,200	4,000
Intangible assets		88,268	100,482
Net investment in lease		13,763	-
Other receivables		47,012	44,642
		521,149	**467,416**
Current assets			
Inventories		22,740	22,559
Trade and other receivables		56,640	41,271
Cash and cash equivalents	11	7,725	14,432
Assets held for sale		2,082	1,474
		89,187	**79,736**
Total assets		**610,336**	**547,152**
Non-current liabilities			
Loans and borrowings	11	(156,016)	(84,121)
Defined benefit pension scheme		(4,006)	(3,170)
Other liabilities		(10,940)	(11,096)
Deferred tax		(10,021)	(13,560)
Provisions		(14,884)	(25,775)
		(195,867)	**(137,722)**
Current liabilities			
Trade and other payables		(49,699)	(53,648)
Loans and borrowings	11	(16,835)	(13,433)
Exchangeable bonds*	11	(51,559)	-
Corporation tax		(12,412)	(12,412)
Provisions		(8,341)	(5,438)
Liabilities held for sale		(31,447)	(27,545)
		(170,293)	**(112,476)**
Total liabilities		**(366,160)**	**(250,198)**
Net assets		**244,176**	**296,954**
Capital and reserves			
Issued share capital		37,082	37,082
Share premium		324,379	324,379
Foreign currency exchange reserve		(732)	480
Reserve for own shares held by employee benefit trust		(8,759)	(12,154)
Retained earnings		(107,794)	(52,833)
Total Equity		**244,176**	**296,954**

* In accordance with IAS 1 it is necessary for the secured guaranteed exchangeable bonds (Bonds), issued on 3 May 2019, to be presented as a current liability because the Group does not have an unconditional right to defer

settlement of the liability for at least 12 months after the reporting period. The bondholders have an unconditional right to require the group to settle the bonds by giving the bondholders shares in Eddie Stobart Logistics plc (ESL) at any time. The Group has no obligation to settle the Bonds in cash within 12 months of the balance sheet date.

Stobart Group Limited

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2019

For the six months ended 31 August 2019
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 2019	37,082	324,379	480	(12,154)	(52,833)	296,954
IFRS 16 transition adjustment, net of tax	-	-	-	-	(2,846)	(2,846)
Balance at 1 March 2019 (adjusted)	37,082	324,379	480	(12,154)	(55,679)	294,108
Loss for the period	-	-	-	-	(20,884)	(20,884)
Other comprehensive expense for the period	-	-	(1,212)	-	(17,316)	(18,528)
Total comprehensive expense for the period	-	-	(1,212)	-	(38,200)	(39,412)
Employee benefit trust	-	-	-	3,395	(3,294)	101
Share-based payment credit	-	-	-	-	420	420
Tax on share-based payment credit	-	-	-	-	84	84
Dividends	-	-	-	-	(11,125)	(11,125)
Balance at 31 August 2019	**37,082**	**324,379**	**(732)**	**(8,759)**	**(107,794)**	**244,176**

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**

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 August 2019

For the year ended 28 February 2019
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 2018	35,434	301,326	(1,884)	(330)	71,374	405,920
Loss for the period	-	-	-	-	(58,179)	(58,179)
Other comprehensive income/(expense) for the period	-	-	2,041	-	(18,987)	(16,946)
Total comprehensive income/(expense) for the period	-	-	2,041	-	(77,166)	(75,125)
Issue of ordinary shares	1,648	23,053	-	-	-	24,701
Employee benefit trust	-	-	-	(11,824)	12,380	556
Reclassification of exchange differences on disposal of subsidiaries	-	-	323	-	-	323
Share-based payment credit	-	-	-	-	714	714
Tax on share-based payment credit	-	-	-	-	(925)	(925)
Purchase of treasury shares	-	-	-	-	(3,416)	(3,416)
Dividends	-	-	-	-	(52,516)	(52,516)
IFRS 15 transition adjustment, net of tax	-	-	-	-	(3,278)	(3,278)
Balance at 28 February 2019	**37,082**	**324,379**	**480**	**(12,154)**	**(52,833)**	**296,954**

Stobart Group Limited

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 August 2019

	Notes	Six months ended 31 August 2019 Unaudited £'000	Six months ended 31 August 2018 Unaudited £'000	Year ended 28 February 2019 Audited £'000
Cash used in continuing operations	13	**(16,823)**	**(417)**	**(1,737)**
Cash outflow from discontinued operations		(1,789)	(17,726)	(11,059)
Income taxes paid		-	-	-
Net cash flow from operating activities		**(18,612)**	**(18,143)**	**(12,796)**
Purchase of property, plant and equipment and investment property		(13,031)	(9,715)	(23,731)
Purchase of property inventories		-	(1,829)	(1,282)
Proceeds from the sale of property inventories		-	25,346	-
Proceeds from the sale of property, plant and equipment and investment property		2,731	3,888	8,501
Proceeds from disposal of asset held for sale		-	-	6,217
Proceeds from sale and leaseback (net of fees)		-	-	30,049
Cash disposed on sale of subsidiary undertaking		-	-	(3,728)
Non-underlying transaction costs		-	(112)	-
Equity investment in associates and joint ventures		(2,667)	-	(1,500)
Net amounts repaid from/(advanced to) joint ventures		2,938	-	(143)
Interest received		670	12	57
Cash inflow/(outflow) from discontinued operations		-	6,718	(4,577)
Net cash flow from investing activities		**(9,359)**	**24,308**	**9,863**
Dividend paid on ordinary shares		(11,125)	(31,256)	(52,516)
Issue of ordinary shares less costs of issue		-	-	24,702
Proceeds from issue of exchangeable bonds		51,354	-	-
Proceeds from grants		318	-	5,400
Repayment of capital element of finance leases		(8,168)	(7,420)	(14,382)
Repayment of IFRS 16 leases		(1,306)	-	-
Net (repayment)/drawdown from revolving credit facility		(7,000)	23,609	17,572
Purchase of treasury shares (net of costs)		-	(3,416)	(3,416)
Interest paid		(2,809)	(1,722)	(3,103)
Cash inflow from discontinued operations		-	334	-
Net cash flow from financing activities		**21,264**	**(19,871)**	**(25,743)**
Decrease in cash and cash equivalents		(6,707)	(13,706)	(28,676)
Cash and cash equivalents at beginning of period		14,432	43,108	43,108
Cash and cash equivalents at end of period		**7,725**	**29,402**	**14,432**

1 Accounting policies of Stobart Group Limited

Corporate information

The condensed consolidated financial statements of the Group for the six months ended 31 August 2019 were authorised for issue in accordance with a resolution of the Directors on 14 November 2019. 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 2019 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 2019. Except for the 28 February 2019 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 2019 but has been derived from those accounts. Statutory accounts for the year ended 28 February 2019 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 EU.

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.

In arriving at this expectation, 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 £244.2m, made a loss from continuing operations of £23.5m and had negative working capital of £15.2m and an operating cash outflow from continuing operations of £16.8m during the period. The Group has a revolving credit facility of £80.0m, which was drawn at £51.0m at 31 August 2019. The Group has cash balances of £7.7m and this, together with the undrawn facility, results in total headroom of £36.7m as at 31 August 2019.

The Directors have prepared forecasts through to February 2024, together with sensitivity analysis on those forecasts including a reasonable downturn in trading performance, the risk of some provisions crystallising in the foreseeable future and the timing of cash generated from asset disposals. The Directors have not included potential areas of cash upside in the sensitivity analysis.

The Group has other available actions should these transactions not occur as expected, including reducing discretionary capital expenditure assumed during the forecast period in order for the Group to further invest in the growth divisions of Aviation and Energy.

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 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 2019. These accounting policies are expected to be applied for the full year to 29 February 2020.

The estimates and judgements taken by the Directors in preparing these interim financial statements are comparable with those disclosed in the statutory accounts for the year ended 28 February 2019, except where stated.

The Group has initially adopted IFRS 16 Leases from 1 March 2019, which resulted in right-of-use assets of £60.9m, a net investment of £14.0m, liabilities of £78.2m and £2.8m adjustment to equity being recognised in the Condensed Consolidated Statement of Financial Position. The right-of-use assets recognised on transition were adjusted for any prepaid or accrued lease expenses. The lease liability was calculated as the future lease repayments, discounted at the incremental borrowing rate. The weighted average incremental borrowing rate applied on transition was 4.2%. The Group has a sub-lease on one of its property's and has recognised a net investment for this particular property, with the difference between the leases as lessee and lessor taken directly to retained earnings. The Group applied the modified retrospective approach and as such the comparative periods have not been restated. The Group has applied the ongoing recognition exemptions for short-term leases and low value leases and applied the following practical expedients on transition:

- Reliance on previous identification of a lease (as provided by IAS 17) for all contracts that existed on 1 March 2019;
- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- Accounting for operating leases with a remaining term of less than 12 months from 1 March 2019 as short-term leases;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at 1 March 2019; and
- Use of hindsight in determining the lease term where there is the option to extend the lease.

A reconciliation between operating lease commitments as lessee under IAS 17 and finance lease liability recognised under IFRS 16 is outlined in the table below.

	£'000
Operating lease commitments disclosed at 28 February 2019	139,679
Impact of discounting	(71,627)
IFRS 16 lease liabilities not recognised in prior period operating lease commitments	6,538
Increases in minimum lease commitment	3,926
Recognition exemption as less than 12 months of lease term remaining at transition	(286)
IFRS 16 liability recognised at 1 March 2019	**78,230**

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if it is reasonably certain that the option would be taken. The Group makes a judgement as to whether it is reasonably certain that the option will be taken when determining the length of the lease. The Group considers factors such as the length of time before the option is exercisable, operational requirements and any planned future capital expenditure.

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**
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021

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 and unconditional right to a refund if the scheme is in surplus. The adoption of all other standards, amendments and interpretations is not expected to have a material effect on the net assets, results and disclosures of the Group.

Presentation of Condensed Consolidated Income Statement
The presentation of the Condensed Consolidated Income Statement shows the underlying results and non-underlying results in separate columns. Non-underlying items are income 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. Non-underlying items includes the Group's share of non-underlying profits of associates and joint ventures. Underlying operating profit and underlying profit before tax are non-GAAP measures which comprise operating profit and profit before tax respectively before non-underlying items. The columnar format is considered to be the clearest method of presentation of this information.

Non-GAAP measures are used as they are considered to be both useful and necessary. They are used for internal performance analysis; 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.

The post-tax results of discontinued operations along with any gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation are disclosed as a single amount in the Condensed Consolidated Income Statement. The comparative period results are restated accordingly.

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 Non-Strategic Infrastructure.

The Stobart Aviation segment specialises in the operation of commercial airports. The Stobart Energy segment specialises in the 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 a transport and distribution business, a regional airline business and a baggage handling business. The Non-Strategic Infrastructure segment specialises in management, development and realisation of non-strategic property assets.

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, which is calculated as profit/(loss) before tax, interest, depreciation, amortisation, swaps and non-underlying items. Income taxes and certain central costs are managed on a Group basis and are not allocated to operating segments

Period ended 31 August 2019	**Aviation £'000**	**Energy £'000**	**Rail & Civils £'000**	**Investments £'000**	**Non-Strategic Infrastructure £'000**	**Adjustments and eliminations £'000**	**Group £'000**
Revenue							
External	26,307	42,883	18,375	2,127	1,170	2,269	93,131
Internal	65	-	11,019	-	142	(11,226)	-
Statutory revenue	**26,372**	**42,883**	**29,394**	**2,127**	**1,312**	**(8,957)**	**93,131**
Underlying EBITDA	**4,110**	**11,748**	**(967)**	**2,267**	**(1,454)**	**(3,599)**	**12,105**
Non-underlying items	(5,784)	(1,166)	(84)	(2,490)	(532)	(683)	(10,739)
Swaps	-	-	-	-	-	114	114
Depreciation	(3,653)	(4,442)	(1,370)	-	(1,016)	(873)	(11,354)
Amortisation	-	(22)	-	-	-	(3,717)	(3,739)
Impairments	-	-	(8,474)	-	-	-	(8,474)
Net interest	(581)	(585)	(95)	(479)	(255)	(2,551)	(4,546)
(Loss)/profit before tax	**(5,908)**	**5,533**	**(10,990)**	**(702)**	**(3,257)**	**(11,309)**	**(26,633)**

Period ended 31 August 2018	Aviation £'000	Energy £'000	Rail & Civils £'000	Investments £'000	Non-Strategic Infrastructure £'000	Adjustments and eliminations £'000	Group £'000
Revenue							
External	20,895	29,877	12,729	1,967	1,039	2,922	69,429
Internal	66	-	9,895	-	38	(9,999)	-
Statutory revenue	**20,961**	**29,877**	**22,624**	**1,967**	**1,077**	**(7,077)**	**69,429**
Underlying EBITDA	**2,875**	**8,677**	**(4,840)**	**2,823**	**(1,054)**	**(4,265)**	**4,216**
Non-underlying items	(310)	(2,170)	-	-	(844)	(1,687)	(5,011)
Swaps	-	-	-	-	-	3,579	3,579
Depreciation	(2,803)	(3,168)	(1,114)	-	(348)	(119)	(7,552)
Amortisation	-	(111)	-	-	-	(1,858)	(1,969)
Impairment of loan notes	-	-	-	-	(2,500)	-	(2,500)
Net interest	(131)	(366)	(116)	-	(170)	(595)	(1,378)
(Loss)/profit before tax	**(369)**	**2,862**	**(6,070)**	**2,823**	**(4,916)**	**(4,945)**	**(10,615)**

Inter-segment revenues are eliminated on consolidation. Included in adjustments and eliminations underlying EBITDA are central costs of £3,476,000 (2018: £4,199,000) and intragroup profits eliminated of £123,000 (2018: £66,000).

4 Discontinued operations

On 22 February 2019, the Group entered into an agreement to dispose of Propius Holdings Limited (Propius) to Connect Airways. The results of Propius have been reported on a single line, net of tax on the face of the Condensed Consolidated Income Statement and the assets and liabilities of Propius are presented as held for sale in the Condensed Consolidated Statement of Financial Position. The Condensed Consolidated Income Statement for the period ended 31 August 2018 has been restated on the same basis and also includes the results of the operations of Everdeal Holdings Limited (Everdeal) and the UK Flybe Franchise Operation (UKFFO) and the profit on disposal of Everdeal as explained in the statutory financial statements for the year ended 28 February 2019.

5 Non-underlying items

Non-underlying items included in the Condensed Consolidated Income Statement comprise the items set out and described below.

	Six months 2019 Unaudited £'000	Six months 2018 Unaudited £'000	Year ended 2019 Audited £'000
New business and new contract set-up costs	7,367	3,324	11,551
Transaction costs	-	112	-
Restructuring costs	552	-	391
Litigation and claims	330	1,575	5,193
Share of post-tax losses of joint venture	2,490	-	-
Non-underlying items within EBITDA	**10,739**	**5,011**	**17,135**
Amortisation	3,739	1,969	3,938
Impairments	8,474	-	7,800
Total non-underlying items	**22,952**	**6,980**	**28,873**

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. These costs include new contract set-up costs at London Southend Airport in the Aviation division and pre-contract costs and excess costs incurred due to delays in customer plants becoming operational in the Energy division.

Transaction costs comprise costs of making investments or costs of financing transactions that are not permitted to be debited to the cost of investment or as issue costs. Restructuring costs, including the removal of some roles, have occurred within Group, Aviation and Rail.

The charge for litigation and claims includes the cost of a High Court dispute with a former Director, offset by any costs that have been recovered. Contingent assets relating to any outstanding claims are not recognised unless recovery is considered virtually certain, in accordance with accounting standards.

Non-underlying share of post-tax losses of joint venture relates to costs incurred by Connect Airways in acquiring Flybe, Stobart Air and Propius.

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 is principally in connection with amortisation of the Eddie Stobart brand (£3.7m), which has doubled compared to last half year, following a review of the residual value.

The impairment charge relates to the write off of goodwill and intangible assets attributable to Rail & Civils.

6 Finance costs and income

	Six months 2019 Unaudited £’000	**Six months 2018 Unaudited £’000**
Bank loans	1,292	822
Interest on defined benefit pension scheme	40	47
Finance charges payable under finance leases and hire purchase agreements	746	640
Interest on IFRS 16 leases	1,306	-
Amortisation of deferred issue costs	182	146
ESL dividend passed to exchangeable bondholders	1,985	-
Other interest	525	377
Foreign exchange losses	656	-
Total finance costs	**6,732**	**2,032**

	Six months 2019 Unaudited £’000	**Six months 2018 Unaudited £’000**
Bank interest receivable	12	18
Interest receivable from associates and joint ventures	2,174	-
Foreign exchange gains	-	636
Total finance income	**2,186**	**654**

7 Taxation

Taxation on profit on ordinary activities

Total tax in the Condensed Consolidated Income Statement from continuing and discontinued operations	Six months 2019 Unaudited £'000	Six months 2018 Unaudited £'000	Year ended 2019 Audited £'000
Current income tax:			
UK corporation tax	-	-	-
Overseas corporation tax	(22)	-	1,268
Adjustments in respect of prior years	-	1,015	3,016
Total current tax	**(22)**	**1,015**	**4,284**
Deferred tax:			
Origination and reversal of temporary differences	(2,021)	(1,388)	(1,872)
Impact of change in rate	-	-	-
Adjustment in respect of prior years	(1,083)	(947)	(826)
Total deferred tax	**(3,104)**	**(2,335)**	**(2,698)**
Total (credit)/charge in the income statement from continuing and discontinued operations	**(3,126)**	**(1,320)**	**1,586**

Included in the above tax credits are total current tax credit on continuing operations of £nil (2018: £1,015,000 charge) and a total deferred tax credit on continuing operations of £3,182,000 (2018: £2,546,000) giving a total tax credit on continuing operations in the Condensed Consolidated Income Statement of £3,182,000 (2018: £1,531,000).

The £3,182,000 credit on continuing operations in the period is allocated as £1,849,000 underlying and £1,333,000 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 Condensed Consolidated Statement of Financial Position date. As such, the deferred tax assets/liabilities as at 31 August 2019 have been recognised/provided at 17%.

8 Loss per share

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

	Six months 2019 Unaudited	Six months 2018 Unaudited	Year ended 2019 Audited
Numerator	**£'000**	**£'000**	**£'000**
Loss used for basic and diluted earnings	(20,884)	(17,496)	(58,179)
Denominator	**Number**	**Number**	**Number**
Weighted average number of shares used in basic EPS	366,331,503	345,974,719	349,698,911
Effects of employee share options	-	-	-
Weighted average number of shares used in diluted EPS	**366,331,503**	**345,974,719**	**349,698,911**
Own shares held and therefore excluded from weighted average number	4,490,212	8,354,112	6,798,847

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 2019 Unaudited	Six months 2018 Unaudited	Year ended 2019 Audited
Numerator	**£'000**	**£'000**	**£'000**
Underlying profit/(loss) used for basic and diluted earnings	735	(10,969)	(31,054)
Underlying earnings/(loss) per share			
Basic	0.20p	(3.17p)	(8.88p)
Diluted	0.20p	(3.17p)	(8.88p)

9 Dividends

A final dividend of 3.0p (2018: 4.5p) per share totalling £11,125,000 (2018: £15,628,000) was declared on 29 May 2019 and was paid on 31 July 2019.

10 Property, plant and equipment

Additions and disposals

During the six months ended 31 August 2019, the Group acquired or developed property, plant and equipment assets with a cost of £19,708,000 (2018: £18,681,000). This included development work at London Southend Airport. Property, plant and equipment assets with a book value of £2,537,000 (2018: £3,446,000) were disposed of by the Group during the six months ended 31 August 2019, resulting in a profit of £194,000 (2018: £442,000).

Capital commitments

At 31 August 2019, the Group had capital commitments of £4,875,000 (2018: £946,000), principally relating to replacement truck and trailers in the Energy fleet.

11 Analysis of net debt

Loans and borrowings	31 August 2019 Unaudited £'000	28 February 2019 Audited £'000
Non-current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	14,697	20,668
Variable rate:		
- Obligations under finance leases and hire purchase contracts	16,578	5,886
- Bank loans	50,667	57,567
	81,942	**84,121**
Current		
Fixed rate:		
- Obligations under finance leases and hire purchase contracts	8,079	6,663
- Exchangeable bonds*	51,559	-
Variable rate:		
- Obligations under finance leases and hire purchase contracts	5,882	6,770
	65,520	**13,433**
Total loans and borrowings (excluding IFRS 16)	**147,462**	**97,554**
Cash	7,725	14,432
Comparable net debt (excluding IFRS 16)	**139,737**	**83,122**
Non-current		
- IFRS 16 lease obligations	74,074	-
Current		
- IFRS 16 lease obligations	2,874	-
Net debt	**216,685**	**83,122**

* In accordance with IAS 1 it is necessary for the secured guaranteed exchangeable bonds (Bonds), issued on 3 May 2019, to be presented as a current liability because the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. The bondholders have an unconditional right to require the group to settle the bonds by giving the bondholders shares in Eddie Stobart Logistics plc (ESL) at any time. The Group has no obligation to settle the Bonds in cash within 12 months of the balance sheet date.

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. During the period, £13,343,000 (Feb 2019: £14,178,000) of new finance leases were taken out, £8,168,000 (Feb 2019: £14,382,000) repayments made, and £74,000 (Feb 2019: £142,000) of unwind of discount.

The £80,000,000 variable rate committed revolving credit facility, with a facility end date of January 2022, was drawn at £51,000,000 (Feb 2019: £58,000,000) at the period end.

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

12 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 2019 Unaudited £'000	Fair Value 31 August 2019 Unaudited £'000
Financial Liabilities		
Bank loans	50,667	50,667
Exchangeable bonds	51,559	51,559
Finance leases and hire purchase arrangements	122,184	120,838

	Book Value 28 February 2019 Audited £'000	Fair Value 28 February 2019 Audited £'000
Financial Liabilities		
Bank loans	57,567	57,567
Finance leases and hire purchase arrangements	39,987	38,858

The fair values of loans and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of the exchangeable bonds includes a derivative instrument, valued using an option pricing model, and a debt component where the fair value has been calculated by discounting the expected future cashflows at prevailing interest rates.

Fair Value Hierarchy

The fair value hierarchy is explained in the statutory accounts for the year ended 28 February 2019.

Financial Assets measured at Fair Value

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
As at 31 August 2019				
Other financial assets	31,733	-	31,733	-
Swaps	357	-	357	-
As at 28 February 2019				
Other financial assets	44,918	44,918	-	-
Swaps	248	-	248	-

During the six months ended 31 August 2019, there was one transfer from Level 1 to Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The transfer classified as other financial assets relates to the Group's investment in ESL shares and arose due to the suspension of trading in their shares on 23 August 2019 resulting in no observable price at 31 August 2019. The valuation method at the period end used the price on the date of suspension and applied a reduction of 10%, due to the RNS information released regarding the dividend. This is a judgement taken by management and once the trading in ESL shares is permitted, the valuation will return to level 1 and be based on the actively traded share price. A movement of 1p in the ESL share price changes the investment value by £447,000.

13 Cash used in operations

	Six months ended 31 August 2019 Unaudited £'000	Six months ended 31 August 2018 Unaudited £'000	Year ended 28 February 2019 Audited £'000
Loss before tax	**(26,633)**	**(10,615)**	**(42,114)**
Adjustments to reconcile loss before tax to net cash flows:			
Loss in value of investment properties	879	-	715
Realised profit on sale of property, plant and equipment and investment properties	(194)	(443)	(584)
Share of post-tax profits of associates and joint ventures accounted for using the equity method	2,349	588	1,740
Gain on conversion of loan	-	(1,095)	(1,095)
Loss on disposal & loss in value of assets held for sale	-	600	683
Profit on sale and leaseback	-	(710)	(629)
Depreciation of property, plant and equipment	11,354	7,552	16,305
Finance income	(2,186)	(18)	(63)
Finance costs	3,966	2,032	4,512
Release of grant income	(356)	(4,867)	(609)
Release of deferred premiums	(1,308)	(1,308)	(2,617)
Impairment	8,474	-	7,800
Amortisation of intangibles	3,739	1,969	3,938
Charge for share-based payments	420	674	714
Movement in fair value of exchange derivative liability	124	-	-
(Gain)/loss on fuel swaps mark to market valuation	(114)	(3,579)	353
Retirement benefits and other provisions	(2,174)	6,171	87
IFRS 15 transition adjustment	-	-	(3,949)
Working capital adjustments:			
(Increase)/decrease in inventories	(180)	82	(127)
(Increase)/decrease in trade and other receivables	(18,662)	13,974	4,196
Increase/(decrease) in trade and other payables	3,679	(11,424)	9,007
Cash used in continuing operations	**(16,823)**	**(417)**	**(1,737)**

14 Contingent liabilities

The Group is party to a number of ongoing legal cases principally in relation to general employment, transaction and property-related matters. The Group will continue to defend any litigation in respect of such claims and, whilst the outcome of any claim, and therefore any future liability, cannot be certain, it is the Directors' opinion, based on external legal and property advice, that no material liabilities exist in respect of legal claims at 31 August 2019 beyond those included in provisions.

15 Glossary - Alternative performance measures (APMs)

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 EBITDA from the two main operating divisions
Underlying EBITDA from the two main operating divisions is the underlying EBITDA results of the two main operating divisions, Stobart Aviation and Stobart Energy.

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

Loss per share from continuing underlying operations
This APM is based on underlying profit after tax from continuing which is loss for the period before non-underlying items and before discontinued operations (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 2019 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 2019 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.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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
Chartered Accountants
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M2 3AE
14 November 2019