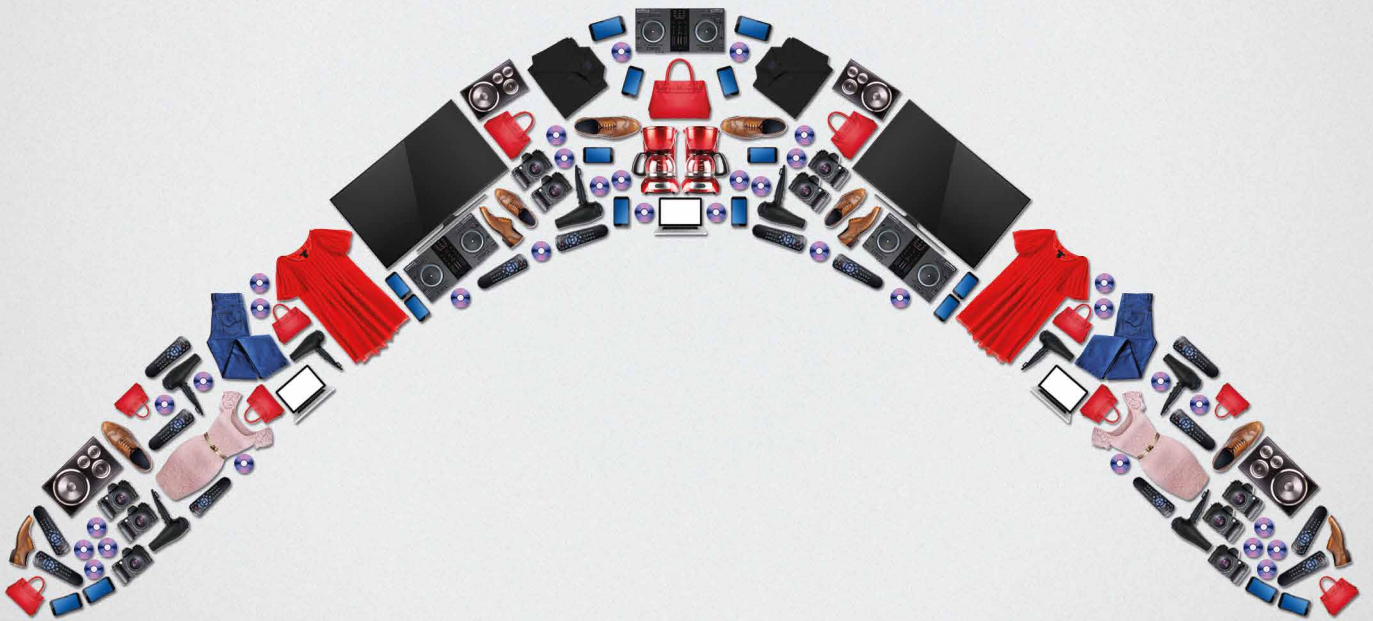


Clipper Logistics plc
2015 Annual Report and Accounts



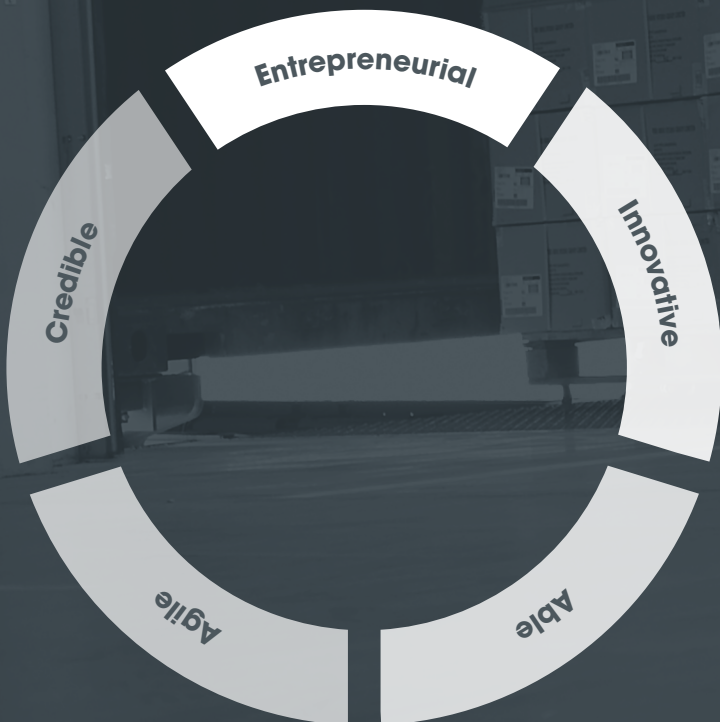
Clipper is a retail logistics and returns management specialist, providing value-added services to its blue chip customer base.

It is a market leader in e-commerce (including e-fulfilment and returns management), fashion, and high value logistics. A consultancy-led approach is taken with both existing and prospective clients to develop innovative solutions.

A platform has been established in Germany to enable the Group to benefit from anticipated future growth in European online retailing, and to support the ambitions of UK customers who plan to expand into Europe.

A profitable and cash generative commercial vehicles business complements the Group's logistics activities.

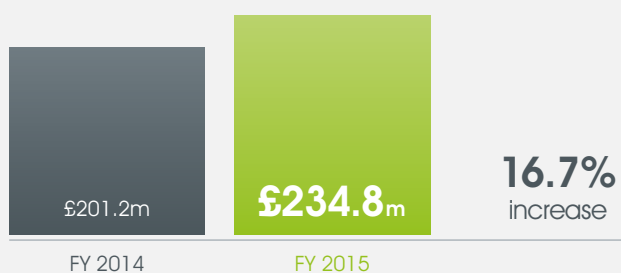
The Group operates from 42 locations comprising over 6.2 million square feet. It now has over 3,200 employees, excluding agency staff.



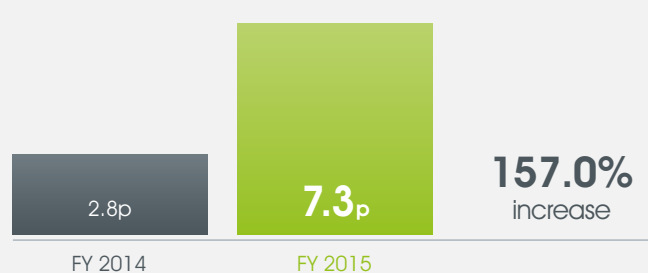
Financial Highlights

For the year ended 30 April 2015

Group revenue



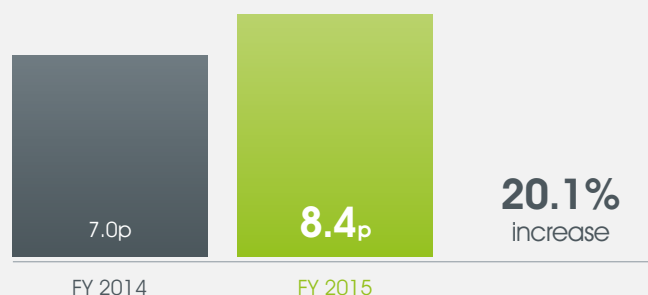
Earnings per share



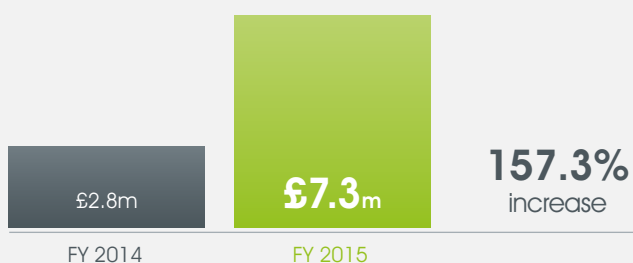
Group Adjusted EBIT¹



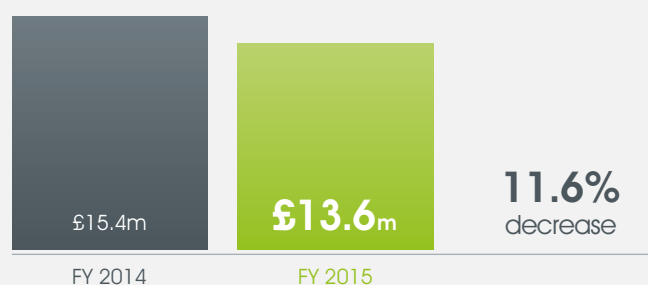
Adjusted earnings per share²



Group profit for the financial year³



Net debt



¹ Adjusted EBIT is defined as operating profit excluding discontinuing and exceptional costs.

² Adjusted earnings per share is based on profit attributable to ordinary equity holders adjusted by adding back discontinuing and exceptional costs, and adjusting for the tax thereon.

³ Including discontinuing costs of £0.3m (2014: £2.3m) and exceptional costs of £0.9m (2014: £2.5m).

Percentages are calculated based on the underlying numbers as presented in the Financial Statements, not on the rounded figures above.

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Operational Highlights

For the year ended 30 April 2015



Successful Initial Public Offering (IPO)

on the London Stock Exchange



Acquisition and integration of Servicecare Support Services Limited, **broadening the Clipper service** offering to include electrical returns



Significant contract wins with new customers including Pep&Co, Philip Morris and Zara



Long-term **extensions to contracts with existing major retail customers** including Harvey Nichols, New Look and Tesco

John Lewis

Major new contract with John Lewis to provide a range of retail support services from a new distribution centre



Adoption of the 'Boomerang' returns management brand proposition by a number of new and existing customers, including the first in mainland Europe providing value-added returns management services to s.Oliver under a new agreement



Continued **strong growth in the retail e-commerce market** driving volumes with existing customers, and new contract opportunities



Strong new business pipeline expected to deliver continued **organic growth** in the 2016 financial year



Subsequent to the 30 April 2015 year end, the Company has agreed terms for a **Click and Collect solution** in collaboration with John Lewis



Strategic Report



Chairman's Statement



Steve Parkin, Executive Chairman

I am pleased to write as Chairman of Clipper Logistics plc following our first anniversary of listing on the London Stock Exchange in June 2014.

Our first year as a listed company has seen continued growth reflecting our ability to demonstrate real value-add services for our extensive client base, and we remain confident of our ability to maintain this momentum.

The Group has seen a strong performance throughout the year under review, with a number of high profile contract wins and renewals, including those with Harvey Nichols, New Look, Pep&Co, Philip Morris, and Zara.

The acquisition of Servicecare Support Services Limited in December 2014 extended our returns management capabilities to include electrical products, and the business has performed well, being immediately earnings-enhancing.

Our driving force remains our ethos of constantly identifying new services, methods and technologies that address the operational challenges of our clients. Our unrivalled understanding of the e-fulfilment and returns market, coupled with our clients' continually evolving needs in these areas, will ensure that we retain and expand our market share.

We are excited about the continued opportunities for progress of the Group in the years ahead, and are proud of the range and quality of services the Group provides.

We are exceptionally well-positioned to benefit from the further significant growth expected in the online retail sector, where independent market research indicates that by 2022 one-third of all retail activity in the UK will take place online. Further, our innovative value-added solutions are expected to achieve continued growth in our non e-fulfilment activities, as evidenced by recent contract wins in this business area.

Chairman's Statement

continued

Group Results

Group revenues increased by 16.7% to £234.8 million for the year to 30 April 2015, and Group Adjusted EBIT* increased by 24.9% to £12.0 million. Excluding the impact of the Servicecare acquisition, revenue grew by 13.8% and Group Adjusted EBIT by 16.6%.

Adjusted earnings per share was 8.4 pence for the year to 30 April 2015 (2014: 7.0 pence as restated).

On an unadjusted basis earnings per share was 7.3 pence (2014: 2.8 pence).

Net debt was reduced to £13.6 million at year end (2014: £15.4 million as restated), after the payment of £3.7 million in respect of the acquisition of Servicecare Support Services Limited, and £2.1 million in respect of non-recurring IPO transaction costs.

People and Board

Clipper Logistics plc is led by an excellent management team that has been at the core of the business for many years.

Having guided the Group through periods of significant change in the UK retail industry, the management team's ability to continue to steer the business along its path of organic growth through customer focus, technical innovation and growing brand awareness is well established.

I would like to take this opportunity to thank all the employees of the Group for their commitment and contribution to the Group's performance.

Governance

The Group is proud of its commitment to high levels of corporate governance. Alongside the executive management team of Tony Mannix (CEO), David Hodkin (CFO) and Sean Fahey (CIO), the Company benefits from the combined experience of its Non-Executive Directors: Paul Hampden Smith (Senior Independent Non-Executive Director), Stephen Robertson, Ron Series and Mike Russell.

Dividends

The Board is recommending a final dividend of 3.2 pence per share, making a total dividend in respect of the year ended 30 April 2015 of 4.8 pence per share. This is reflective of the significant increase in underlying profits.

The proposed final dividend, if approved by shareholders, will be paid on 30 September 2015.

Outlook

The Group continues to be amongst the leading providers of value-added and e-fulfilment solutions to the retail sector in the UK. The full year benefits of the Servicecare acquisition, and the development of Click and Collect delivery services to store, coupled with recent contract wins, place the Group in an excellent position to continue to achieve further growth in the medium term, both in the UK and internationally.

I look forward to working with all of the Group's stakeholders as we continue to develop the business.

Group revenues increased by
**16.7% to
£234.8 million**
for the year to 30 April 2015

Group Adjusted EBIT*
increased by
**24.9% to
£12.0 million**
for the year to 30 April 2015

*Adjusted EBIT is defined as operating profit excluding discontinuing and exceptional costs.

Group Structure

Composition of the Group at 30 April 2015

Clipper Logistics plc ("Clipper" or the "Company") provides value-added logistics services in the UK.

The Company has the following wholly owned subsidiaries:

- Clipper Logistics KG (GmbH & Co.), which provides logistics services in Germany;
- Northern Commercials (Mirfield) Limited ("Northern Commercials"), which is a commercial vehicle operation engaging in the sale, servicing and repair of commercial vehicles, and the sale of parts;
- Servicecare Support Services Limited ("Servicecare"), which provides warranty and refurbishment work for electrical manufacturers and retailers;
- Electrotec International Limited ("Electrotec"), a wholly owned subsidiary of Servicecare, which through its website electrical-deals.co.uk and a number of other web stores operated on behalf of customers, provides a route to market for refurbished electrical products on behalf of manufacturers and retailers; and
- Genesis Specialised Product Packing Limited ("Genesis"), which provides an eBay store offering to enable Clipper to assist its retail customers with the sale of excess and end-of-line stock.

The above entities, along with a number of dormant subsidiaries, comprise the "Group".

Reporting Segments

The results of the Group are reported in the following segments:

- Value-added logistics services, comprising the following business activities:
 - E-fulfilment & returns management services;
 - Non e-fulfilment logistics; and
 - Central logistics overheads, being those costs of the business which are not allocable in a meaningful way to the above business activities, including directorate, advertising and promotion, accounting and IT, and the solutions development team; and
- Commercial vehicles.

Whilst not a segment in its own right, the Group also separately reports head office costs, representing the costs of the Executive Chairman, Chief Financial Officer, Deputy Chief Financial Officer, Company Secretary, Non-Executive Directors and plc compliance costs.

Segment and business activity details

E-fulfilment & returns management services

E-fulfilment & returns management services include the receipt, warehousing, value-add processing, stock management, picking, packing and despatch of products on behalf of customers to support their online trading activities, as well as a range of ancillary support services, including the management of the returns process for customers.

At no time does Clipper take ownership of customers' products. The Company has recently introduced a new brand, 'Boomerang', under which returns of products are managed on behalf of retailers.

Clipper expects to continue to experience rapid growth in this segment reflecting continuing migration to online retailing due to the structural changes taking place in the retail sector.

The results of Servicecare and Electrotec are shown in this category.

Non e-fulfilment logistics

Non e-fulfilment logistics include receipt, warehousing, value-add processing, stock management, picking and distribution of products on behalf of customers. Clipper does not take ownership of customers' products at any time.

Within this category Clipper handles high value products, including tobacco, alcohol and designer clothing, and also undertakes traditional retail support services including processing, storage and distribution of products, particularly fashion, to high street retailers.

Central logistics overheads

Central logistics overheads are the costs of support services specific to the value-added logistics services segment, but which are impractical to allocate between the sub-segment business activities.

Commercial vehicles

The commercial vehicles business, Northern Commercials, operates Iveco and Fiat commercial vehicle dealerships from six locations, together with four sub-dealerships. It sells new and used vehicles, provides servicing and repair facilities, and sells parts.

Vehicles sold and serviced range from small light commercial vans, through to articulated tractor units.



Clipper 

Our Business Model

The Group creates value for its shareholders from its scalable and risk-mitigated business, with a high degree of contractual certainty underpinning financial predictability and stability. Clipper focuses on customer service, and aims to create long-term relationships with customers in order to become central to that customer's strategy, and further underpin the long-term success of the Group.

Foundations of Clipper's business model

Ability – Mission Critical Experience

- Highly efficient supply chains are essential for retail success.
- The Clipper retail focus and multi-channel expertise provides:
 - targeted and relevant sector experience;
 - large scale transformational project skill;
 - best practice and innovation;
 - shared use approach to support customers from 'start-ups' to 'blue chip'; and
 - a long-term consultative partner relationship.
- High profile projects require knowledge, skill and a proven track record.

Agility – Critical Decisions Made at Pace

- The Clipper ethos is:
 - an entrepreneurial spirit; and
 - rapid decision making based on knowledge not assumption.
- The Clipper skillset encompasses property, solution design and implementation - allowing all to be managed in parallel leading to a rapid go live.
- Clipper's well-known and trusted team:
 - are highly respected in the sector; and
 - have built successful relationships with key retail decision makers.
- A customer who partners with Clipper gets personal accountability and a strong focus on success.

Credibility

- The 'Clipper Way' ensures that at every level the success of project implementation and ongoing operational excellence are at the core of all activity.
- Clipper has a high profile within the industry press, including Drapers and Retail Week, and is a recognised sector 'thought leader'. This further strengthens the relevance of Clipper to its retail clients.

These foundations underpin a proven and robust business model

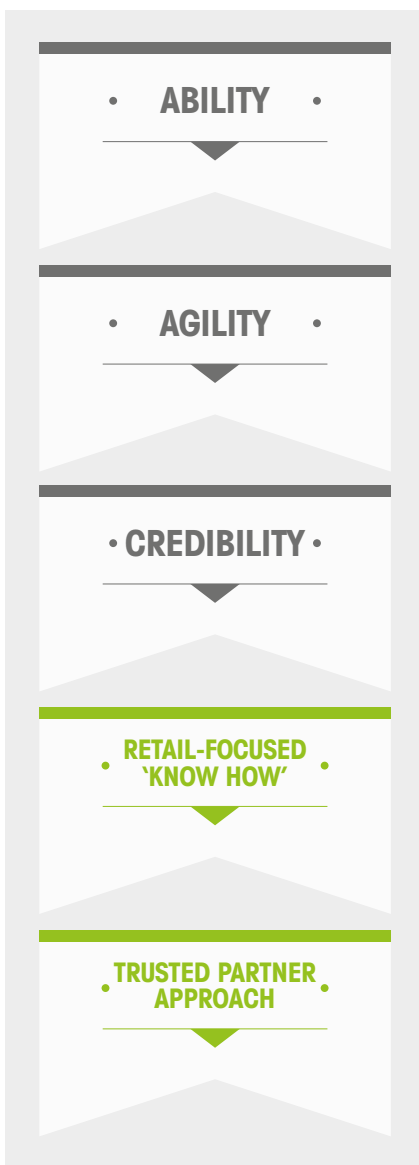
Market-leading customer proposition and focus on customer service

Clipper focuses on the provision of consultancy-led, value-added logistics services. It works closely with existing and prospective clients to develop tailored solutions to meet their specific logistics needs. Strategic-level discussions focused on providing solutions to particular challenges ensure that Clipper is central to its clients' strategies.

The Company is focused on the fashion and non-food retail sectors, and provides services under formalised contractual arrangements to a major blue chip customer base including Asda, ASOS, John Lewis, Morrisons, SuperGroup, and Tesco.

Its market-leading position in providing solutions in the e-commerce sector, including returns management, places the Company in a strategically strong position given the structural changes taking place in retailing, with an increasing proportion of retail sales represented by online sales, and the move to multi-channel and omni-channel retail distribution models:

- The penetration of e-based sales in the UK is one of the highest in the world. The trend towards a greater proportion of retail activity being conducted online is expected to continue; research indicates that by 2022 one-third of all sales in the UK will be conducted online.¹



¹ Insider Trends

Our Business Model

continued

These foundations underpin a proven and robust business model (continued)

Market-leading customer proposition and focus on customer service (continued)

- Returns management is expected to become the 'battle-ground for competitive advantage' amongst retailers, with returns in the UK averaging between 25%-40% in fashion and footwear.¹ Clipper's successful introduction of its new brand, 'Boomerang', is enabling it to capitalise upon this opportunity, leveraging from its already market-leading proposition in online fulfilment. The Group's new acquisition Servicecare, and its subsidiary Electrotec, are complementary to the returns management proposition, as the Group is now able to offer a wider range of services, including electrical returns capability.

The Company's focus on the retail sector ensures that it is able to offer best-practice, lowest-cost services to its customer base. The Group has a track record of innovation, including the development of:

- Consolidation centres, where products destined for multiple nearby retail outlets are consolidated, before being delivered to the destination. Examples include Meadowhall Shopping Centre in Sheffield and Regent Street in London;
- Port deconsolidation supply chain models, where facilities are located near a port of entry for product deconsolidation and onward distribution through the supply chain; and
- The 'Boomerang' brand for returns management, as noted above.

Clipper's focus on customer service is demonstrated by its wide portfolio of blue chip customers both in the UK and Germany, many of whom have been clients for many years.

High degree of contractual certainty underpins financial predictability and stability

70% of the UK logistics division's revenue (excluding Servicecare) in the year to 30 April 2015 was on open book contract terms (2014: 65%). Under the terms of these contracts, all costs incurred in providing services (people, property, plant and equipment, packaging, etc.) are recharged to customers together with a management fee. The contract mechanisms provide Clipper's customer base with total transparency, and make for solid long-term relationships with clients, whilst protecting Clipper from cost inflation, mix changes and, largely, volume downsides, whilst allowing the Company to benefit from increasing activity levels. Gainshare mechanisms and KPI-based incentives also allow Clipper to enhance profits, through innovation and excelling in service delivery. The growth in the percentage of revenue derived from open book contracts was driven primarily by the full year effect and growth of the ASOS contract, volume growth from contracts with John Lewis, SuperGroup, Tesco and Wilkinsons, and the benefit of new customers such as M&S and Ted Baker.

12% of the UK logistics division's revenue (excluding Servicecare) in the year to 30 April 2015 was derived from minimum volume guarantee contracts (2014: 14%), which protect Clipper from volume downsides, whilst allowing the Company to benefit from growing activity levels.

Thus, the business model within the logistics division in the UK (excluding Servicecare) provides a high degree of profit resilience, with just 18% of revenue derived from more traditional, closed book arrangements (2014: 21%).

Servicecare has historically operated using a traditional closed book charging methodology, but has commenced trading under open book terms with one of their key customers, and where appropriate, will adopt this contract methodology for new customers. However, it is likely that many arrangements will remain on closed book terms (which is normal within this sector), which will have a slight dilutive effect on the total percentage of revenue derived from open book or minimum volume guarantee contracts.

In Germany, the vast majority of business is currently conducted on closed book terms, although some activity for s.Oliver (a key customer) is now charged on a partially open book basis. It is anticipated that as e-commerce activities develop these are likely to be on open book terms as such arrangements are mutually beneficial for both the retailer and the Group.

Within the commercial vehicles division, revenues from new vehicle sales are uncontracted, and can vary due to wider economic conditions. However, margins on new vehicle sales tend to be relatively low. Margins on aftersales activities (i.e. servicing and parts) are higher, and so the changes in the sales mix can significantly affect reported profit margins.

Since most commercial vehicles are required by law to be inspected every six weeks, this gives rise to stable profit and cash streams from this part of the Group, even in the absence of formal contracts. In addition, all tractor units sold by Northern Commercials now come with a two year standard repair and maintenance contract which further guarantees the revenue and profit derived from aftersales activities.

¹IMRG

Our Business Model

continued

These foundations underpin a proven and robust business model (continued)

The nature of the Clipper service offering results in long-term, mutually beneficial relationships with its customers

The specialised nature of the services provided by Clipper, particularly in the e-commerce and high value product sectors, results in real long-term mutually beneficial relationships with customers, as evidenced by the high levels of customer retention experienced by the Group.

Many implementation projects involve the development of bespoke software, integration and other solutions, resulting in Clipper playing a central role in the delivery of the retailer’s customer proposition - Clipper’s consultative approach with customers leads to its systems becoming

embedded with those of the client. Clipper creates a unique solution for each customer, which cannot be easily or quickly replicated. Clipper’s systems will become further embedded with those of their customers as omni-channel retailing increases, and also as more customers take on newer service offerings such as returns management.

In addition to the above, credibility gained in the provision of logistics services in relation to high value products represents a real barrier to entry to this segment of the market.

This is equally true for the services Servicecare provide, which require specialist skill, knowledge and manufacturer certifications / authorisations.

Maximising value

Clipper uses the business model above to proactively offer new service offerings and maximise value from existing customer relationships, as well as to attract new customers.

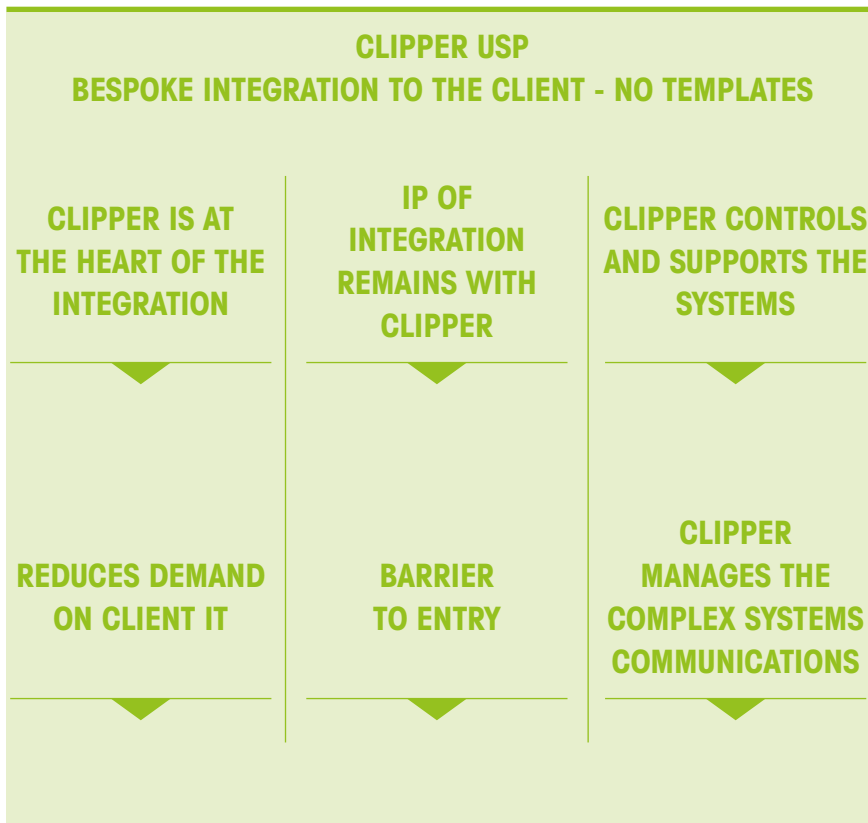
Clipper will continue to develop and provide innovative retail solutions, as demonstrated by the Boomerang returns solutions launched in 2014, and the Click and Collect solution which will shortly be launched in collaboration with John Lewis, in order to capitalise on the opportunities presented to the Group in assisting retailers to deal with these challenging logistical issues.

Clipper is also focused on maximising shareholder value through selective expansion internationally (as demonstrated by its increasing German presence, and recent expansion into Ireland), and also through selective acquisitions (as demonstrated by the acquisition of Servicecare during the year under review).

The commercial vehicles division of the Group is robustly profitable and cash generative – its profitability driven by high-margin aftersales activity, which is underpinned by legal requirements governing the inspection of commercial vehicles.

Whilst Northern Commercial is not heavily dependent on the logistics division of the Group, it provides Clipper with flexibility over fleet procurement, and margins on servicing activity are retained within the Group.

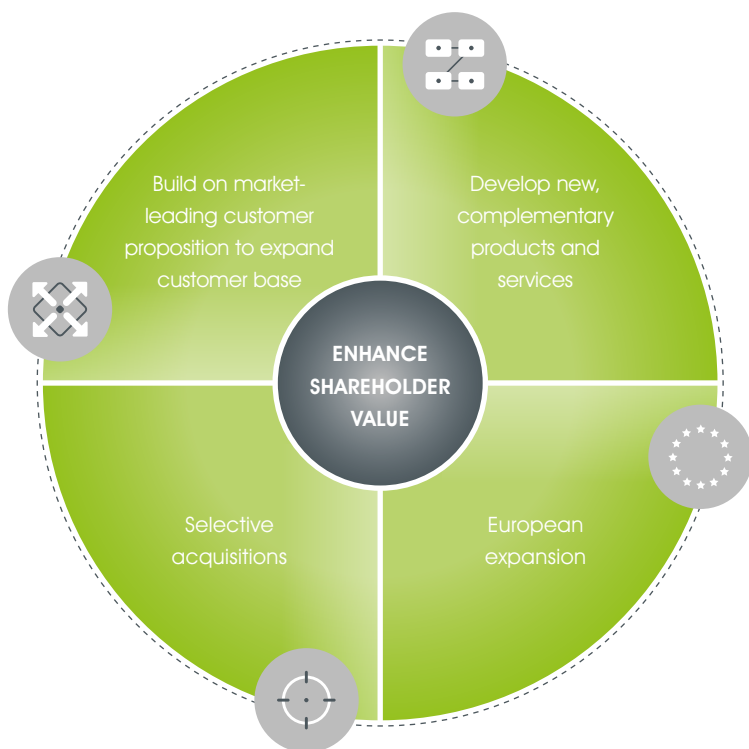
The Group will carefully consider potential new territories for commercial vehicles, in order to further enhance Northern Commercial’s market share, and enhance profitability within that segment of the Group.





Our Strategy

In order to generate and preserve long-term value for shareholders, Clipper has four key growth strategies, as set out in its prospectus dated 30 May 2014 (the "Prospectus"), and detailed below.



1 Build on market-leading customer proposition to expand the customer base

How will this be achieved?

Through a continued focus on the provision of bespoke, retail-specific logistics solutions, including retail store support and high value product logistics, but particularly focused on the e-fulfilment segment of the retail market.

By utilising Clipper's best-in-class offering and extensive implementation expertise to continue to capitalise on the long-term structural growth drivers within the online retail market and the increasing logistical complexities therein.

By taking advantage of selective growth opportunities in the fashion and non-food retail logistics segment, where there is the opportunity to provide innovative solutions to customers that are also profitable for the Group.

Performance in the year to 30 April 2015

The full year benefit was realised of contracts that went live during the previous year with Antler, ASOS, Go Outdoors and SuperGroup.

New contracts went live in the year with M&S, Philip Morris, s.Oliver (returns management services) and Ted Baker.

New contracts have been secured for operations commencing in the year to 30 April 2016 with Flyers Group, Pep&Co, Zara and Ireland's largest retailer.

An agreement has been reached with John Lewis for ancillary services, which will commence during the year to 30 April 2017.

Further details of the above contract wins can be found in the Operating and Financial Review on pages 18 to 29.

Going forward

Clipper has an extensive potential customer pipeline, and will continue to work with these potential leads to secure further new contract wins.

The acquisition of Servicecare will enable the Group to leverage Servicecare's skillset in the electrical returns sector to further enhance its customer proposition and expand the customer base.

Our Strategy

continued

2 Develop new, complementary products and services

How will this be achieved?

By continuing to invest in new product and service offerings which will be value enhancing to Clipper's existing and future customer base.

Performance in the year to 30 April 2015

Clipper's returns management services brand 'Boomerang' saw its first full year of operation in the year to 30 April 2015, with approximately 95% of product successfully returned to prime stock at first pass.

Clipper has commenced work on mechanisation and semi-automation projects to further enhance our service offering. The full benefit of these will be seen in the financial year ending 30 April 2016.

During the latter part of the financial year, Clipper has been working on additional solutions to assist retailers with the logistical problems surrounding Click and Collect. This project will go live during the year to 30 April 2016, in collaboration with John Lewis, with the full benefit being realised in the following financial years.

Further details of the above projects can be found in the Operating and Financial Review on pages 18 to 29.

Going forward

Clipper will focus on the successful implementation of its mechanisation / semi-automation and Click and Collect projects, and on expanding these services to a wider customer base (both existing and new customers).

In addition, Clipper will continue to innovate and develop new solutions for the problems that retailers face in the ever-changing retail environment.

3 Explore acquisition opportunities

How will this be achieved?

By considering further selective acquisitions which are considered value-enhancing to the Group's client base, market penetration and/or service lines and where the Group can use its existing expertise, implementation and delivery platform, scale and reach to generate synergies and increase profitability.

By considering bolt-on acquisitions which provide a platform for it to take its core technical expertise into new, adjacent markets.

Performance in the year to 30 April 2015

During the year, Clipper completed the acquisition of Servicecare Support Services Limited, and its wholly owned subsidiary Electrotec International Limited.

This was a strategically important acquisition, as it has enabled the Group to offer further services via its Boomerang brand, through the addition of electrical returns services, which require specialist expertise.

Robustly profitable in its own right, Servicecare will also further enhance shareholder value by increasing its own customer base by leveraging off its position in the wider Clipper Group.

Electrotec specialises in the online sale of returned or refurbished stock, so will complement the Group's subsidiary Genesis, which provides an online route to market for Clipper's customers, particularly in relation to sale of excess in-season stock, sale of end-of-line stock, and sale of returns.

Further details of the above acquisition can be found in the Operating and Financial Review on pages 18 to 29.

Going forward

Clipper will continue to explore acquisition opportunities that enhance shareholder value.

4 Continue European expansion

How will this be achieved?

Through development of Clipper's operations in Germany, which currently consist primarily of retail logistics and transport solutions.

By utilising its existing expertise in e-fulfilment in the more developed UK online retail market, to assist both mainland European retailers to move online, and UK retailers to expand into Europe – the latter further underpinned by Clipper's strong customer relationships and reputation with UK retailers (both pure-play e-tailers and multichannel high street retailers).

Through considering other European destinations for potential opportunities.

Performance in the year to 30 April 2015

A new returns management contract went live with s.Oliver in Germany shortly before the financial year end, under the Boomerang brand.

The full benefit of this contract will be seen in the year to 30 April 2016.

Agreement was reached with Ireland's largest retailer for the provision of warehousing and e-fulfilment services, which will be performed in the UK and Ireland.

Shortly after the 30 April 2015 year end, Clipper registered a branch in Ireland, to facilitate performance of the above agreement, and also to enhance its presence in Ireland in order to secure further new business.

Further details of the above contract wins can be found in the Operating and Financial Review on pages 18 to 29.

Going forward

Clipper will continue to seek opportunities with new and existing customers to provide services in Germany, and will also consider other strategic mainland European destinations for potential expansion.

Operating and Financial Review

1. Overview of results

The Group made excellent progress in the financial year to 30 April 2015.

Group revenue

Group revenues increased by 16.7% to £234.8 million, with strong growth in all business areas including e-fulfilment & returns management services and non e-fulfilment logistics:

| Revenue | Year to 30 April 2015 £m | Year to 30 April 2014 £m | % change |
|---|--------------------------------|--------------------------------|---------------|
| E-fulfilment & returns management services | 60.6 | 46.0 | +31.5% |
| Non e-fulfilment logistics | 102.1 | 89.6 | +14.1% |
| Total value-added logistics services | 162.7 | 135.6 | +20.0% |
| Commercial vehicles | 73.6 | 66.8 | +10.1% |
| Inter-segment sales | (1.5) | (1.2) | |
| Group revenue | 234.8 | 201.2 | +16.7% |

Percentages are calculated based on the underlying numbers as presented in the Financial Statements, not on the rounded figures in the table above

Within the value-added logistics services segment, the Group benefited from:

- the full-year impact of contract wins secured in the previous financial year including, amongst others, Antler, ASOS, Go Outdoors and SuperGroup;
- the part-year impact of the acquisition of Servicecare and its subsidiary Electrotec in December 2014;
- organic growth on existing contracts, including Asda, John Lewis, Tesco, and Wilkinsons;
- the market migration in the retail sector towards online trading which continues to bring particularly strong organic growth to our e-fulfilment customers; and
- the part-year impact of contracts won during the year to 30 April 2015, including M&S and Ted Baker, and additional services for ASOS, as well as the s.Oliver returns contract win in Germany. The full year benefit of these contracts will be realised in the year to 30 April 2016, together with the part-year benefits of contracts either recently commenced or currently in the pipeline and due to go live during the remainder of calendar year 2015 and early calendar year 2016.

Revenue growth in commercial vehicles was driven by:

- a £5.3 million increase in new vehicle sales. Whilst unit sales were down, the average selling price of each unit increased significantly due to the mix of vehicles sold; and
- a £1.5 million increase in after-sales revenues, comprising servicing, bodyshop and parts sales.

Operating and Financial Review

continued

1. Overview of results (continued)

Group Adjusted EBIT

Adjusted EBIT is the primary Key Performance Indicator ("KPI") by which the management team assesses corporate performance. Adjusted EBIT is assessed against Board approved budgets. A further KPI is net debt, which is discussed on page 21.

The Group grew Adjusted EBIT strongly in all segments and business activities:

| | Year to 30 April 2015 £m | Year to 30 April 2014 £m | % change |
|---|--------------------------------|--------------------------------|---------------|
| Adjusted EBIT | | | |
| E-fulfilment & returns management services | 5.5 | 3.7 | +48.0% |
| Non e-fulfilment logistics | 10.1 | 9.2 | +9.8% |
| Central logistics overheads | (4.1) | (4.2) | |
| Total value-added logistics services | 11.5 | 8.7 | +33.2% |
| Commercial vehicles | 1.9 | 1.8 | +2.1% |
| Head office costs | (1.4) | (0.9) | |
| Group Adjusted EBIT | 12.0 | 9.6 | +24.9% |

Group Adjusted EBIT is defined as Group operating profit excluding discontinuing and exceptional costs. Percentages are calculated based on the underlying numbers as presented in the Financial Statements, not on the rounded figures in the table above.

Group Adjusted EBIT increased by 24.9% to £12.0 million in the year to 30 April 2015, and the Group is well placed to achieve further EBIT growth in the coming financial year due to the full year benefits of recent contract wins and the Servicecare acquisition, coupled with a very strong new business pipeline.

Adjusted EBIT margin is not a key metric as the high proportion of open book and minimum volume guarantee contracts within the UK logistics division distorts reported margins.

This is due to an element of management fees on certain contracts being fixed in the short term, so that an increase in revenue in periods of increased activity will not necessarily give rise to a proportionate increase in profit, resulting in lower reported margins. Conversely in periods of reduced activity levels, reported margins would typically increase.

Similarly, revenue derived from minimum volume guarantee contracts is fixed at a minimum level, so that a shortfall in activity levels would give rise to a lower cost base, and a higher reported margin.

In addition, within the commercial vehicles segment, the level of high value, relatively low margin new vehicle sales also distorts reported margins.

Accordingly, Adjusted EBIT is a more relevant measure of financial performance than Adjusted EBIT margin.

E-fulfilment & returns management services include the receipt, warehousing, stock management, picking, packing and despatch of products on behalf of customers to support their online trading activities, as well as a range of ancillary support services including returns management, branded as 'Boomerang', under which returns of products are managed on behalf of retailers.

Non e-fulfilment operations include receipt, warehousing, picking and distribution of products on behalf of customers. Within this sector the Group handles high value products, including tobacco, alcohol and designer clothing, and also undertakes traditional retail support services including processing, storage and distribution of products, particularly fashion, to high street retailers.

Central logistics overheads include the costs of the directors of the logistics business, the project delivery and IT support teams, sales and marketing, accounting and finance, and human resources that cannot be allocated in a meaningful way to business units. Despite continuing to invest significantly in such resources during the year, particularly in operational support, and solution design and implementation, we managed to recover more of this cost from customers in the year due to the high volume of new projects.



Operating and Financial Review

continued

1. Overview of results (continued)

Group Adjusted EBIT (continued)

Incremental investment will inevitably be required in the logistics overheads base as the business continues to grow, including the impact of the full year effect of the infrastructure investments undertaken in the second half of the year ended 30 April 2015.

The commercial vehicles business, Northern Commercials (Mirfield) Limited, operates Iveco and Fiat commercial vehicle dealerships from six locations, together with four sub-dealerships. It sells new and used vehicles, provides servicing and repair facilities, and sells parts. Vehicles sold and serviced range from small light commercial vans, through to articulated tractor units.

Head office costs represent the cost of the Executive Chairman, Chief Financial Officer, Deputy Chief Financial Officer, Company Secretary, Non-Executive Directors and plc compliance costs.

Share based payment charges totalling £0.1 million have been charged to central logistics overheads, commercial vehicles cost and head office costs as appropriate in respect of the Sharesave plan and the Performance Share Plan (see note 22 to the Group Financial Statements).

The profit after tax for the year to 30 April 2015 was £7.3 million (2014: £2.8 million), as set out on page 88. This is stated after charging £0.3 million (2014: £2.3 million) of discontinuing costs, and £0.9 million (2014: £2.5 million) of exceptional costs.

As such, adjusted profit after tax for the year to 30 April 2015 (which excludes the discontinuing costs, exceptional costs and the tax associated with those costs) was £8.4 million (2014: £6.9 million), an increase of 21.1%.

The discontinuing costs in the year to 30 April 2015 relate to remuneration of a retiring director, consultancy and professional fees in respect of potential investment opportunity appraisals, the costs of operating the Chairman's private office, and certain advertising, sponsorship and entertaining expenditure, none of which have been borne by the Group since Admission ("Admission" being defined as 4 June 2014, the date on which Clipper Logistics plc was admitted to the premium segment of the London Stock Exchange). The discontinuing costs in the year to 30 April 2014 also included all of the above.

Of the exceptional costs of £0.9 million (2014: £2.5 million) incurred in the year to 30 April 2015, £0.7 million (2014: £2.0 million) related to the costs of the IPO and £0.2 million (2014: £nil) related to professional and legal expenses incurred on the acquisition of Servicecare. In 2014, there were also exceptional depot closure costs of £0.4 million, and redundancy costs on reorganisation of £0.1 million.

Net interest charges

Net interest charges for the year to 30 April 2015 were £1.4 million, an increase of £0.5 million from the £0.9 million incurred in the previous year, reflecting the higher average level of net debt in the business following the payment of £18.5 million in dividends and other distributions to the former parent company in the prior year, related to the reorganisation of the Group in preparation for the IPO. In addition, the interest charges in the year to 30 April 2015 reflect the net cash outflow on the Servicecare acquisition of £3.7 million.

Operating and Financial Review

continued

1. Overview of results (continued)

Taxation

The effective rate of taxation of 22.8% (2014: 27.9%) is higher than the standard rate of corporation tax of 20.92% (2014: 22.84%) principally due to expenditure disallowable for tax purposes. As the discontinuing head office costs include some disallowable items such as customer entertaining and sponsorship and the headline UK tax rate reduces by 1%, the effective rate of tax is expected to reduce again in the year ending 30 April 2016.

Earnings per share

As set out in note 21 to the Group Financial Statements, during the year to 30 April 2014 there was a group reorganisation involving both an issue and a subdivision of shares.

In addition, there was a large amount of non-recurring cost. Consequently, the basic measure of earnings per share is significantly distorted by these factors. Adjusting earnings to exclude discontinuing and exceptional costs and the tax effect thereon, gives adjusted earnings of £8.4 million for the year to 30 April 2015 (2014: £6.9 million). In the previous Annual Report the tax effect was calculated at standard rate. It is now calculated at the effective rate applicable to the specific transactions.

Adjusted earnings per share was 8.4 pence for the year to 30 April 2015 (2014: 7.0 pence as restated).

On an unadjusted basis earnings per share was 7.3 pence (2014: 2.8 pence).

Capital expenditure

Of total capital expenditure of £2.4 million (2014: £4.9 million), £1.9 million (2014: £4.0 million) related to the value-added logistics services segment and £0.5 million (2014: £0.9 million) related to the commercial vehicles segment.

Key items of capital expenditure during the year to 30 April 2015 within the value-added logistics services segment were IT system upgrades (including enhanced back-up solutions), site fit out costs for Clipper's Harlow site which commenced operations during the year, site fit out costs in Germany for the new s.Oliver contract, and ongoing capital expenditure relating to fleet renewals. Within commercial vehicles, capital expenditure related primarily to ongoing fleet renewals (for demonstrators and parts vans), and also an upgrade to the vehicle diagnostic system used for Iveco vehicles.

Goodwill and other intangible assets

The goodwill arising on the acquisition of Servicecare amounted to £4.2 million. Other intangible assets acquired with Servicecare, principally in respect of customer relationships, had a fair value of £1.2 million giving rise to a related deferred tax liability of £0.2 million.

Cash flow

With the Group reorganisation undertaken as part of the preparation for the IPO and the payment of the IPO transaction costs falling in two financial years, there has been some distortion in reported cashflows.

Cash generated from operations was £12.6 million (2014: £15.8 million) after paying £2.1 million of IPO transaction costs (2014: £0.6 million). An interim dividend of £1.6 million was paid in the year to 30 April 2015, in line with the stated dividend payment policy. Prior to the IPO, a dividend of £0.3 million was paid to the former parent company. In the year to 30 April 2014, dividends and other distributions totalling £18.5 million were paid to the former parent company.

As detailed in note 28 to the Group Financial Statements, net cash paid in the year to 30 April 2015 for the purchase of Servicecare amounted to £3.7 million,

The Group's business model gives rise to high levels of cash generation. In the UK logistics business, Clipper is typically paid in the month in which services are delivered on open book and minimum volume guarantee contracts, giving rise to a typically negative investment in working capital, whilst in the commercial vehicles business working capital is substantially funded by the manufacturer through stocking facilities for new vehicles, and trade credit terms for parts supplied. Across the two years ended 30 April 2015, net cash generated from working capital was £4.9 million.

Net debt

In addition to Adjusted EBIT, net debt is considered a Key Performance Indicator for the Group. As with Adjusted EBIT, net debt is assessed against Board approved budgets.

As shown in note 19 to the Group Financial Statements, the Group's net debt at 30 April 2015 was £13.6 million (2014: £15.4 million as restated). At this date, the Group had £8.0 million net bank debt, drawn against available bank facilities of £27.5 million. The net debt at 30 April 2014 included £14.2 million payable to the former parent company.

The key terms of the Group's banking facilities are included in note 19 to the Group Financial Statements.

Operating and Financial Review

continued

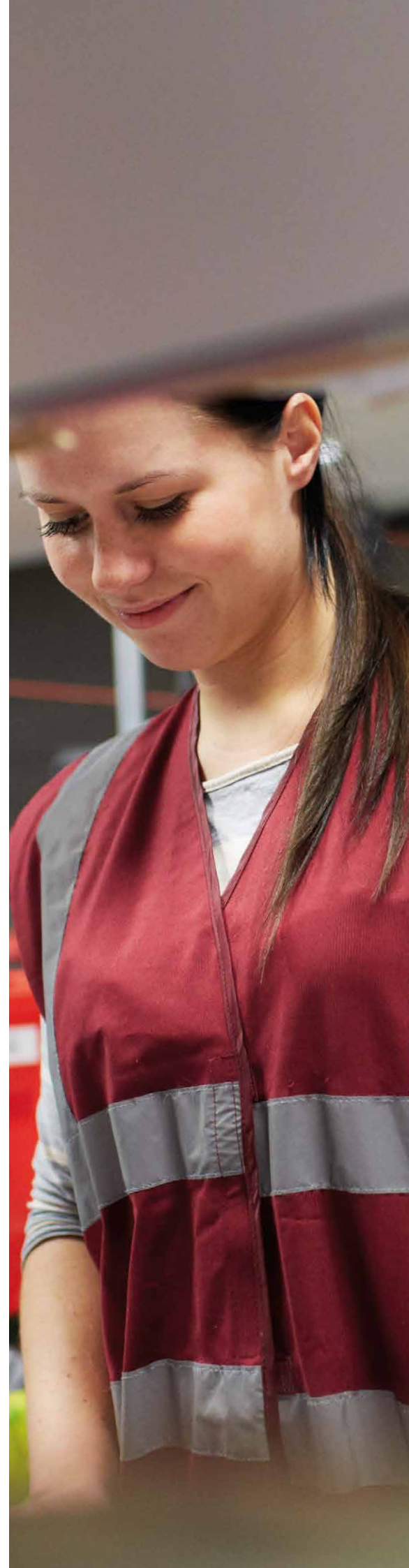
2. Acquisition of Servicecare Support Services Limited

In December 2014, Clipper acquired the entire issued share capital of Servicecare Support Services Limited ("Servicecare") and its wholly owned subsidiary Electrotec International Limited ("Electrotec") for a cash consideration of £5.7 million. Of this consideration, £1.0 million was deferred for six months, and a further £1.0 million was deferred for twelve months. In addition, a further £0.2 million is payable upon receipt of a tax refund due to Servicecare of the same amount.

Servicecare is a specialist provider of returns logistics services to consumer electronics manufacturers and retailers. The business, which operates across the United Kingdom from sites in Oldham, Greater Manchester and Barton, Burton-on-Trent, has been trading since 1995 and has a strong client base that includes Argos, Panasonic, Shop Direct Group and Tefal. Its wholly owned subsidiary Electrotec International Limited was acquired by Servicecare in 1999 and trades as a retail supplier, selling refurbished consumer electrical goods, predominantly online.

In the financial year to 30 April 2014, Clipper launched its 'Boomerang' brand, which was introduced to focus on the growing requirement for returns management services by the clothing and non-electrical general merchandise sectors. As part of the Group's strategy to enhance its Boomerang services to both new and existing customers, the Board has sought to identify potential acquisition targets that would enable the Boomerang service offering to be expanded to cover electrical goods, which require specialist expertise. With its long trading history and blue chip client base Servicecare is a strong fit within the Boomerang brand and has proved to be immediately earnings-enhancing to Clipper, outperforming expectations for the five months post acquisition to the year ended 30 April 2015.

Electrotec complements the Group's subsidiary Genesis, which provides an online route to market for Clipper's customers, particularly in relation to sale of excess in-season stock, sale of end-of-line stock, and sale of returns.



Operating and Financial Review

continued

3. Value-added logistics services

Market overview, size and growth of market and market trends

Traditional bricks and mortar retail still constitutes the majority of retail sales in the UK. However, the growth of online retailing and the desire for major retail brands to have as many different touch points with their customers as possible means that multichannel retailing will be a dynamic driver of change for both the retail and logistics markets in the near future. An increasing number of distribution channels are now required to meet the demands of the consumer, including shopping at stores, home delivery, Click and Collect as well as the return of purchased items. The fact that the penetration of internet-based sales in the UK economy is one of the highest in the world leads the Directors to believe that the UK is at the forefront of the logistics challenges being posed to retailers by the growth in online retail.

The retail sector is undergoing structural changes and, as a market leader in the provision of services to support retailers' online and returns management challenges, the Group is strategically well placed to capitalise on the very significant growth expected in this sector of the market.

According to market research¹, the UK's e-commerce market has grown from £0.8 billion in 2000 to £91 billion in 2013 and £104 billion in 2014 (14% annual increase) with double-digit growth forecast until around 2017. Within that market there are also significant changes being experienced:

- orders placed via mobile channels (smartphones and tablets) accounted for 34% of UK e-retail sales in Q1 2015 compared to 20% in Q1 2014 (and only 1% during 2010);

- we are seeing continued growth in the level of Click and Collect sales activity, with Click and Collect comprising 16% of multichannel online sales in Q4 2014 compared to 12% in the same quarter of 2013. Certain of our customers report that Click and Collect now accounts for 60-65% of their overall online volume. Within the Click and Collect service proposition, time compression is a major issue and the customer demand for next day delivery is pervading.

By 2022, one third of sales in the UK are forecast to be conducted online.² The rest of Europe is also experiencing a similar trend. Germany is the second largest e-commerce market in Europe after the UK. Here, online retail sales are forecast to reach €73 billion by 2019, and Europe as a whole is forecast to generate €233 billion of online retail sales by 2018.³

The UK's e-commerce market has grown from **£0.8 billion in 2000 to £104 billion in 2014**

Structural growth in online, multichannel retailing

The UK has one of the highest rates of internet and smartphone penetration in Western Europe and this level of penetration is expected to increase further in coming years. The proportion of online sales as a percentage of total retail sales in the UK is already one of the highest in the world.⁴

This trend is fundamentally altering the logistical requirements of retailers, who must meet the challenges of multichannel retailing (whereby customers place orders across a variety of sales channels, for example retail stores, online stores, mobile stores and telephone sales), which demands complex warehousing, order processing and stock management systems in order to deliver a high quality service to consumers. Further, non-food retailers are expected to invest approximately £5 billion in making the transition from multichannel to 'omni-channel' retailing over the next five years.⁵

Omni-channel represents the latest evolution of multichannel retailing, whereby retailers offer consumers flexibility not only on the method of order placement (as is the case with multichannel) but also in respect of the choice of delivery destination – for example, the consumer might place an order online and choose to have the order delivered to that retailer's high street store, or at a Click and Collect site in a third party location, rather than their home address. This development adds even greater complexities to the logistical requirements of retailers. Our customers have seen significant growth in Click and Collect in the year to 30 April 2015. One of our customers commented that, "this [2014] was the year that Click and Collect really came into play with 56% of online orders being collected in shops as opposed to home delivered".

¹ IIRG

² Insider Trends

³ Forrester Western European Online Retail Sales Forecast for 2013 to 2018

⁴ eMarketer December 2014

⁵ LCP Consulting

Operating and Financial Review

continued

3. Value-added logistics services (continued)

Returns management demands of retailers increasingly complex

Returns management is an increasingly important area for retailers. A smooth returns process is vital to consumers, with 57% saying it is very important to their buying decision.¹ It is estimated that 25% to 40% of all clothing and footwear purchases in the UK are returned.² Historically, customers would return the product to the store where the purchase was made, but as online retail has developed, customers are demanding choice in their method of return, for example posting the product back to the retailer, or taking it into a high street store or a collection point.

As a result, retailers are becoming increasingly focused on consumers' returns experience, just as much as they are on consumers' purchase experience. More so now than ever before, retailers are trying to ensure that returns management is handled effectively so that their brands are not damaged by customers using social media to comment unfavourably on their experience. In addition, product rectification during the returns management process can add value and enhance margin for the retailer.

Managing the returns process represents a stock management and processing challenge for retailers, since traditional warehouses have been designed to receive and process bulk quantities of identical product, rather than to receive individual units of product. Equally, such returned units will inevitably require some degree of inspection, rectification, cleaning or repair before going back into available stock, or may even be deemed unfit for prime sale. Traditional warehouses are simply not geared up for dealing with such a high level of intervention for single products.

Retailers therefore need to rework the product into a saleable state very quickly to reduce working capital investment and maintain margins. Clipper's returns proposition gets the stock back into a Distribution Centre-compliant format allowing the Distribution Centre to focus on its core function of fulfilment. The Group has a strong track record of managing this process for customers, including managing the returns operation for ASOS, the UK's leading online fashion retailer.

Further, the power of social media and consumer review websites enhances the importance of returns management as the returns experience represents the final touch point between a retailer and the consumer – a badly handled customer experience in respect of the returns process may be quickly communicated by that customer to a large number of people, particularly via social media, which has the potential to harm a retailer's future sales prospects.

¹Retail Week, March 2015

²IMRG

Operating and Financial Review

continued

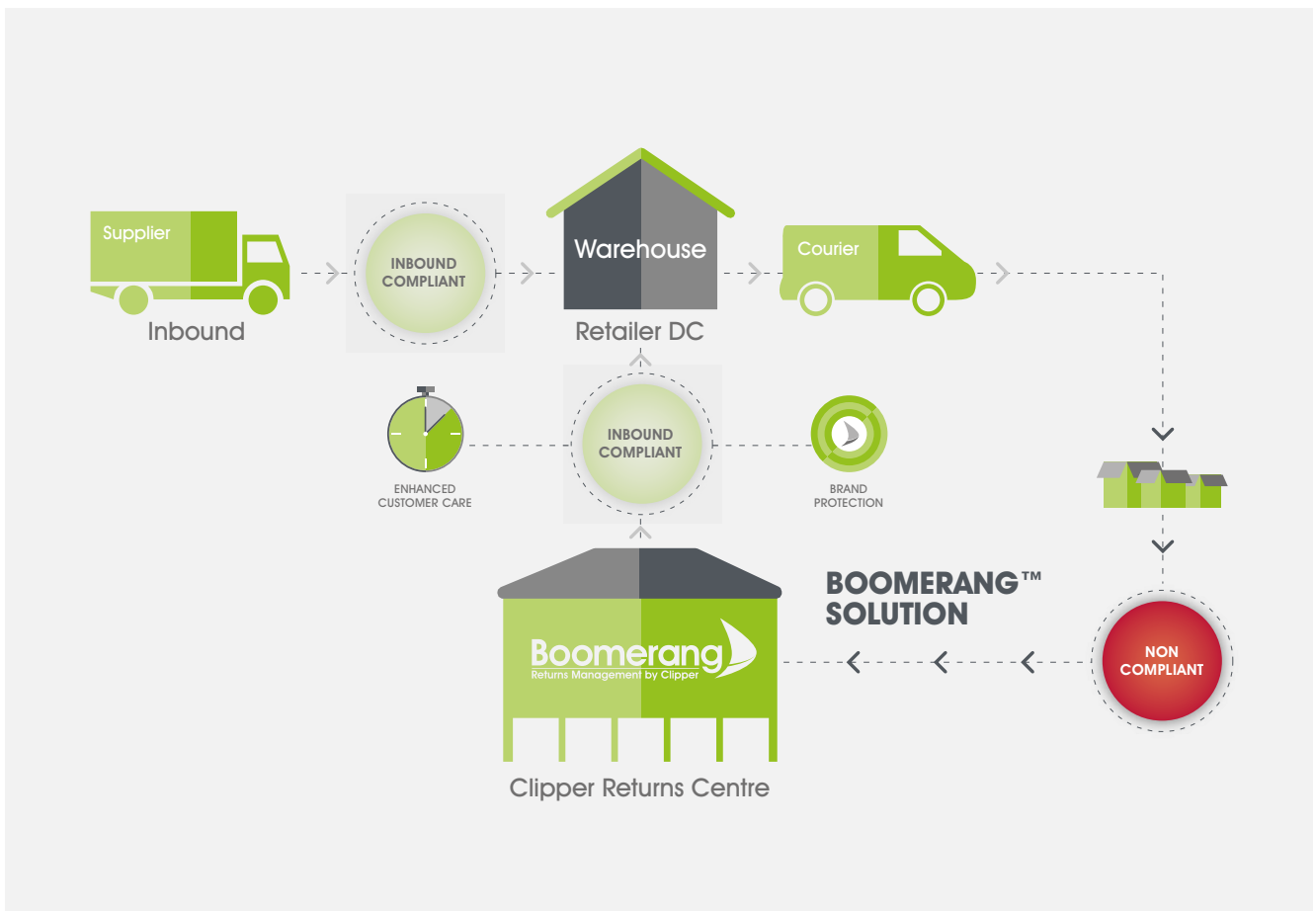
3. Value-added logistics services (continued)

Boomerang – Clipper’s returns management solution

To address the latest challenges faced by retailers in relation to returns management as outlined above, Clipper has successfully introduced the ‘Boomerang’ brand and concept, and we are particularly pleased to report that under Boomerang approximately 95% of products have been successfully returned to prime stock at first pass.

The acquisition of Servicecare brings additional returns handling capabilities to Clipper. Servicecare specialises in electrical reverse logistics, a solution which had, until the acquisition, represented a gap in Clipper’s service offering. The Servicecare proposition adds additional capability into our Boomerang brand. We intend to leverage the Boomerang brand across Servicecare’s existing customers and to broaden our service offering with existing Clipper customers with the Servicecare electrical returns proposition going forwards.

We also secured our inaugural reverse logistics contract in mainland Europe. This contract is with s.Oliver in Germany, owners of a global fashion brand. Under the contract, Clipper will manage s.Oliver’s European wholesale and retail returns management service. The operation will be delivered out of our existing solutions centres in Münchberg and Hof. This contract win aligns to our clear strategy to develop returns management capabilities in continental Europe to capitalise on our strengths in this key area.



Operating and Financial Review

continued

3. Value-added logistics services (continued)

Mechanisation

Mechanisation and semi-automation is becoming increasingly prevalent in the market for large volume customers. Clipper's in-house knowledge and skill allows us to work in a collaborative way with our customers to deliver best practice solutions. Clipper is currently working on a number of client initiatives, including:

- mechanisation of elements of the Boomerang returns process;
- automated sortation for Click and Collect services;
- vertical carousel for pick by light small item; and
- automated box creation, carton packing and labelling.

The majority of capital costs on contracts are typically front-loaded and occur in the run up to project 'go live'. A number of contracts, including Zara, were secured shortly before the 2015 year end and so there were significant capital commitments outstanding at that date totalling £9.4 million (2014: £0.3 million). Customer-specific capital costs such as warehouse fit-out costs are typically recovered through depreciation and finance charges to our customers over the life of the underlying customer contract; speculative space fill capital investment such as adding new mezzanine flooring tends to be recovered from customers when the space is ultimately filled. The majority of capital expenditure is financed through hire purchase agreements.

E-fulfilment & returns management growth

Our ability and agility, particularly in respect of omni-channel, multi-channel, returns management and mechanisation noted above, have enabled the Group to make very significant advances in its revenues and earnings, significantly outperforming market growth. Revenues from e-fulfilment & returns management services increased by 31.5% from £46.0 million for the year to 30 April 2014 to £60.6 million for the year to 30 April 2015, with Adjusted EBIT growing by 48.0% from £3.7 million to £5.5 million over the same period. We are particularly pleased with this performance, as our strategy has been to become a market leader in the e-commerce sector, and to be a thought leader in the provision of value-added services across the sector. The results of this sector of the business include Servicecare's results for the five months following its acquisition in December 2014.

Whilst we have benefited from the full year effect of the ASOS and Go Outdoors e-commerce contracts won in the year to 30 April 2014, we have also had a number of operational successes in e-fulfilment & returns management services in the year to 30 April 2015 including: the relocation of the Tesco online clothing operation from our Selby site to a new site at Daventry following the securing of a five year extension to our existing contract, the additional space at Daventry allowing Tesco to realise its growth ambitions; the securing of a new contract with ME+EM to provide multichannel retail logistics solutions for their range; and securing the s.Oliver returns management contract. Shortly before the 2015 year end, we also won the contract to provide e-fulfilment services to Zara in certain European countries. Operations on this contract commenced shortly after the year end; the full year benefit of this will not be realised until the year to 30 April 2017. Shortly after the 30 April 2015 year end we also commenced warehousing and e-fulfilment services to support Ireland's largest retailer's online retail operations in Ireland and the UK.

Operating and Financial Review

continued

3. Value-added logistics services (continued)

Non e-fulfilment logistics is central to our future strategy too

The Group will continue to develop and deliver truly value-added services to address the needs of retailers in traditional bricks and mortar logistics, including receipt of inbound product, storage, store-readiness of product, and distribution to retail destinations.

The Group will continue to innovate to deliver best in class solutions for its customers.

Revenue from non e-fulfilment operations grew by 14.1% for the year ended 30 April 2015, from £89.6 million to £102.1 million, with Adjusted EBIT increasing by 9.8%, from £9.2 million to £10.1 million.

Within non e-fulfilment, the full year effect of the Antler and SuperGroup contracts, which both commenced in the year to 30 April 2014, contributed to the revenue and Adjusted EBIT growth in the year to 30 April 2015. We also secured and began operations under new long-term contracts with Phillip Morris and Ted Baker in the UK and we secured long-term contract extensions: with Harvey Nichols, principally for warehousing and store delivery, with New Look to fulfil their store delivery and collection requirements; and with Whistles to continue to manage the receipt and distribution of its entire product range to customers worldwide.

Additionally, in the year to 30 April 2015:

- we have agreed a new contract with Flyers Group plc, the owners of the Ben Sherman and Firetrap brands and specialists in fashion for children and teenagers, for warehousing and transport services commencing May 2015;

- we have reached agreement with John Lewis to provide a range of retail support services from a new distribution centre close to their existing distribution centre network. This activity will commence in the year to 30 April 2017; and

- we have secured a new contract with Pepkor UK Retail Limited, the owners of the fashion brand Pep&Co, to provide warehousing and returns management services commencing July 2015.

Retail consolidation centres

Clipper continues to innovate in retail consolidation centres, which allow multiple deliveries to be made to retail outlets from a single, localised centre, providing benefits in:

- retail space availability, as the need for on-site stock rooms is obviated;
- a wider range of stock being available to the end customer; and
- reduced emissions, of increasing importance in city centres in particular.

Indeed, Clipper's and Newcastle University's Smartfusion initiative to reduce the number of delivery vehicles on campus and to cut the carbon footprint won two prestigious awards: the "outstanding procurement team" award at the Times Higher Education Leadership and Management Awards 2015 and the Newcastle University "Best Environmental Initiative" award.

Multi-user operations

The Group encourages the use of multi-user sites, where a multiplicity of customers is served from a single location.

This facilitates the sharing of specialised resources, and assists in optimising and balancing demand on people and facilities, in turn allowing the Group to provide cost-effective solutions.

Investment in key personnel

The Group differentiates itself by providing consultancy-led, value-added services to its actual and prospective client base. We have established ourselves as a thought leader within the logistics sector, and this is evidenced both by our customers' buy-in to our innovative approach, and by independent brand health reviews conducted by an independent market research consultancy.

The Group is central to the achievement by its customers of their own objectives and goals.

Accordingly, we invest in recruiting, training and developing people who are specialists in their relevant fields. These include information technology, solution design, facilities specification, implementation and management, e-commerce and returns management, and project management and implementation resource.

Operating and Financial Review

continued

4. Commercial vehicles

The commercial vehicles business delivered Adjusted EBIT of £1.9 million (2014: £1.8 million), an increase of 2.1% on the previous year.

Having fully integrated Stormont Truck and Van Limited into Northern Commercials in the year to 30 April 2014 and rationalised the cost base of the two businesses, the year to 30 April 2015 was back to 'business as usual'.

Northern Commercials operates from six dealership locations, and has four sub-dealers. Dealerships are located in Brighouse, Manchester, Northampton, Dunstable, Tonbridge and Brighton. Thus, the business operates across the north of England and Wales (with sub-dealers supporting this geographic territory), through the midlands, and into the south-east.

The business sold 1,810 new vehicles in the year (2014: 2,447), and 470 used vehicles (2014: 416). New fleet sales were somewhat depressed in calendar year 2014 due to the impact of Euro 6 emissions legislation. However, due to a change in mix of vehicles sold, the average selling price of a new vehicle sold in the year to 30 April 2015 was £23,000 compared to £14,000 in the prior year, an increase of 47.4%. Servicing and parts sales saw significant increases in revenue between the year to 30 April 2014 and the year to 30 April 2015, with incremental technicians being recruited to cope with the increasing demand.

Key customers of Northern Commercials include Allied Bakeries, Asda, Clancy Docwra, Dawsons, Ryder, Variety (the Children's Charity), and many other household names.

The business achieved a number of important key performance measures in the year:

- Assistance Non-Stop: Northern Commercials achieved the best response time of all Iveco dealers in the UK, averaging 39.0 minutes to arrive to provide assistance to breakdowns;
- Vehicles Off-Road: Northern Commercials was the number one dealer, with an average of 2.4 days off-road for repairs, compared to an Iveco average of 2.7 days;
- MOT pass rate: 98% of vehicles achieved an initial pass; and
- parts service: 97% of parts required by customers were delivered within 24 hours.

Operating and Financial Review

continued

5. Current trading and outlook

As noted above, the Group secured a number of significant contract wins in the year to 30 April 2015, the full year benefit of which will not be realised until the years to 30 April 2016 and 30 April 2017.

As we look ahead to the 2016 financial year, we have a very strong new business pipeline. We continue to win new contracts within both e-fulfilment logistics and non e-fulfilment logistics, both in the UK and Europe, through our focus on our retail specialisms and provision of cost-effective, value-added solutions. We look forward to updating shareholders on these new contracts when they are formalised.

Since the year end, we have commenced operations on the new Pep&Co and Zara contracts, and have also commenced operations for Flyers and for Ireland's largest retailer.

Our returns management service, marketed under the 'Boomerang' brand, continues to gain traction with retailers in both the UK and Europe, particularly with the added service offering of Servicecare, and we are confident that this represents a major area of growth going forward. The full year impact of the Servicecare acquisition, completed in December 2014, will also provide revenue and Adjusted EBIT growth in the year to April 2016.

Our new Click and Collect solution, recently announced in collaboration with John Lewis, is planned to go live in September 2015, and is expected to generate a strong financial contribution from the year ending 30 April 2017 onwards.

The commercial vehicles business is expected to continue to deliver steady growth in profitability in the year to 30 April 2016.

The Board is confident in the Group's prospects for the full year ahead. Current trading is in line with our strategic plan, and we are confident of achieving another period of excellent financial performance in the year to 30 April 2016.



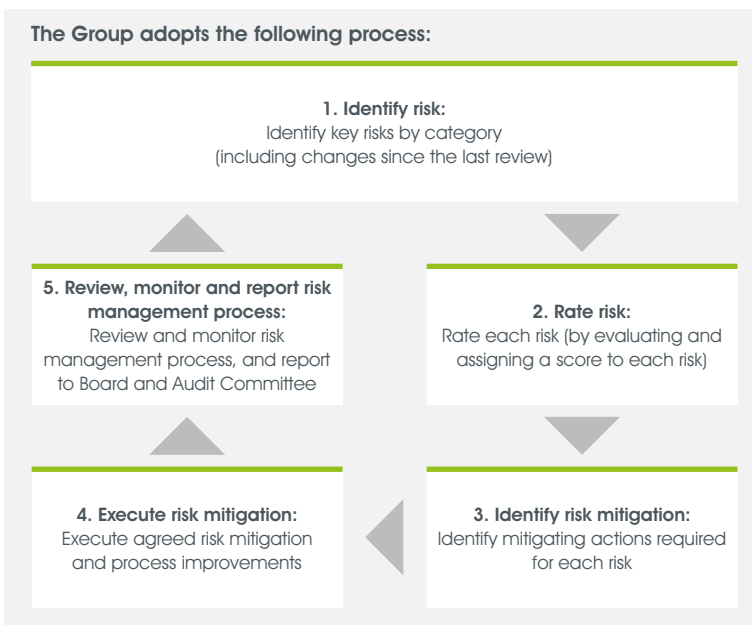
Risk Management

The Group adopts a formal risk identification and management process designed to ensure that risks are properly identified, prioritised, evaluated and mitigated to the extent that is possible, in order that the Group can achieve its strategic objectives and enjoy long-term success.

Risk management process

The Board and senior management team are collectively responsible for managing risk across the Group. Risks are formally reviewed regularly and risk registers are updated at least four times a year.

Principal risks are identified through an evaluation of likelihood of occurrence and potential impact. The senior management team ("SMT") also reviews specific strategic, operational and financial and compliance risks in regular SMT meetings, contract and project reviews and other key executive management meetings to enable the SMT and the Board to ensure that the Group's systems are properly aligned with strategic objectives and address the Group's risks.



Risk Management

continued

Risk management process (continued)

The Group has identified the following key risks through its risk management process:

Strategic:

| Risk | Mitigation |
|--|--|
| <p>Reputation</p> <p>Clipper’s potential to win new business is influenced by its reputation for successfully implementing major customer projects. Reputational damage from failed project implementations may have an adverse impact on Clipper’s ability to win new business, and thus limit the Group’s long-term growth and success.</p> | <p>Clipper has developed effective project management and governance techniques and continues to ensure that the Company works closely with customers using highly trained and experienced internal staff, to ensure successful project delivery.</p> <p>All projects are reviewed and evaluated on a weekly basis by the relevant SMT members.</p> <p>In addition, independent ‘Brand Health’ reviews are undertaken regularly to monitor customer perception of, and satisfaction with, the Company.</p> |
| <p>People</p> <p>Failure to develop and retain key staff may prevent the Group from delivering its objectives.</p> | <p>The Group offers comprehensive training and experiential learning which includes development, customer relationship and leadership training. The Group keeps in close contact with employees via flat structures and effective employee engagement.</p> <p>The Group also ensures that it has competitive terms and conditions with reward schemes which drive and reward performance and can respond flexibly to the needs of employees.</p> |

Risk Management

continued

Risk management process (continued)

The Group has identified the following key risks through its risk management process (continued):

Operational:

| Risk | Mitigation |
|--|---|
| <p>Loss of operational delivery During periods of major project and merger activity, the focus could move away from operational delivery, thus harming the Group's relationships with customers.</p> | <p>Dedicated start-up and project teams are used in order to minimise disruption to the operation during such times. Contractual KPIs are reviewed regularly to ensure operational effectiveness at all times.</p> |
| <p>Failure to achieve contractual KPIs Failure to achieve contractual KPIs may result in the loss of existing contracts.</p> | <p>Reporting measures are in place to measure contractual KPI performance of each contract in a timely manner, to ensure compliance, or to allow immediate corrective action.</p> |
| <p>Failure to maintain and enhance customer relationships Failure to maintain and enhance customer relationships may lead to the non-renewal of contracts, and/or may prevent the Group from winning new work with existing customers.</p> | <p>The Group holds formal monthly reviews with key customers as well as maintaining frequent close informal contact with customers. This enables corrective action to be taken quickly in response to customer feedback. In addition, regular brand health reviews are carried out which give customers the opportunity to comment anonymously on any aspect of the customer/company relationship and service delivery. The Group can then take corrective action, if required, based on this feedback.</p> |
| <p>Loss of an operational site through disaster Loss of an operational site as a result of fire, flood or other disaster would have the potential to seriously disrupt operations.</p> | <p>Regular safety audits and inspections and remedial action seek to limit this risk. In the event of a serious incident, each site has a business continuity plan which would come into immediate operation.</p> |
| <p>Failure of IT system or infrastructure Any significant failure, inefficiencies or breakdown of our IT systems or infrastructure would seriously impair our ability to deliver operationally and would put contract renewals at risk.</p> | <p>Business continuity and disaster recovery plans are kept under review at all locations and our IT infrastructure is subject to ongoing review with regular testing of systems.</p> |

Risk Management

continued

Risk management process (continued)

The Group has identified the following key risks through its risk management process (continued):

Legal and Regulatory:

| Risk | Mitigation |
|--|---|
| <p>Legal and regulatory</p> <p>As the Group continues its expansion, particularly in the EU, exposure to greater regulatory and legal risk will increase.</p> | <p>The Group has taken steps to improve its in-house legal and compliance resource by the recruitment of Guy Jackson as Company Secretary and Group General Counsel.</p> <p>Operational sites are audited on a frequent, cyclical basis to test for instances of non-compliance.</p> <p>External specialist advice is sought to ensure technical compliance with financial, taxation, listing and other technical legislation.</p> <p>Individuals responsible for compliance are identified and are specifically recruited with recognised qualifications. Employees' technical Continuing Professional Development course costs are reimbursed by the Group.</p> |

Financial:

| Risk | Mitigation |
|--|---|
| <p>Liquidity</p> <p>Inadequate cash resources could leave the Group unable to fund its growth plans, thus affecting future financial performance.</p> | <p>As part of the IPO process, the Group undertook an assessment of its funding requirements in the context of its growth plans, and entered into new facilities with its bank to ensure that expected future growth plans can be funded within these new facilities.</p> <p>The Group will continue to undertake further reviews of funding requirements as its growth plans evolve.</p> |
| <p>Credit risk</p> <p>Customer default or insolvency could result in a bad debt.</p> | <p>Credit checks are performed on all new potential customers, and credit terms and limits are set accordingly. These are reviewed regularly, and adjusted if necessary. Standard terms of trade give the Company a general lien on the customer's stock for amounts owed.</p> <p>Where customer contracts negate the Company's standard terms, protections against non-payment of amounts due are written into the contract.</p> |
| <p>Fraud risk</p> <p>Major fraud, including the risks posed from organised crime, may result in significant financial loss.</p> | <p>Our accounting procedures manual includes several layers of checking and control for new customers and suppliers, changes to suppliers' bank details, and combinations of verbal and written confirmations from known contacts.</p> <p>Formal whistleblowing and anti-bribery policies are in place.</p> |

Corporate Social Responsibility

The Group recognises the importance of Corporate Social Responsibility ("CSR"), and our impact on the environment and our people, their development, commitment and relationships with our customers, the community and other stakeholders are central to our plans.

People development

At every level we provide excellent opportunities for our employees. We provide unemployed people in local communities with the opportunity for training, qualifications and jobs via our Clipper Academy programmes. Existing employees develop via driver CPC qualifications, NVQs, apprenticeship and Potential Team Development Programmes.

Our staff can then apply to join our Corporate First Line and Middle Management Levels 2 and 3 ASPIRE Programmes. Interest in the programme increased by 30% from the previous year and is recognised as an excellent development tool improving skill levels and creating a robust succession pool. We also support relevant professional qualifications across a range of disciplines e.g. operations (CILT), Finance (ACCA/CIMA) and HR (CIPD).

In order to improve succession planning and to develop high performance teams, 2015 will see the launch of a new online performance management system. This will focus on objectives and values. It will improve the quality of management information enabling more informed decisions for identifying talent and targeting training and development opportunities.

2015 will also see the launch of a new in-house Senior Leadership Development Programme. This will operate at two levels – providing strategic leadership capabilities whilst also providing a diverse range of other leadership development initiatives

to improve management skills, keep managers abreast of developments in the industry and enhance the succession planning pipeline.

The Group has continued its investment in additional project delivery and senior management resource in order to deliver significant organic growth into the future.

Employee engagement

To encourage employees to give us their best we aim to provide a competitive level of pay and other benefits relative to job and skill level, including the provision of retail discount schemes, company contribution to a pension scheme and life/accident cover.

We encourage alignment with Group goals via open communication and appraisals. We have an annual conference for our senior staff, site employee forums, health and safety committees, team briefs, our Company newsletter 'Evolve' and highly visual notice boards.

We recognise employee contribution and loyalty via our Employee of the Month Scheme, Driver of the Year Award and Long Service awards.

We encourage team working by involving employees in open days and inter-site competitions, as well as organised themed events on special occasions.

Schools and universities

Many of our distribution centres network with local schools and colleges to offer site visits or support career events. Clipper is represented on the Employer Liaison Committee of the Logistics Institute of Hull University.

To encourage a greater number and higher calibre of students to enter the logistics sector we have partnered with Huddersfield University.

As a founding member of the Novus Trust we continue to support this initiative aimed at encouraging high calibre students to enter the Logistics Sector. We have attended graduate recruitment fairs, participated in assessment centres, provided industry mentors, offered students structured holiday jobs, and under this scheme are employing our first two twelve month work placements. As students progress through their degree course we expect to employ our first post-initiative full graduate trainees in 2017.

Community events

At both corporate and local level we actively encourage our sites to participate in good causes through direct funding, provision of resource and/or encouraging our employees to organise fundraising events. We again sponsored the Dragon Boat Race for Martin House, cycle rides for Transaid and many site events for Children in Need, Red Nose Day, Cancer Research and local charities.

We support various local forums and sponsor community activities such as a children's football team.

Corporate Social Responsibility

continued

Equal Opportunities

The Group is committed to an Equal Opportunities Policy. Supported by training, policies and our 5 Point Code of Behaviour we aim to ensure that no employee is discriminated against, directly or indirectly, on the grounds of colour, race, ethnic and national origins, sexual orientation or gender, marital status, disability, religion or belief, or on the grounds of age. The aforementioned is included in our staff handbook, induction training and various management programmes (including ASPIRE).

The above is reflected in our truly diverse workforce. We are happy to consider requests for flexible working and wherever possible will agree shift patterns which facilitate a balance between work and family life.

We are also a member of the Disability Forum.

Health and safety

The Group seeks to protect employees from accidents and injuries at work. Our health and safety structure is supported by IOSH/NEBOSH qualified representatives and Health and Safety Committees at each site. Each site receives at least two safety audits each year. Serious incidents are escalated and accident statistics are monitored. Accidents are reported and investigated. Health and safety matters are reported and monitored at Board level.

Health and safety training is prevalent throughout the business – from initial induction training, through risk assessed task training (e.g. manual handling, fork lift truck and work equipment training) to management awareness programmes.

The Company partners with an external training provider to deliver 'safe to start' training at all newly opened sites to ensure staff are fully inducted and receive the aforementioned training prior to taking up their full duties.

Gender breakdown as at 30 April 2015:

| | Male | Female | Total | Male% | Female% |
|--------------------------|--------------|--------------|--------------|-----------|-----------|
| Board of Directors | 8 | 0 | 8 | 100 | 0 |
| Other Senior Management* | 13 | 1 | 14 | 93 | 7 |
| Other employees | 1,984 | 1,162 | 3,146 | 63 | 37 |
| Total | 2,005 | 1,163 | 3,168 | 63 | 37 |

*As defined by the Companies Act this category includes all employees responsible for planning, directing or controlling the activities of the Group, excluding the Company's Directors.

Corporate Social Responsibility

continued

Environment

We recognise the Group's activities have an impact on the environment but we believe we can improve our environmental footprint and save energy. This is important to both the Group and our stakeholders. To reflect this we have employed a Health, Safety and Environmental Advisor to provide additional resource to further develop our agenda.

Our Carbon Management Reduction Programme complies with the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and the Energy Savings Opportunity Scheme (ESOS) which between them aim to reduce energy consumption and emissions of greenhouse gases from our warehouses and transport fleets.

To this end:

- we are applying the latest environmental standards as and when we upgrade our estate;
- we are investing in low energy lighting and testing the advent of LED lighting;
- we are investigating the use of warehouse roof space for solar panels;
- we investigate fuel use, route planning and best design of vehicles across the fleet to become more efficient and minimise emissions. We participate in the ECO Stars Fleet Recognition Scheme which recognises fleet operators who use lower polluting vehicles and effective fuel management – becoming the first multi-regional member of this scheme;

- we promote environmental awareness via training, including training van and LGV drivers in Safe and Fuel Efficient Driving using the latest simulator technology, which in turn avoids fuel use associated with the training; and
- we encourage employees to use 'green' transport. Our company car lists offer the use of newer, lower emission vehicles and our sites promote the use of car sharing.

Greenhouse gas (GHG) emissions

The Group records energy and fuel use for all areas of the business, based on invoices received for diesel, gas oil, mains electricity and natural gas. Fuel used for business travel in company vehicles is also included.

The Group uses the average monthly price per litre to convert the diesel, heating oil, and vehicle fuel costs into litres of fuel used.

The kilowatt hours of gas and electricity used, and the litres of each fuel type used, are then converted into tonnes of CO₂ equivalent (tCO₂e) using the relevant DEFRA conversion factors.

In the year to 30 April 2015, despite increased revenue and the acquisition of Servicecare, the Group reduced its Scope 1 emissions (emissions derived from the consumption of gas, oil, and vehicle fuel). This was as a result of lower diesel usage due to, inter alia, better utilisation of our out-bases, the increased use of double deck trailers to reduce trunk movements, the movement of a customer from a dedicated fleet to a shared user fleet, and ongoing fuel efficiency programmes.

Corporate Social Responsibility

continued

Greenhouse gas (GHG) emissions (continued)

The following table shows a summary of GHG emissions for the Group

| Emissions (tonnes CO ₂ e) | Year to 30 April 2015 | Year to 30 April 2014 |
|--------------------------------------|-----------------------|-----------------------|
| Scope 1 | 24,757 | 24,798 |
| Scope 2 | 9,224 | 7,226 |
| Total emissions | 33,981 | 32,024 |
| Emissions per £m of revenue | 144.7 | 159.1 |

Scope 1 (direct) GHG emissions are derived from the consumption of gas, oil, and vehicle fuel

Scope 2 (electricity indirect) GHG emissions are derived from the consumption of purchased electricity.

The 2015 figures above include emissions from Servicecare for the five month period following its acquisition.

Waste recycling

The Group considers the best use of raw materials using recycled/recyclable products where applicable. Waste is sorted into plastics, paper/cardboard, wood and metal. It is then recycled, reused or compacted on site.

CSR policy

The Group recognises the importance of environmental protection and is committed to conducting business ethically, responsibly and in compliance with laws, regulations and codes of practice applicable to our business activities. The CSR and related policies are reviewed and amended where appropriate.

Commercial

Wherever possible we work with our customers to build environmental considerations into our recommended solutions. This is particularly evident with our pioneering retail consolidation centres which greatly reduce final mile deliveries, congestion and associated emissions when delivering to shopping centres. To further support this initiative we have invested in three electric 7.5t vehicles.

Approved by the Board and signed on its behalf by:

David Hodkin
Chief Financial Officer
27 July 2015

Governance



Board of Directors

The following table lists the names, positions and dates of birth of the current members of the Board:

| Name | Position | Date of Birth |
|--------------------------------|---|------------------|
| Steven (Steve) Nicholas Parkin | Executive Chairman | 17 December 1960 |
| Antony (Tony) Gerard Mannix | Chief Executive Officer | 1 August 1963 |
| David Arthur Hodkin | Chief Financial Officer | 14 February 1961 |
| Sean Eugene Fahey | Chief Information Officer | 28 March 1970 |
| Paul Nigel Hampden Smith | Senior Independent Non-Executive Director | 1 December 1960 |
| Stephen Peter Robertson | Independent Non-Executive Director | 17 November 1954 |
| Ronald (Ron) Charles Series | Independent Non-Executive Director | 27 August 1951 |
| Michael (Mike) John Russell | Independent Non-Executive Director | 19 January 1951 |

The business address of each Director is Gelderd Road, Leeds, West Yorkshire LS12 6LT.



Steve Parkin, Executive Chairman

Steve, a fashion logistics specialist, founded the Group in 1992. As Executive Chairman, Steve is responsible for the strategic direction of the Group. Steve has extensive experience of retail logistics particularly in fashion. He holds and pursues strategic level discussions with major retailers. In addition, Steve drives the Group's acquisition strategy. Steve is the chairman of the Nomination Committee.



Tony Mannix, Chief Executive Officer

Tony was appointed Chief Executive Officer of the Group in May 2014. Tony joined Clipper in 2006 as Managing Director of the UK logistics division. Tony has over 25 years' experience in the logistics sector, and has held a number of senior roles with Roseby's plc (which became part of Homestyle Group plc) becoming Logistics Director. Tony has particular experience of operating in complex retail logistics environments, including the design and specification of both distribution centres and warehouse management systems. Tony began his career in logistics with the Burton Group, after working in the construction industry following his graduation with a degree in Architectural Engineering.



David Hodkin, Chief Financial Officer

David joined the Group as Group Chief Financial Officer in 2003. David has held a variety of board level roles prior to joining Clipper, including Group Finance Director of Symphony Group plc, Finance Director of Kunick Leisure Limited, and a number of senior roles in Magnet Limited. David is a member of the Chartered Institute of Management Accountants.



Sean Fahey, Chief Information Officer

Sean joined Clipper in 1992, initially as the director responsible for accounting and IT. Sean has extensive experience of designing

Board of Directors

continued

Sean Fahey, Chief Information Officer (continued)

and implementing complex logistics solutions, based on many years of direct operational management experience, which complement his skills as an IT specialist. As the Group has grown, Sean has held positions of Development Director, Project Director, and now has responsibility for the IT, projects and implementation functions as Chief Information Officer, along with his responsibilities on the Board.



Paul Hampden Smith, Senior Independent Non-Executive Director

Paul joined the Group as Senior Independent Non-Executive Director on 16 May 2014. Paul retired from his role as Group Finance Director of Travis Perkins plc in 2013, following 25 years with the group. During that time, the group enjoyed tenfold growth and Paul oversaw a significant number of acquisitions ranging from £1 million to £1 billion in size. During the last ten years, Paul has held non-executive directorships on the boards of DX Services plc, Redrow plc, Bellway plc and Pendragon plc. Paul was also appointed as Chairman of the Audit Committee in each of these non-executive roles. Paul is the chairman of the Audit Committee and is a member of the Remuneration Committee.



Stephen Robertson, Independent Non- Executive Director

Stephen joined the Group as Non-Executive Director on 16 May 2014. Stephen has many years of experience in the retail industry and has held executive positions at Kingfisher plc, WH Smith plc and Woolworths Group plc. Stephen was previously a director of the British Retail Consortium and is currently an Advisory Board Member of Retail Week. Stephen's current non-executive directorships include Timpson Group plc and Hargreaves Lansdown plc. Stephen is a member of the Audit Committee.



Ron Series, Independent Non-Executive Director

Ron joined the Group as Non-Executive Director on 16 May 2014. Over the past 20 years, Ron has held executive and non-executive positions with a number of companies with international operations in transport, logistics, shipping, real estate and information technology. Included among them are Tuffnells Parcels Express Limited where he was chairman during its ownership

by 3i and UK-listed companies such as Davies and Newman plc and LEP Group plc. Most recently, he has held executive positions at iSOFT Group Limited (listed on the Australian Securities Exchange), SIAC Group and Viridian Group and was involved in the successful restructuring of Nakheel PJSC, the real estate arm of Dubai World. Ron is a member of the Remuneration Committee and the Nomination Committee.



Mike Russell, Independent Non-Executive Director

Mike Russell was appointed Non-Executive Director of Clipper's former parent company with effect from 3 January 2011, and was appointed Non-Executive Director of the Company on 16 May 2014. He qualified as a Chartered Certified Accountant with a subsidiary of Imperial Chemical Industries, following which he held the position of Finance Director of a subsidiary of Allied Lyons plc. He joined Asda Stores Limited as Chief Accountant in 1986 and subsequently became Finance Director of the Stores Division. He was appointed Group Finance Director of Nurdin & Peacock plc, a FTSE 250 company, in early 1996 prior to the sale of the business to Booker plc. From 1997 to 2011 he was an executive director of Prize Food Group, a private equity-backed business, initially as Group Finance Director and, from 2005, as Chief Executive Officer. Mike is chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Corporate Governance Report

Chairman's introduction

Dear Shareholder,

Following the admission of the Company's shares to the premium listing segment of the Official List maintained by the Financial Conduct Authority and to trading on the London Stock Exchange (IPO) on 4 June 2014, I am pleased to be able to present the Company's report on Corporate Governance within the Group which includes the Group's first eleven months' trading since Admission.

Before completion of the IPO, we carried out a thorough review of the existing governance structure of the Group with various advisers including DWF LLP and Ernst & Young LLP in their role as reporting accountant. This helped us identify any steps we needed to take before the IPO to ensure the business would operate within the applicable rules and principles. It also enabled the Directors to confirm that the Group has procedures in place which provide a reasonable basis for the Board to make proper judgements on a continuing basis as to the financial position and prospects of the Group.

It was important for a solid governance structure to be established in our first year as a listed Group, so that we had a framework of effective systems of internal control, to support and protect our business in a practical way whilst promoting a solid structure for us to report to our shareholders. It was also important that the independent Non-Executive Directors who joined us at flotation gained an understanding of our key businesses and our short and long-term strategic goals.

An induction programme has been in place to ensure that this is happening, and a 'strategy day' is planned for the current calendar year to provide a valuable opportunity for Board members to further review and discuss the objectives and goals of the businesses directly with the management team. This is intended to be an annual event.

The Board, under my leadership, has played a fundamental part in deciding on the direction of the business and in ensuring that the Group has the appropriate strategies, structures and processes in place to ensure good governance and stewardship, and to facilitate future growth.

The establishment of the Audit, Remuneration and Nomination Committees (the "Committees") at the IPO was key in this respect. Since the IPO we have also established a Disclosure Committee and, in addition, an Executive Committee of the Board. We have worked hard to ensure that the terms of reference of the Committees have provided strong governance structures.

The Group's corporate governance structures were further strengthened in February of this year by the appointment of Guy Jackson (formally a partner at DWF LLP) as Group General Counsel, who also took on the role of Company Secretary. Amongst other things, Guy's role is to

continue to develop, implement and maintain good corporate governance practices and processes within the Group. The Board has considered the reporting requirement that the annual report as a whole should be 'fair, balanced and understandable' and asked the Audit Committee to give assurance that the relevant systems and processes are in place to support that requirement. Details can be found in the Audit Committee Report on pages 51 to 54.

Open and frequent communication with our shareholders is very important to us and, since the IPO, our investor relations programme has been led by me together with the Chief Executive Officer and Chief Financial Officer with support from other members of the senior management team when needed. We have also been supported by the Company's retained financial PR advisers, Bell Pottinger, and our corporate brokers, Numis Securities, who help organise presentations and visits to the Group's operations and sites for analysts and shareholders.

The Board recognises, understands and is committed to the high standards of corporate governance across the Group that are expected of all premium listed companies. The report which follows describes how, following the Group's Admission on 4th June 2014 and for the remainder of the year ended 30 April 2015, the Group complied with the principles and provisions of the UK Corporate Governance Code 2012 (the "Code").

There is more on the Company's principal risks on pages 30 to 33 and its system of internal controls on pages 53 and 54.

Steve Parkin
Executive Chairman

Corporate Governance Report

continued

Compliance with the UK Corporate Governance Code 2012

The Board recognises the importance of high standards of corporate governance and is committed to managing the Group's operations in accordance with the Code and the 2014 version of the Code which will apply to financial years beginning on or after 1 October 2014 (the "2014 Code"). A full version of the Code can be found on the Financial Reporting Council's website www.frc.org.uk. The Company complied with all of the provisions of the Code throughout the year ended 30 April 2015, except for provisions A.2.1, A.3.1, A.4.2 and E.1.1. The Group has also adopted elements of the 2014 Code in relation to remuneration and the long-term success of the Company, minimum number of shares to be held and clawback/malus. This demonstrates that the Remuneration Committee supports the changes in the 2014 Code.

This Report, which incorporates reports from the Nomination and Audit Committees on pages 50 to 54 together with the Strategic Report on pages 6 to 37, the Directors' Remuneration Report on pages 56 to 73 and the Directors' Report on pages 74 to 78, describes how the Company has applied the relevant principles of the Code.

The role of the Board

The Board consists of four Non-Executive Directors and four Executive Directors. Biographies and profiles of all members of the Board appear on pages 40 and 41.

The Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the Group's business, strategy and development. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls and for reviewing the overall effectiveness of systems in place) and for the approval of any changes to the capital, corporate and/or management structure of the Group.

The Code indicates at A.4.2 that the chairman should hold meetings with non-executive directors without the executive directors present. Since Steve Parkin as Executive Chairman also has an executive function, he has not met with the Non-Executive Directors as a group without the other Executive Directors present, but the Senior Independent Director has done so. The Chairman does meet with individual Non-Executive Directors on a one to one basis from time to time (including the Senior Independent Director) at which meetings Board performance and other appropriate matters are discussed. The Chairman has also discussed the Board evaluation review with the Senior Independent Director without the other Executive Directors present.

The Board delegates to management the day-to-day running of the business within defined risk parameters. Board meetings are scheduled to coincide with key events in the corporate calendar and this includes the interim and final results and annual general meeting.

The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees. The formal board agenda currently includes regular reports from the Chief Executive Officer, the Chief Financial Officer and the Chief Information Officer on the operational and financial performance of the Group together with regular feedback from the Non-Executive Directors on their engagement with the business. It also includes a rolling agenda of other key operational, strategic, governance and risk topics which is regularly updated to ensure the Board is responsive to the operational and strategic issues affecting the business. The Board does not delegate key strategic, operational and financial issues or other matters specifically reserved to the Board.

Corporate Governance Report

continued

The following matters (amongst others) were considered or dealt with at Board meetings during the year:

| Strategy and Management | Financial & Contracts | Governance |
|---|--|--|
| <ul style="list-style-type: none"> - approve strategic initiatives and plans, including acquisitions; - competitor activity review; - European strategy review; - dividend policy; - growth strategy; and - health & safety record. | <ul style="list-style-type: none"> - review of contract performance; - Black Friday performance; - financial review; - approve capital projects and contracts of material importance; and - review of IT support. | <ul style="list-style-type: none"> - risk review; - legal and governance updates; - approving process of training of Persons Discharging Managerial Responsibility ("PDMRs") and senior management on various regulatory matters; - post-IPO review; - Board and committee evaluation; - Disclosure Committee formation and terms of reference; and - formal establishment of Executive Committee and terms of reference. |

All Directors have access to the advice and services of the Company Secretary who has responsibility for ensuring compliance with the Board's procedures. All Directors have the right to have their opposition to or concerns over any Board decision noted in the minutes. The Board has adopted guidelines by which Directors may take independent professional advice at the Company's expense in the performance of their duties.

Corporate Governance Report

continued

Information, meetings and attendance

In the period between completion of the IPO and the end of this year, the Board held nine meetings and various Board committee meetings were also held with attendance as follows:

| Director | Role | Board Meetings | Audit Committee Meetings | Remuneration Committee Meetings | Nominations Committee Meetings |
|--------------------|-----------------------------|----------------|--------------------------|---------------------------------|--------------------------------|
| Steve Parkin | Executive Chairman | 9/9 | | | 1/1 |
| Tony Mannix | Chief Executive Officer | 9/9 | | | |
| David Hodkin | Chief Financial Officer | 9/9 | | | |
| Sean Fahey | Chief Information Officer | 8/9 | | | |
| Paul Hampden Smith | Senior Independent Director | 9/9 | 4/4 | 1/1 | |
| Ron Series | Non-executive Director | 9/9 | | 1/1 | 1/1 |
| Stephen Robertson | Non-executive Director | 9/9 | 4/4 | | |
| Mike Russell | Non-executive Director | 9/9 | 4/4 | 1/1 | 1/1 |

The Board has a full programme of Board meetings planned for 2015 and 2016. At these meetings, the Board will review the Group's long-term strategic direction and financial plans and monitor on a regular basis the Group's performance against an agreed strategy and business plan.

In addition, the Board will agree key objectives for the Group on an annual basis and will then monitor performance against these objectives.

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information. Prior to each scheduled Board meeting, a pack is circulated in respect of each financial period, which includes an update on key performance targets, trading performance against budget and includes detailed financial data and analysis. Board packs are generally distributed seven days prior to each meeting to provide sufficient time for Directors to review their papers in advance. If Directors are unable to attend a Board

meeting for any reason, they nonetheless receive the relevant papers and are consulted prior to the meeting and their views made known to the other Directors.

Conflicts of interests

In line with the requirements of the Companies Act, each Director has notified the Company of any situation in which he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). These were considered and approved by the Board in accordance with the Company's Articles of Association and each Director informed of the authorisation and any terms on which it was given. The Board has formal procedures to deal with Directors' conflicts of interest. The Board reviews and, where appropriate, approves certain situational conflicts of interest that were reported to it by Directors, and a register of those situational conflicts is maintained and will be reviewed by the Board going forward.

Board Committees

Subject to those matters reserved for its decision, the Board has delegated to its Nomination, Audit, Remuneration, Disclosure and Executive Committees certain authorities. There are written terms of reference for each of these Committees, available on request from the Company Secretary. The Executive Committee and Disclosure Committee have only recently been formed. Separate reports for each of the other Committees are included in this Annual Report and Accounts from pages 50 to 73.

Corporate Governance Report

continued

Role of the Executive Chairman and Chief Executive

The Board is chaired by Steve Parkin who is Executive Chairman. The Executive Chairman is responsible for the effective leadership of the Board, having regard for the interests of all stakeholders and promoting high standards of corporate governance. Tony Mannix is the Chief Executive Officer and is responsible for implementing the Board's strategy and leading the senior management team. The role is distinct and separate to that of Executive Chairman and clear divisions of accountability and responsibility have been agreed by the Board.

The Code recommends that the roles of chairman and chief executive should not be exercised by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board. During the year to 30 April 2015, the Company was not compliant with the provisions of A.2.1 of the Code for the period 1 May 2014 to 30 May 2014, due to the roles of chairman and chief executive both being carried out by Steve Parkin.

The Code also recommends that the chairman of the board should meet the independence criteria set out in the Code on appointment. Steve Parkin acts as Executive Chairman and, as detailed in the Prospectus, is not independent, having been the Executive Chairman prior to the IPO. Whilst the Board recognises that this is not in full compliance with the provisions of A.3.1 of the Code the Board believes that Steve Parkin's experience and knowledge of the Group justifies his continued appointment as Executive Chairman. Steve is responsible for the leadership and overall effectiveness of the Board and setting the Board's agenda. Paul Hampden Smith, our Senior Independent Director, has also had

certain responsibilities which go beyond those contemplated in the Code, notably in relation to the conduct of the Board evaluation process.

Role of the Senior Independent Director

The Code recommends that the Board of Directors of a Company with a premium listing on the Official List should appoint one of the Non-Executive Directors to be the Senior Independent Director to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of the Chairman, CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate.

Paul Hampden Smith has been appointed Senior Independent Director.

The Code indicates (at E.1.1) that the Senior Independent Director should attend meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of their issues and concerns. Whilst the Senior Independent Director (and the other Non-Executive Directors) are available to meet with shareholders to discuss issues and concerns, no such meetings have been requested. Notwithstanding this, we have maintained dialogue with our major shareholders and, overall, the Board believes that appropriate steps have been taken throughout the year to ensure that members of the Board, including the Non-Executive Directors, develop an understanding of the views of major shareholders. These steps include receiving feedback on shareholder meetings and analysts' and brokers' briefings on a regular basis.

Corporate Governance Report

continued

Board balance and independence

The Code recommends that at least half the Board of Directors of UK listed companies, excluding the chairman, should comprise Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement.

The Board regards all of the Non-Executive Directors as Independent Non-Executive Directors within the meaning of the Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Board believes that the current directorate will enhance considerably its ability to develop the Group's operations.

Role of the Company Secretary

Guy Jackson is the Company Secretary. The role of the Company Secretary is to develop, implement and maintain good corporate governance practices. This includes supporting the Chairman and Non-Executive Directors as appropriate, managing Board and Board Committee meetings, ensuring that appropriate levels of directors' and officers' insurance is in place and that the Group is compliant with statutory and regulatory requirements.

Development

There have been no new appointments to the Board since the IPO. The Group has an induction and training process for new Directors. New Directors will receive a detailed induction on joining the Board, including meeting other members of the Board and the senior management team. New directors will be encouraged to visit the Group's sites and to provide feedback to the Board. The Group's Company Secretary and General Counsel periodically reports

to the Board on any new legal, regulatory and governance developments that affect the Group and, where necessary, actions are agreed. External lawyers have provided training to the executive Directors on the Company's share dealing code, insider dealing and other regulatory matters. This is supplemented by advice and training provided on certain matters by the Company Secretary. Further training and updates are to be provided to the Non-Executive Directors in 2015.

Board evaluation

The effectiveness of the Board is essential to the success of the Group. During the year an evaluation process was developed and implemented. The evaluation process was based on a series of questions devised for the purpose by the Senior Independent Director and the Company Secretary and circulated to the Directors. The process reviewed issues such as: the assessment and monitoring of the Company's strategy; the mix of knowledge and skills on the Board; succession; and the effectiveness of the Board and the Directors. Separate questionnaires were devised for each of the Audit, Remuneration and Nomination Committees, and circulated to Committee members. The results were collated by the Company Secretary and considered by the Senior Independent Director. The performance of the Board as a whole and of each of its principal Committees was considered. The results of the evaluation will form the basis of Board objectives for the year ending 30 April 2016.

The Board is satisfied that each Director remains competent to discharge his responsibilities as a member of the Board.

Election of Directors

The Board can appoint any person to be a Director, either to fill a vacancy or as an addition to the existing Board provided that the total number of Directors does not exceed twelve, the maximum prescribed in the Company's Articles of Association. Any Director so appointed by the Board shall hold office only until the next following annual general meeting and shall then be eligible for election by the shareholders.

In accordance with the Articles of Association, at every annual general meeting of the Company one-third of the Directors or the number nearest to but not less than one-third shall retire from office. The Directors to retire shall be first those who wish to retire, and then those who have been longest in office since their last appointment or re-appointment. When a Director retires at an Annual General Meeting in accordance with the Articles, the Company may, by ordinary resolution at the meeting, fill the office being vacated by re-electing the retiring Director. If the Company does not fill the vacancy at the meeting, the retiring Director shall nevertheless be deemed to have been re-elected, except in the cases identified by the Articles. The Company intends to continue this practice but will review it regularly.

David Hodkin, Mike Russell and Ron Series will be offering themselves for re-election at the 2015 AGM to be held at Clipper Logistics, Gelderd Road, Leeds, LS12 6LT on 28 September 2015 at 11.00am, full details of which will be issued under separate cover.



Corporate Governance Report

continued

External appointments and time commitment

The Executive Directors may accept outside appointments provided that such appointments do not in any way prejudice their ability to perform their duties as Executive Directors of the Company.

The Non-Executive Directors' appointment letters are not specific about the maximum time commitment, recognising that there is always the possibility of an additional time commitment and ad hoc matters that may arise from time to time, particularly when the Group is undergoing a period of increased activity. The average time commitment inevitably increases where a Non-Executive Director assumes additional responsibilities such as being appointed to a Board Committee or as a Non-Executive Director on the boards of any of the Company's subsidiaries.

Communications with shareholders

The Board considers effective communication with its investors, whether institutional, private or employee shareholders, to be extremely important and we have set ourselves the target of providing information that is timely, clear and concise.

During the year to 30 April 2015, the Company met regularly with analysts and institutional investors and such meetings will continue. The Executive Chairman, Chief Executive Officer and Chief Financial Officer have lead responsibility for investor relations. They are supported by members of the SMT where required and the Company's retained financial PR advisers, Bell Pottinger, and corporate brokers Numis Securities who, amongst other matters, assist in organising presentations for analysts and institutional investors and ensure that procedures are in place to keep the Board regularly informed of such investors' views.

Reports from analysts and brokers are circulated to the Board. The Executive Chairman, Chief Executive Officer and Chief Financial Officer meet institutional investors regularly to provide an opportunity to discuss, in the context of publicly available information, the progress of the Group. The Company also holds investor days, and held such an event in April 2015.

The formal reporting of our full and half yearly results will be a combination of presentations, group calls and one-to-one meetings in a variety of locations where we have institutional shareholders. All the Non-Executive Directors and, in particular, the Chairman and Senior Independent Director, are available to meet with major shareholders, if they wish to raise issues separately from the arrangements as described above. The Company's investor website is also regularly updated with news and information, including this Annual Report and Accounts which sets out our strategy and performance together with our plans for future growth.

Nomination Committee Report

Committee Chairman's introduction

I am pleased to have taken on the role of Nomination Committee Chairman as the Company, having completed its IPO last year, continues the next phase of its development. Given the relatively short period of time since the completion of the IPO, the Committee itself has met only once in the year to discuss succession planning.

The Committee will be proactive in discharging its responsibilities, cognisant of the importance of succession planning and the need to align Board and executive leadership skills to the Company's long-term strategy and I hope this report gives you a helpful insight into how the Committee intends to carry out its responsibilities moving forwards.

Steve Parkin
Chairman, Nomination Committee

Composition

The UK Corporate Governance Code recommends that a majority of the members of a nomination committee should be independent Non-Executive Directors. The Nomination Committee is chaired by Steve Parkin and its other members are Ron Series and Mike Russell.

Roles and responsibilities

Under normal circumstances, it is intended that the Nomination Committee will meet not less than twice a year to assist the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or Committee members as the need may arise. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and Committees of the Board, retirements and appointments of additional and replacement Directors and Committee members and makes appropriate recommendations to the Board on such matters.

Diversity

Whilst the Group pursues diversity, including gender diversity, throughout the business, and the Board endorses the aspirations of the Davies Review on Women on Boards, the Board is not committing to any specific targets. Instead, the Board will engage executive search firms who have signed up to the voluntary code of conduct setting out the seven key principles of best practice to abide by throughout the recruitment process and will continue to follow a policy of appointing talented people at every level to deliver high performance. It is the Company's policy (whether it be at employee or Board level) to make all appointments based on the best candidate for the role regardless of gender or other diversity. The Board will also ensure that its own development in this area is consistent with its strategic objectives and enhances Board effectiveness.

Audit Committee Report

Committee Chairman's introduction

The Audit Committee was established by a resolution of the Board dated 16 May 2014, at which meeting terms of reference were considered and adopted. The Board further resolved to appoint Mike Russell and Stephen Robertson to the Audit Committee under my chairmanship. Under its terms of reference, the Audit Committee is required to meet at least three times in each year at appropriate times in the reporting and auditing cycle. In the year ended 30 April 2015, the Audit Committee has met four times.

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities to protect the interests of the shareholders with regard to the integrity of the financial reporting, audit, risk management and internal controls.

In this report, I explain how the Audit Committee has discharged these responsibilities, with specific reference to the requirement of the UK Corporate Governance Code, (the "Code") to address significant financial statement reporting issues and to explain how the Audit Committee assessed external audit effectiveness and safeguards in relation to the provision by the auditor of non-audit services.

Paul Hampden Smith
Chairman, Audit Committee

Composition

The Code recommends that an Audit Committee should comprise at least three, or in the case of smaller companies, two independent Non-Executive Directors (other than the chairman) and that at least one member should have recent and relevant financial experience. The Audit Committee is chaired by Paul Hampden Smith and its other members are Mike Russell and Stephen Robertson. By virtue of their former executive roles, details of which are set out on page 41, the Directors consider that Paul Hampden Smith and Mike Russell have recent and relevant financial experience. The Company is therefore compliant with the Code in this regard. Other directors or senior financial management attend meetings of the Audit Committee by invitation.

Roles and responsibilities

The Audit Committee assists the Board in discharging its responsibilities with regard to:

- agreeing the scope of the annual audit and the annual audit plan and monitoring the same;
- monitoring, making judgements and recommendations on the financial reporting process and the integrity and clarity of the Group's Financial Statements;

- considering the appointment of the Group's auditors and their remuneration including reviewing and monitoring independence and objectivity and agreeing and monitoring the extent of the non-audit work that may be undertaken; and

- reviewing and monitoring the adequacy and effectiveness of the internal control and risk management policies.

The Audit Committee gives due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules. The ultimate responsibility for reviewing and approving the Annual Report and Financial Statements and the half-yearly reports remains with the Board.

The Board has requested that the Audit Committee advise them in ensuring that the Financial Statements, when taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Audit Committee Report

continued

Activities during the year ended 30 April 2015

During the period, the Audit Committee met four times. A summary of the main areas dealt with by the Committee is set out below:

- discussion with the external auditor over the audit planning, with particular reference to significant risks highlighted in the planning documents, together with the audit scope and timetable. Due to the timing of the formation of the Committee, planning for both the year ended 30 April 2015 and the prior year fell within the period of this report;
- review and approval for consideration by the Board the financial results for the year ended 30 April 2014;
- findings from the external audit for the year ended 30 April 2014;
- approval of the Auditors' remuneration in respect of the year ended 30 April 2014;
- discussion around the UK Corporate Governance Code on risk management, internal control and going concern;
- Auditors' confirmation of independence; and
- review of Auditors' effectiveness.

As part of their review process, the members of the Audit Committee are provided with a draft of the full Annual Report enabling them to ensure that the numbers therein are consistent with those in the Financial Statements or are sourced from appropriate data. More importantly, the Audit Committee assesses whether the words used are consistent with its understanding of the Group's business obtained through Board and Audit Committee meetings and other interaction they have had with

management, using their experience to assess whether the Annual Report taken as a whole is fair, balanced and understandable. This additional review by the Audit Committee, supplemented by advice received from external advisors during the drafting process assisted the Board in determining that the report is fair, balanced and understandable at the time that it is approved. The Audit Committee considers the appropriateness of preparing the Financial Statements on a going concern basis, including consideration of forecast plans and supporting assumptions.

Significant issues considered in relation to the Financial Statements

The Audit Committee, together with the Board, considered what were the significant risks and issues in relation to the Financial Statements and how these would be addressed.

Revenue Recognition

- The Group has a multiplicity of complex contract mechanisms. As a result there could be a risk of misstatement of revenue.
- To mitigate this risk, the revenue recognition methodology adopted is kept under regular review to ensure that it remains appropriate.

Accounting for the acquisition of Servicecare Support Services Limited

- Under International Financial Reporting Standards, the Group is required to assess the fair value of assets acquired and liabilities assumed and specifically to identify any intangible assets.
- The accounting and related disclosures were therefore subject to additional review by the Audit Committee.

Assessment of effectiveness of external audit

The Audit Committee oversees the relationship with the external auditors and considers the re-appointment of the Group's auditors, Ernst & Young LLP, before making a recommendation to the Board to be put to shareholders.

Prior to recommending the appointment of Ernst & Young LLP at the forthcoming AGM to the Board, the Audit Committee conducted a review of the external auditor's performance and ongoing independence taking into consideration input from management, consideration of responses to questions from the Audit Committee and the audit findings reported to the Audit Committee. Based on this information, the Audit Committee concluded that the external audit process had been efficiently run and that Ernst & Young LLP continued to prove effective in its role as external auditor.

Independence safeguards

In accordance with best practice and professional standards, external auditors are required to adhere to a rotation policy whereby the audit engagement partner is rotated after five years. The current audit engagement partner was appointed in 2014. The external auditors are also required periodically to assess whether, in their professional opinion, they are independent and those views are shared with the Audit Committee.

The Audit Committee has authority to take independent advice as it deems appropriate in order to resolve issues on auditor independence. No such advice has to date been required.

Audit Committee Report

continued

Independence assessment by the Audit Committee

Based on the fact that the audit engagement partner rotation policy has been complied with, and separate external firms are engaged for taxation advisory services, the Audit Committee is satisfied that the independence of Ernst & Young LLP is not impaired.

Furthermore, Ernst & Young LLP have provided an independence report to the Audit Committee, in which they have confirmed that they are independent, that their objectivity is not compromised, and that they have complied with the Auditing Practices Board's Ethical Standards (including in relation to the supply of non-audit services).

The Audit Committee noted that Ernst & Young LLP had been appointed as Reporting Accountants for the IPO transaction prior to their appointment as external auditor for the Group. Since the IPO, Ernst & Young LLP have performed no further non-audit work for the Group.

The Audit Committee has assessed the performance and independence of the external Auditor and recommended to the Board the re-appointment of Ernst & Young LLP as auditor until the conclusion of the AGM in 2016.

Internal audit

The Board has considered the benefits that an internal audit function might bring to the Group. They have concluded that, due to the tight financial controls in place across the Group, and the close management of financial matters by the Executive Directors, an internal audit function would not currently provide additional assurance.

In terms of operational matters, the specialised nature of the Group's activities means that a non-specialist internal audit function would not provide additional comfort over the Group's operational management. The Board will continue to evaluate this matter, and the Audit Committee will formally consider the issue annually.

Internal control and risk management

The Board is responsible for the overall system of internal controls for the Group and for reviewing its effectiveness. It carries out such a review at least annually, covering all material controls including financial, operational and compliance controls and risk management systems.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Operating policies and controls are in place and have been in place throughout the financial year under review, and cover a wide range of issues including financial reporting, capital expenditure, information technology, business continuity and management of employees.

Detailed policies ensure the accuracy and reliability of financial reporting and the preparation of the Financial Statements, including the consolidation process. The key elements of the Group's ongoing processes for the provision of effective internal control and risk management systems, in place throughout the year and at the date of this report, include:

- regular Board meetings to consider matters reserved for the Directors' consideration;
- regular management reporting, providing a balanced assessment of key risks and controls;
- an annual Board review of corporate strategy, including a review of material business risks and uncertainties facing the business;
- established organisational structure with clearly defined lines of responsibility and levels of authority;
- documented policies and procedures; and
- regular review by the Board of financial budgets, forecasts and covenants with performance reported to the Board monthly.

Audit Committee Report

continued

Internal control and risk management (continued)

In reviewing the effectiveness of the system of internal controls, the Audit Committee receives self-assurance statements from the Operational Directors and senior managers responsible for the principal business units confirming that controls and risk management processes in their business units have been operated satisfactorily. These returns are reviewed by the Audit Committee and challenged where appropriate. The CFO is responsible for compiling and maintaining a risk register to monitor all of the risks facing the business. The key risks are then summarised for review and approval by the Audit Committee for inclusion in the Annual Report. In addition, the Audit Committee also reviews the financial and accounting controls.

In respect of the Group's financial reporting, the finance department is responsible for preparing the Group Financial Statements using a well-established consolidation process and ensuring that accounting policies are in accordance with International Financial Reporting Standards. All financial information published by the Group is subject to the approval of the Audit Committee.

There have been no changes in the Group's internal controls during the financial year under review that have materially affected, or are reasonably likely to materially affect, the Group's control over financial reporting.

The Board, with advice from the Audit Committee, is satisfied that effective systems for internal control and risk management are in place which enable the Group to identify, evaluate and manage key risks, and which accord with the guidance of the Turnbull Committee on internal control updated by the FRC in 2005. These processes have been in place throughout the financial year and up to the date of approval of the Financial Statements. Further details of risk management frameworks and specific material risks and uncertainties facing the business can be found on pages 30 to 33.

Whistleblowing

The Group has in place a Whistleblowing Policy which encourages employees to report any malpractice or illegal acts or omissions or matters of similar concern by other employees or former employees, contractors, suppliers or advisors using a prescribed reporting procedure. The Whistleblowing Policy is complemented by an Anti-bribery and Corruption Policy, and a Gifts and Entertainment Policy.

These policies facilitate the reporting of any ethical wrongdoing or malpractice or suspicion which may constitute ethical wrongdoing or malpractice. Examples include bribery, corruption, fraud, dishonesty and illegal practices which may endanger employees or third parties.

There have been no instances of whistleblowing during the year under review.

Accountability

The Board is required to present a fair, balanced and understandable assessment of the Company and Group's financial position and prospects. The responsibilities of the Directors and external auditor are set out on pages 80 and 84 respectively.



Directors' Remuneration Report

Committee Chairman's introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year to 30 April 2015.

This report contains the material required to be set out as the directors' remuneration report for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which amended The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the DRR regulations"). The auditors have reported on certain parts of the Directors' Remuneration Report and stated whether, in their opinion, those parts have been properly prepared in accordance with the Companies Act 2006. Those parts of the Directors' Remuneration Report which have been subject to audit are clearly indicated.

The financial year ending 30 April 2015 was a significant one for Clipper. The Group performed strongly, with Group revenue increasing by 16.7% to £234.8m, and Adjusted EBIT growing by 24.9% to £12.0m.

Although this performance was very positive and the Group is in a position to realise further strong growth going forwards, the Annual Incentive Plan ("AIP") outcomes for our Executive Directors and senior managers were modest.

At our 2014 AGM, our first as a listed company, we received strong support for the resolutions regarding remuneration matters which were proposed for shareholders' approval:

- Our Directors' Remuneration Policy and our Directors' Remuneration Report received approval at a 99.67% and a 100% level respectively.
- Our new Sharesave plan and our new Performance Share Plan ("PSP") received approval at a 100% and a 99.67% level respectively.

Having had our Directors' Remuneration Policy approved at the 2014 AGM, we are not including our Policy in the main section of this year's Directors' Remuneration Report, although we have included the "Policy Table" as an appendix to the Directors' Remuneration Report for ease of reference.

Due to our shareholding structure, we were additionally required to seek shareholders' approval to permit the Executive Chairman, the Chief Financial Officer and the Chief Information Officer to participate in the first awards under Sharesave and PSP in accordance with the requirements of the Takeover Panel for "Concert Parties". This

resolution received 81.86% support.

As a Remuneration Committee, we were disappointed by the voting result for this resolution, particularly as the proposed inclusion of these executives within our new share plans was an important part of our Directors' Remuneration Policy which had received very strong support from our shareholders. We understand that the reasons for this level of vote against the "Concert Party" resolution was the concern raised by certain governance bodies regarding whether, in particular, the Executive Chairman should participate in PSP given his existing shareholding in the Company.

At the 2015 AGM we will be proposing two remuneration related resolutions:

- A vote to approve the Directors' Remuneration Report.
- A vote to authorise the participation of Steve Parkin (Executive Chairman), David Hodkin (Chief Financial Officer) Sean Fahey (Chief Information Officer) and Guy Jackson (Company Secretary and General Counsel) in the PSP in accordance with the requirements of the Takeover Panel for "Concert Parties", and to give the same approval in respect of the participation in the Sharesave Plan by Guy Jackson.

Directors' Remuneration Report

continued

Committee Chairman's introduction (continued)

As in 2014, the inclusion of the "Concert Party" executives within the PSP should be viewed in the context of the entire Directors' Remuneration Policy:

- Overall incentive pay at Clipper remains relatively modest, with maximum annual bonuses being capped at 50% of base salary for the Executive Directors and with a policy to make annual PSP awards to Executive Directors at 100% of base salary.
- Most importantly, the key ethos behind the Directors' Remuneration Policy is to continue to promote the strong team culture amongst the entire senior management team which has served the Company so well to date. Accordingly, the Remuneration Committee views it as very important that there is consistency in how packages are structured across the whole senior management team, with the intention being that all Executive Directors and senior managers should participate in the same annual incentive plan and long-term incentive plan, and with all of the team being incentivised on the same performance measures.

The Remuneration Committee hopes that you will continue to support our approach on remuneration matters. The Remuneration Committee is confident that the approach we are following is the correct one for the Group and hopes that it can rely on the support of shareholders for all of the remuneration-related resolutions at the 2015 AGM.

Mike Russell
Chairman, Remuneration Committee



Implementation Report on Remuneration

Audited Information

Single Figure Table

| £'000 | Salary year ended 30 April: | | Benefits year ended 30 April: | | Annual bonus year ended 30 April: | | Long-term incentives year ended 30 April: | | Pension contributions year ended 30 April: | | Total year ended 30 April: | |
|--------------|-----------------------------|------|-------------------------------|------|-----------------------------------|------|---|------|--|------|----------------------------|------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Steve Parkin | 405 | 380 | 56 | 120 | 42 | - | nil | N/A | 15 | 15 | 518 | 515 |
| Tony Mannix | 208 | 177 | 25 | 24 | 23 | - | nil | N/A | 39 | 36 | 295 | 237 |
| David Hodkin | 180 | 157 | 2 | 1 | 19 | - | nil | N/A | 23 | 23 | 224 | 181 |
| Sean Fahey | 150 | 150 | 11 | 23 | 16 | - | nil | N/A | 15 | 15 | 192 | 188 |

¹ Benefits comprise a car allowance or company car, fuel allowance, private family medical cover, insurance benefits and loans. All Director loan accounts were repaid by 30 April 2014.

² No bonus was paid in the year ended 30 April 2014. This decision was made following consideration of the process towards IPO. Details of the annual incentive plan

for the financial year ending 30 April 2015 are set out below.

³ No long term incentive plan ("LTIP") was in operation for the financial year ended 30 April 2014. No LTIP awards vested in the financial year ending 30 April 2015. For details of the LTIP in operation for the financial year ending 30 April 2015 refer to page 60 below.

⁴ David Hodkin's pension entitlement is paid by way of an additional allowance, taxed as salary.

⁵ The above table excludes remuneration of Executive Directors who resigned prior to the IPO. Their remuneration is included in the totals shown in note 5 to the Group Financial Statements.

Annual Bonus Outcomes for the year ended 30 April 2015

The Single Figure Table above shows AIP outcomes for Executive Directors at 10.4% of base salary, representing 20.8% of the 50% of base salary maximum available under the AIP.

Performance for the AIP was measured against Adjusted EBIT for the year to 30 April 2015. The Adjusted EBIT performance targets for the 2014/15 AIP are regarded as commercially sensitive by the Board and are accordingly not disclosed on this occasion.

Non-Executive Directors' Fees

| £'000 | Fees year ended 30 April: | | Benefits year ended 30 April: | | Total year ended 30 April: | |
|--------------------|---------------------------|------|-------------------------------|------|----------------------------|------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Paul Hampden Smith | 55 | - | - | - | 55 | - |
| Stephen Robertson | 37 | - | 1 | - | 38 | - |
| Mike Russell | 39 | 25 | 2 | - | 41 | 25 |
| Ron Series | 37 | - | 1 | - | 38 | - |

¹ Mike Russell was a Non-Executive Director of the former parent company for the year ended 30 April 2014 and his remuneration was paid by the Company. Since the 30 April 2014 year end, the Company has appointed three additional Non-Executive Directors, whose fee details are set out in the Implementation of Policy in the year to 30 April 2015 section.

² In addition, Mike Russell received £242,000 from the former parent company in compensation for waiving share options in that company prior to Clipper Logistics plc's IPO. Since Admission, Mike has not participated in any incentive arrangements with the Company.

³ Benefits amounts reported relate to expenses such as travel and accommodation expenditure incurred on Group business. Whilst these payments are the reimbursement of expenses and not benefits per se, they are included as being a payment which is subject to tax.

Implementation Report on Remuneration

continued

Audited Information (continued)

Directors' Interests

The interests (all being beneficial) of the Directors in the Company's ordinary shares as at 30 April 2015 are set out below:

| | Ordinary Shares |
|---------------------------|-------------------|
| Steve Parkin | 34,797,100 |
| Tony Mannix | 1,358,613 |
| David Hodkin | 1,358,613 |
| Sean Fahey | 7,834,397 |
| Paul Hampden Smith | 100,000 |
| Stephen Robertson | - |
| Ron Series | 10,000 |
| Mike Russell | - |

¹ All shares are wholly owned by Directors or connected persons (i.e. none are subject to performance conditions and none are previously vested but as of yet unexercised share options).

As at the last practicable date prior to publication of this report, there had been no changes to the above shareholdings.

Implementation Report on Remuneration

continued

Audited Information (continued)

Share Plan Interests

Performance Share Plan

| | Options held at 1 May 2014 | Options lapsed | Options granted | Options exercised | Options held at 30 April 2015 | Option price (p) | Earliest exercise date | Latest exercise date |
|--------------|----------------------------|----------------|-----------------|-------------------|-------------------------------|------------------|------------------------|----------------------|
| Steve Parkin | – | – | 229,682 | – | 229,682 | Nil | 14/01/2018 | 14/01/2025 |
| Tony Mannix | – | – | 127,601 | – | 127,601 | Nil | 14/01/2018 | 14/01/2025 |
| David Hodkin | – | – | 102,081 | – | 102,081 | Nil | 14/01/2018 | 14/01/2025 |
| Sean Fahey | – | – | 85,067 | – | 85,067 | Nil | 14/01/2018 | 14/01/2025 |

Sharesave Plan

| | Options held at 1 May 2014 | Options lapsed | Options granted | Options exercised | Options held at 30 April 2015 | Option price (p) | Earliest exercise date | Latest exercise date |
|--------------|----------------------------|----------------|-----------------|-------------------|-------------------------------|------------------|------------------------|----------------------|
| Steve Parkin | – | – | 12,820 | – | 12,820 | 140.40 | 01/04/2018 | 30/09/2018 |
| Tony Mannix | – | – | 6,410 | – | 6,410 | 140.40 | 01/04/2018 | 30/09/2018 |
| David Hodkin | – | – | 12,820 | – | 12,820 | 140.40 | 01/04/2018 | 30/09/2018 |
| Sean Fahey | – | – | 12,820 | – | 12,820 | 140.40 | 01/04/2018 | 30/09/2018 |

¹ The range of market price of shares in Clipper Logistics plc during the year ended 30 April 2015 was 100p to 190p. The closing price on 30 April 2015 was 190p.

² None of the directors paid for the award of options.

³ Options granted in the year under the PSP represent awards with a face value of 100% of base salary for all Executive Directors. This has been calculated using the average mid-market price of the three days preceding the date of grant, being 176.33p for the options granted on 14 January 2015.

⁴ The threshold level of vesting for the PSP options granted in the year is 25% of the total number of options granted.

⁵ The performance conditions attached to the PSP awards granted during the year are set out below.

⁶ The market value of shares on the date of grant of Sharesave options was 174.75p. The face value of the options was therefore £22,402.95 for Steve Parkin, David Hodkin and Sean Fahey, and £11,201.48 for Tony Mannix.

⁷ The exercise price for Sharesave options was set at 80% of the three day average market price of shares before invitations to participate in the Sharesave Plan were made, in accordance with HMRC rules.

⁸ The Sharesave options were granted under a HMRC tax-advantaged plan and are therefore not subject to performance conditions.

Performance conditions for PSP awards

The performance measures and targets for the PSP awards made in the year to 30 April 2015 were based on Adjusted EPS performance for the financial year ending 30 April 2017, summarised as follows:

| EPS - Financial year ending 30 April 2017 | PSP Award |
|---|--|
| 12p | 100% |
| Between 10p and 12p | Pro-rata on straight-line basis between 25% and 100% |
| 10p | 25% |
| Less than 10p | 0% |

Clipper

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Implementation Report on Remuneration

continued

Unaudited Information

Remuneration Committee

In anticipation of Admission, the Company established the Remuneration Committee.

The members of the Remuneration Committee are:

- Mike Russell (Chairman);
- Paul Hampden Smith; and
- Ron Series.

The Remuneration Committee's principal responsibilities are:

- recommending to the Board the remuneration strategy and framework for the Executive Directors and senior managers;
- determining, within that framework, the individual remuneration arrangements for the Executive Directors and senior managers; and
- overseeing any major changes in employee benefit structures throughout the Group.

The Executive Chairman is invited to attend meetings of the Remuneration Committee, except when his own remuneration is being discussed, and the Chief Financial Officer and other Executives attend meetings as required.

Advisors

FIT Remuneration Consultants LLP, signatories to the Remuneration Consultants Group's Code of Conduct, were appointed by the Remuneration Committee following a competitive tender process. FIT provides advice to the Remuneration Committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group and accordingly the Remuneration Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of the year ended 30 April 2015 were £37,000. FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

Implementation Report on Remuneration

continued

Unaudited Information (continued)

Implementation of Policy in the year ending 30 April 2016

Executive Directors

Base Salary

- Base salaries are as follows: £405,000 for Steve Parkin, £225,000 for Tony Mannix, £180,000 for David Hodkin and £150,000 for Sean Fahey. These are unchanged from the financial year ended 30 April 2015, although Tony Mannix surrendered part of his salary in return for additional employer's pension contributions.

Pension

- Contribution rates for Executive Directors are as follows (expressed as percentages of base salary): Steve Parkin - 6%, Tony Mannix - 10%, David Hodkin - 15%. Sean Fahey - 10%. These are unchanged from the financial year ended 30 April 2015, although Tony Mannix surrendered part of his salary in return for additional employer's pension contributions.

Benefits

- Details of the benefits received by Executive Directors are set out in note 1 to the single figure table on page 58.
- There is no intention to introduce additional benefits in the financial year ending 30 April 2016.

Annual Incentive Plan for the year ending 30 April 2016

- The AIP maximum is 50% of base salary. This is unchanged from the financial year ended 30 April 2015.
- Performance measures for the AIP in the year to 30 April 2016 will be based on Adjusted EBIT. The Remuneration Committee selected Adjusted EBIT as the performance measure for the AIP for the year ending 30 April 2016 as it is regarded as a key performance indicator for the Group and focuses on the underlying operating profitability of the business by removing non-recurring items. Given the competitive nature of the Group's sectors,

the specific performance targets for the AIP are considered to be commercially sensitive and accordingly are not disclosed. Following the conclusion of the current financial year, the Remuneration Committee will consider whether it is feasible to disclose the performance targets for the current financial year on a retrospective basis.

Performance Share Plan for the year ending 30 April 2016

- Award levels are proposed at 100% of base salary for each Executive Director. This is unchanged from the financial year ended 30 April 2015.
- The performance measures and targets for this award will be based on Adjusted EPS performance for the financial year ending 30 April 2018, summarised as follows:

| EPS - Financial year ending 30 April 2018 | PSP Award |
|---|--|
| 14.7p | 100% |
| Between 12p and 14.7p | Pro-rata on straight-line basis between 25% and 100% |
| 12p | 25% |
| Less than 12p | 0% |

- The Remuneration Committee selected this performance condition as it provides a significant level of growth in earnings which is a key measure of success for the Group.

Non-Executive Directors

Fees

- The base fee payable to each Non-Executive Director is as follows: Paul Hampden Smith (Senior Independent Director and Chair of the Audit Committee) - £60,000; Stephen Robertson - £40,000; Ron Series - £40,000; and Mike Russell - £40,000.

Implementation Report on Remuneration

continued

Unaudited Information (continued)

Relative importance of spend on pay

The table opposite shows the Group's expenditure on remuneration paid to all employees against distributions to shareholders. As the Company was only admitted on 4 June 2014, the dividend paid by the Company during the year to 30 April 2014, and part of the dividend paid by the Company during the year to 30 April 2015 was to the Company's former parent; therefore comparison of profit distributed by way of dividend to overall expenditure on pay is invalidated for the years to 30 April 2015 and 30 April 2014.

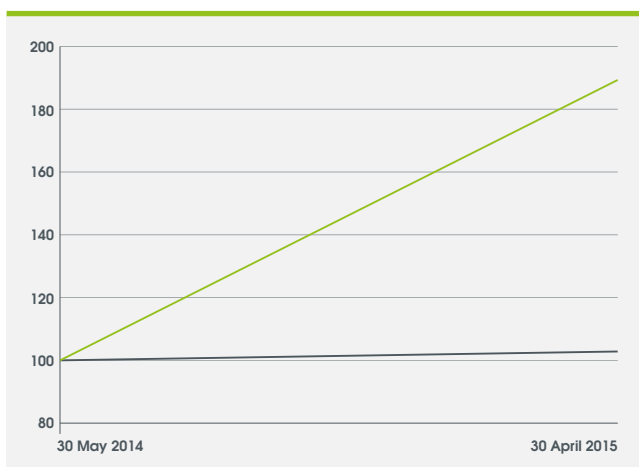
| £'000 | 2015 | 2014 | % change |
|--|---------------|--------|----------------|
| Remuneration paid to all employees of the Group ¹ | 66,539 | 58,496 | + 13.7% |
| Distributions to shareholders | 1,935 | 6,349 | N/A |

¹Total remuneration reflects overall employee costs. See note 5 to the Group Financial statements for further information.

Comparative Total Shareholder Return ("TSR")

The DRR regulations require a line graph showing the TSR on a holding of shares in the Company since Admission to the financial year end following Admission, as well as the TSR for a hypothetical holding of shares in a broad equity market index for the same period. The graph opposite compares the Company's TSR to the TSR of the FTSE Small Cap (ex IT) over this period. The FTSE Small Cap (ex IT) was chosen as a comparator as it is most closely aligned with Clipper's activity.

Total Shareholder Return Index (30 May 2014 = 100)



— Clipper Logistics plc — FTSE SmallCap Index ex Investment Trusts Source: Thomson Reuters

The DRR regulations also require a table setting out selected details of the remuneration of the Executive Chairman over the same period as shown on the TSR graph. We have additionally included for comparison details for the financial year ending 30 April 2014:

| | Single figure of total remuneration (£'000) | Annual variable element award rates against maximum opportunity | Long-term incentive vesting rates against maximum opportunity |
|---|---|---|---|
| Year ended 30 April 2015: Steve Parkin | 518 | 20.8% | N/A |
| Year ended 30 April 2014: Steve Parkin | 515 | 0.0% | N/A |

Up until 30 May 2014 Steve Parkin performed the roles of Chief Executive and Chairman, prior to becoming Executive Chairman only from 30 May 2014.

Implementation Report on Remuneration

continued

Unaudited Information (continued)

Executive Chairman's relative pay

In accordance with the DRR regulations, we present in the table opposite the percentage change in the prescribed pay elements (salary, taxable benefits, and annual bonus outcome) of the Executive Chairman and the average percentage change for all Group staff between the year ended 30 April 2014 and the year ended 30 April 2015.

| Year-on-year % change | Salary | Taxable Benefits | Annual Bonus |
|---------------------------|--------|------------------|--------------|
| Executive Chairman | +6.6% | -53.3% | N/A |
| All-employees | +2.2% | +11.2% | +36.1% |

AGM voting results

Details of the votes on remuneration matters held at the 2014 AGM are as follows:

| Resolution | Votes for | % For | Votes against | % Against | Total votes | Withheld |
|---|------------|---------|---------------|-----------|-------------|----------|
| Approve Directors' Remuneration Policy | 90,046,475 | 99.67% | 300,000 | 0.33% | 90,346,475 | 0 |
| Approve Directors' Remuneration Report | 90,046,475 | 100.00% | 0 | 0.00% | 90,046,475 | 300,000 |
| Approve Sharesave Plan | 90,346,475 | 100.00% | 0 | 0.00% | 90,346,475 | 0 |
| Approve PSP | 90,046,475 | 99.67% | 300,000 | 0.33% | 90,346,475 | 0 |
| Approve Participation by "Concert Party" in PSP and Sharesave | 37,946,177 | 81.86% | 8,410,188 | 18.14% | 46,356,365 | 0 |

As explained in the Committee Chairman's letter at the beginning of this report, the Committee understands that the reason for the voting outcome in relation to the "Concert Party" resolution was a concern raised by certain governance bodies in relation to the Executive Chairman's participation in PSP given the level of his existing shareholding in the Company.

However, this participation in PSP was consistent with the importance of a continued team ethic within the Clipper senior management team which forms a key part of the Directors' Remuneration Policy which received strong shareholder support.

Implementation Report on Remuneration

continued

Unaudited Information (continued)

Service Contracts summary

Each Executive Director has a service contract of indefinite duration with a notice period of twelve months which may be given by the Company or the individual.

The date of each Executive Director's contract is:

| | |
|--------------|-------------|
| Steve Parkin | 30 May 2014 |
| Tony Mannix | 30 May 2014 |
| David Hodkin | 30 May 2014 |
| Sean Fahey | 30 May 2014 |

Non-Executive Directors

Each Non-Executive Director is engaged for an initial period of three years. These appointments can be renewed following the initial three year term. These engagements can be terminated by either party on three months' notice.

The Non-Executive Directors cannot participate in the Company's share schemes from Admission, are not entitled to any pension benefits and are not entitled to any payment in compensation for early termination of their appointment.

For each Non-Executive Director the effective date of their latest letter of appointment is:

| | |
|--------------------|-------------|
| Paul Hampden Smith | 16 May 2014 |
| Stephen Robertson | 16 May 2014 |
| Ron Series | 16 May 2014 |
| Mike Russell | 16 May 2014 |

Policy Report

Remuneration Policy – Executive Directors

The Directors' Remuneration Policy was approved by the Company's shareholders at the Company's Annual General Meeting on 29 September 2014 and has effect for all payments made to Directors from that date. The Company's Directors' Remuneration Policy is available for inspection in the Company's 2014 Annual Report and Accounts via its website at: <http://www.clippergroup.co.uk/report-accounts/>. For ease of reference, the summary "Policy Table" from the Directors' Remuneration Policy which was approved at the 2014 Annual General Meeting is included as an appendix to this report.

This report was reviewed and approved by the Board on 27 July 2015 and signed on its behalf by order of the Board.

Mike Russell

Chairman, Remuneration Committee



Directors' Remuneration Policy

Appendix

The following material is the Policy Table from the Directors' Remuneration Policy approved at the 2014 AGM. It is included in this year's report for information only and does not form part of the Directors' Remuneration Report which is subject to approval by shareholders at the 2015 AGM.

| Element and purpose | Policy and operation | Maximum | Performance measures |
|---|---|---|----------------------|
| <p>Base salary This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution.</p> | <p>Base salaries will be reviewed each year by the Remuneration Committee.</p> <p>The Remuneration Committee does not strictly follow data but uses it as a reference point in considering, in its judgment, the appropriate level of salary having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities.</p> <p>Base salary is paid monthly in cash.</p> | <p>In the normal course of events, the Executive Directors' salaries would not normally be increased by more than the average awarded to staff generally. However, given the need for a formal cap under the DRR regulations, the Remuneration Committee has further limited the maximum salary which it may award to £450,000 for the Executive Chairman, and for all other Executive Directors to the median salary level plus 10% for that role in the FTSE SmallCap.</p> | N/A |
| <p>Benefits To provide benefits valued by recipients.</p> | <p>The Executive Directors may receive a car allowance or company car, fuel allowance, private family medical cover and insurance benefits.</p> <p>The Remuneration Committee reserves discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice.</p> <p>Where appropriate, the Group will meet certain costs relating to Executive Director relocations.</p> | <p>It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year-to-year, but the provision of benefits will operate within an annual limit of £100,000 (plus a further 100% of base salary in the case of relocations).</p> <p>The Remuneration Committee will monitor the costs in practice and ensure that the overall costs do not increase by more than the Remuneration Committee considers appropriate in all the circumstances.</p> | N/A |



Directors' Remuneration Policy

continued

Appendix (continued)

| Element and purpose | Policy and operation | Maximum | Performance measures |
|--|---|--|---|
| <p>Pension To provide retirement benefits.</p> | <p>Executive Directors can receive pension contributions to personal pension arrangements, or if a Director is impacted by annual or lifetime limits on contribution levels to qualifying pension plans, the balance can be paid as a cash supplement.</p> | <p>The maximum employer's contribution is limited to 15% of base salary.</p> | <p>N/A</p> |
| <p>Annual Incentive Plan ("AIP") To motivate executives and incentivise delivery of performance over a one-year operating cycle, focusing on the short to medium term elements of our strategic aims.</p> | <p>AIP levels and the appropriateness of measures are reviewed annually at the commencement of each financial year to ensure they continue to support our strategy.</p> <p>Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events such as corporate acquisitions or other major transactions where the Remuneration Committee considers it to be necessary in its opinion to make appropriate adjustments.</p> <p>AIP outcomes are paid in cash following the determination of achievement against performance measures and targets.</p> <p>Malus and clawback provisions apply to the AIP as explained in more detail in the notes to this table.</p> | <p>The maximum level of AIP outcomes is 50% of base salary p.a. for the duration of this Policy.</p> | <p>The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Remuneration Committee considers appropriate.</p> <p>Details of the proposed performance measures for the year ending 30 April 2015 are set out in the notes to this table.¹</p> <p>Attaining the threshold level of performance for any measure will not produce a pay-out of more than 20% of the maximum portion of overall AIP attributable to that measure, with a sliding scale to full pay-out for maximum performance.</p> <p>However, the AIP remains a discretionary arrangement and the Remuneration Committee retains a standard power to apply its judgment to adjust the outcome of the AIP for any performance measure (from zero to any cap) should it consider that to be appropriate.</p> |

¹ Now included at page 58 above

Directors' Remuneration Policy

continued

Appendix (continued)

| Element and purpose | Policy and operation | Maximum | Performance measures |
|---|---|---|---|
| <p>Long-Term Incentives ("LTI") To motivate and incentivise delivery of sustained performance over the long-term, and to promote alignment with shareholders' interests, the Group intends to operate a Performance Share Plan ("PSP").</p> <p>Shareholders' approval for the PSP is being sought at the 2014 AGM.</p> | <p>Awards under the PSP may be granted as nil-cost options or conditional awards of shares which vest to the extent performance conditions are satisfied over a period of at least three years.</p> <p>Under the PSP rules, vested awards may also be settled in cash.</p> <p>The PSP rules allow that the number of shares subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any dividend dates falling between the grant of awards and the vesting of awards. Whilst this feature will not operate for awards to be made in 2014, the Remuneration Committee retains discretion to introduce this feature during the period of this policy.</p> <p>Malus and clawback provisions apply to PSP awards and are explained in more detail in the notes to this table.</p> | <p>The PSP allows for awards over shares with a maximum value of 150% of base salary per financial year.</p> <p>The Remuneration Committee expressly reserves discretion to make such awards as it considers appropriate within these limits.</p> | <p>The Remuneration Committee may set such performance conditions on PSP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual).</p> <p>Details of the proposed performance measures for the initial awards are set out in the notes to this table.¹</p> <p>Once set, performance measures and targets will generally remain unaltered unless events occur which, in the Remuneration Committee's opinion, make it appropriate to substitute, vary or waive the performance conditions in such manner as the Remuneration Committee thinks fit.</p> <p>Performance periods may be over such periods as the Remuneration Committee selects at grant, which will not be less than (but may be longer than) three years.</p> <p>No more than 25% of awards vest for attaining the threshold level of performance conditions.</p> |
| <p>Share Ownership Guidelines To further align the interests of Executive Directors with those of shareholders.</p> | <p>Executive Directors are expected to retain all of the ordinary shares vesting under the PSP, after any disposals for the payment of applicable taxes, until they have achieved the required level of shareholding.</p> | <p>100% of salary for all Executive Directors.</p> <p>The Remuneration Committee reserves the power to amend (but not reduce) these levels in future years.</p> | <p>N/A</p> |

¹ Now included at page 60 above

Directors' Remuneration Policy

continued

Appendix (continued)

| Element and purpose | Policy and operation | Maximum | Performance measures |
|---|--|---|--|
| <p>All-employee share plans To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.</p> <p>Shareholders' approval is being sought at the 2014 AGM for the Clipper Sharesave Plan ("Sharesave Plan").</p> | <p>The Sharesave Plan is an all-employee share plan established under the HMRC tax-advantaged regime and follows the usual form for such plans.</p> <p>Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees.</p> | <p>The exercise price of the options is usually equal to the market price of the shares at the date of invitation to participate less a maximum discount of 20%.</p> <p>The maximum amount that can be invested in the plan will not exceed the statutory limit from time to time (currently £500 pcm).</p> <p>The options vest on the third anniversary of the commencement of the savings period.</p> | <p>Consistent with normal practice, such awards are not subject to performance conditions.</p> |
| <p>Non-Executive Director fees To enable the Group to recruit and retain Non-Executive Directors of the highest calibre, at the appropriate cost.</p> | <p>The fees paid to Non-Executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity.</p> <p>The fees payable to the Non-Executive Directors are determined by the Board.</p> <p>Non-Executive Directors will not participate in any new share incentive arrangements from Admission, although commitments made under pre-Admission plans will continue to be honoured.</p> | <p>Fees are paid monthly in cash.</p> <p>Any increases made will be appropriately disclosed.</p> | <p>N/A</p> |

Directors' Remuneration Policy

continued

Appendix (continued)

Notes to the Policy Table

1. Malus and Clawback.

Malus (being the forfeiture of unvested awards) and clawback (being the ability of the Company to claim repayment of paid amounts as a debt) provisions apply to the AIP and PSP if, in the opinion of the Remuneration Committee, any of the following has occurred:

- There has been a material misstatement of the Group's financial results which has led to an overpayment;
- The assessment of performance targets is based on an error or inaccurate or misleading information or assumptions;
- Circumstances warranting summary dismissal in the relevant period; or
- Any other act or omission that has had a sufficiently significant impact on the reputation of the Group to justify the operation of malus/clawback.

Amounts in respect of awards under both plans may be subject to clawback for up to three years post payment or vesting as appropriate.

2. Stating maximum amounts for the Remuneration Policy

The DRR regulations and related investor guidance encourages companies to disclose a cap within which each element of the Directors' Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the Directors' Remuneration Policy, these will operate simply as caps and are not indicative of any aspiration.

3. Travel and hospitality

While the Remuneration Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality (whether paid for by the Group or another company) and business travel for Directors (and exceptionally their families) may technically come within the applicable rules and so the Remuneration Committee expressly reserves the right for the Remuneration Committee to authorise such activities within its agreed policies.

4. Differences between the policy on remuneration for Directors from the policy on remuneration of other employees

Where the Group's pay policy for Directors differs to its pay policies for groups of employees, this reflects the appropriate market rate position for the relevant roles. The Company takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the Directors' Remuneration Policy.

Directors' Report

The Directors are pleased to present their report and the audited Financial Statements of Clipper Logistics plc for the year ended 30 April 2015.

The Corporate Governance Report on pages 42 to 49 and the Corporate Social Responsibility Report (with regard to information about the employment of disabled persons, employee involvement and greenhouse gas emissions) are also incorporated into this report by reference.

The Company has chosen, in accordance with section 414C (11) of the Companies Act 2006 to include the disclosure of particulars of likely future developments in the Strategic Report (see pages 6 to 37).

Financial risk management

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review on pages 18 to 29, along with the financial position of the Group, its cash flows and liquidity.

In addition, note 26 to the Group Financial Statements includes the Group's objectives, policies and processes for capital and financial risk management, including

information on the Group's exposures to market risk, including foreign currency, interest rate, inflation and equity price risks; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Results and dividends

The consolidated profit for the Group for the year after taxation was £7.3 million (2014: £2.8 million). The results are discussed in greater detail in the Operating and Financial Review on pages 18 to 29 and set out in the Group Income Statement on page 88.

The Directors are recommending the payment on 30 September 2015 of a final dividend of 3.2 pence per ordinary share to shareholders on the register at the close of business on 4 September 2015 which, together with the net interim dividend of 1.6 pence per ordinary share paid on 31 December 2014, results in a total net dividend for the year of 4.8 pence per share (2014: not applicable).

Directors

The names and biographies of the current Directors of the Company are set out on pages 40 and 41 of this Annual Report.

Directors' share interests

Details of the Directors interests in the Company's shares are included in the Directors' Remuneration Report on page 59. Between 30 April 2015 and 24 July 2015 (being the latest practicable date before publication) there had been no change in Directors' interests as set out on page 59.

Directors' indemnities

The Company provided indemnities to each of its Directors during the year ending 30 April 2015 in accordance with the provisions of the Company's Articles of Association, allowing the indemnification of Directors out of the assets of the Company to the extent permitted by law. These indemnities constitute qualifying indemnities for the purposes of the Companies Act 2006 and remain in force at the date of approval of this report without any payment having been made under them.

The following Directors are current Directors or served the Company during the year ended 30 April 2015:

| Name | Position | Notes |
|--------------------------------|---|-----------------------|
| Steven (Steve) Nicholas Parkin | Executive Chairman | - |
| Antony (Tony) Gerard Mannix | Chief Executive Officer | - |
| David Arthur Hodkin | Chief Financial Officer | - |
| Sean Eugene Fahey | Chief Information Officer | - |
| Paul Nigel Hampden Smith | Senior Independent Non-Executive Director | Appointed 16 May 2014 |
| Stephen Peter Robertson | Independent Non-Executive Director | Appointed 16 May 2014 |
| Ronald (Ron) Charles Series | Independent Non-Executive Director | Appointed 16 May 2014 |
| Michael (Mike) John Russell | Independent Non-Executive Director | Appointed 16 May 2014 |
| Nigel John Hinds | Operations Director | Resigned 13 May 2014 |
| Michael (Mike) David Badrock | Non-Executive Director | Resigned 13 May 2014 |

Directors' Report

continued

Related party transactions

The only material transactions with related parties during the year were:

- the Relationship Agreement (referred to later in this report) entered into between the Company and Steve Parkin and Carlton Court Investments Limited; and
- the Placing Agreement (referred to later in this report) dated 30 May 2014 and entered into between the Company, the Directors and the Selling Shareholders (as defined in the Prospectus).

Compensation for loss of office

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid. Further details of the Directors' service contracts can be found in the Directors' Remuneration Report on pages 56 to 73.

Directors' and Officers' liability insurance

Directors' and Officers' liability Insurance cover is in place at the date of this report, having been purchased prior to the IPO. The Board remains satisfied that an appropriate level of cover is in place and a review of cover will take place on an annual basis.

Articles of Association

The Articles of Association (adopted by special resolution on 15 May 2014) may only be amended by special resolution of the shareholders. A copy of the Articles is available on request from the Company Secretary.

Change of name

On 14 May 2014 the Company changed its name from Clipper Logistics Group Limited to Clipper Logistics Limited, and on 15 May 2014 re-registered as a plc.

Share capital structure

Details of the Company's share capital are set out in note 21 to the Group Financial Statements on page 126. The Company has a single class of share capital divided into Ordinary Shares of 0.05p each. The Ordinary Shares are listed on the London Stock Exchange. The rights and obligations attaching to these shares are governed by UK law and the Company's Articles of Association.

Voting rights attaching to shares

Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies.

Deadlines for exercising voting rights attaching to shares

The Articles provide a deadline for the submission of proxy forms (whether by an instrument in writing or electronically) of not less than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting.

Shares in uncertificated form

Directors may determine that shares may be held in uncertificated form and title to such shares may be transferred by means of a relevant system or that shares should cease to be so held and transferred.

Variation of rights attaching to shares

The Articles provide that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting, the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares (calculated excluding any shares held in treasury). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Restrictions on the transfer of shares

There are no restrictions on the transfer of the Ordinary Shares other than:

- the standard restrictions for a UK-quoted company where any amount is unpaid on a share;
- where, from time to time, certain restrictions may become imposed by laws and regulations (for example, insider trading laws and marketing requirements relating to close periods); and
- pursuant to the Listing Rules of the Financial Conduct Authority whereby certain Directors, officers or employees of the Company require the approval of the Company to deal in the Ordinary Shares.

Directors' Report

continued

Restrictions on the transfer of shares (continued)

On 30 May 2014, the Company entered into a placing agreement with, amongst others, the Directors, certain selling shareholders and Numis Securities Limited ("Numis") in accordance with which subject to certain customary exceptions:

- the Company agreed not to issue or dispose of any Ordinary Shares in the Company for a period of 365 days following the date of Admission without the prior written consent of Numis; and
- the Directors and those selling shareholders who have retained Ordinary Shares after Admission agreed not to dispose of any Ordinary Shares in the Company for a period of 365 days following the date of Admission without the prior written consent of Numis.

On 30th May 2014 each of the Executive Directors (save for Steve Parkin) and certain persons who held Ordinary Shares after the Company's Admission or whose associates held such shares entered into an agreement with Steve Parkin agreeing to certain restrictions on their ability (and that of their family) to dispose of Ordinary Shares in which they are interested for a period of five years from the date of Admission. Under the terms of the agreement, the obligors may not dispose of any interest in the Ordinary Shares held by them at Admission until the fourth year of the five year period. During the fourth year of the period, each obligor may dispose of up to one third of the Ordinary Shares in which he is interested at Admission. During the fifth year of the five year period, each obligor may dispose of up to two thirds of the Ordinary Shares in which he is interested at Admission (less a number equal to those Ordinary Shares sold during the prior year (if any)).

Authority to purchase own shares

A resolution to authorise the Company to purchase up to 10% of the Company's issued Ordinary Share capital will be proposed at the 2015 AGM.

As at 24 July 2015, being the latest practicable date prior to the publication of this report, the Company did not hold any shares in treasury.

Appointment and replacement of Directors

Unless determined by ordinary resolution of the Company, the number of Directors shall not be less than two or more than twelve in number. A Director is not required to hold any shares in the Company by way of qualification.

The Board may appoint any person to be a Director and such Director shall hold office only until the next AGM, when he or she shall be eligible for appointment by the shareholders. The articles provide that at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third) shall retire from office. A Director who retires at any AGM shall be eligible for re-appointment. In addition, any Director appointed by the Board shall hold office only until the next following AGM and shall then be eligible for appointment.

On 30th May 2014 the Company entered into an agreement ("Relationship Agreement") with Steve Parkin and his nominee company Carlton Court Investments Limited (the "Controlling Shareholders"). Pursuant to that agreement the Company has agreed with the Controlling Shareholders that the Controlling Shareholders shall be entitled to appoint and remove one Director to the Board so long as the Controlling Shareholders (and/or any of their associates) when taken together, hold 25% or more of

the voting rights over the Company's issued shares. Where any Controlling Shareholder has already been nominated to the board as a Director himself such appointment will reduce the number of persons which the Controlling Shareholders are entitled to nominate for appointment by one. Any person appointed by the Controlling Shareholders to the board may be removed by the Principal Shareholders by notice in writing.

Relationship agreement with controlling shareholders

Carlton Court Investments Limited ("Carlton") holds 34.8% of the issued share capital of the Company. As such Carlton is a Controlling Shareholder as defined in the Listing Rules. Carlton is controlled by Steve Parkin. Steve Parkin and Carlton have entered into, and the Company's relationship with them is governed by the terms of, the Relationship Agreement referred to above, the principal purpose of which is to ensure that the Company and the Group is capable of carrying on its business independently of the Controlling Shareholders and that any transactions and relationships with the Controlling Shareholders are conducted at arm's length and on normal commercial terms.

The Controlling Shareholders have agreed to procure that their associates also comply with the Relationship Agreement. The Relationship Agreement will continue for so long as the Company is listed on the main market for listed securities of London Stock Exchange plc and the Controlling Shareholders and their associates own or control at least 25% of the Company's issued share capital or voting rights.

The Listing Rules require premium listed companies with controlling shareholders to provide a confirmation in their annual reports that all of the independence provisions contained in their relationship

Directors' Report

continued

Relationship agreement with controlling shareholders (continued)

agreements have been complied with. In line with this requirement, the Board has assessed the Controlling Shareholders' and Company's compliance with the Relationship Agreement's independence requirements and has assessed compliance with these requirements during the period under review. As such, the Board can confirm that since the entry into the Relationship Agreement on 30 May 2014 until 24 July 2015, being the latest practicable date prior to the publication of this Annual Report and Accounts:

- (i) the Company has complied with the independence provisions included in the Relationship Agreement;
- (ii) so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by each of the Controlling Shareholders and their associates and also by the Company; and
- (iii) so far as the Company is aware, the procurement obligation included in the Relationship Agreement has been complied with by each of the Controlling Shareholders.

Power of Directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company shall be managed by the Board who may exercise all the powers of the Company to, for example, borrow money; mortgage or charge any of its undertaking, property and uncalled capital; and issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company.

Greenhouse gas emissions

The Group's disclosures on greenhouse gas emissions can be found in the Corporate Social Responsibility section of the Strategic Review on pages 36 and 37 and form part of the Directors' Report.

Employment Policies

Arrangements for consulting and involving Group employees on matters affecting their interests at work, and informing them of the performance of their employing business and the Group, are developed in ways appropriate to each business. A variety of approaches is adopted aimed at encouraging the involvement of employees in effective communication and consultation, and the contribution of productive ideas at all levels.

Employment policies are designed to provide equal opportunities irrespective of race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation or political affiliation. Group policy is to ensure that disabled applicants for employment are given full and fair consideration having regard to their particular aptitudes and abilities, and that existing disabled employees are given equal access to training, career development and promotion opportunities. In the event of existing employees becoming disabled, all reasonable means would be explored to achieve retention in employment in the same or an alternative capacity, including arranging appropriate training. Further details in relation to the Group's employment policy are set out in the Corporate Social Responsibility section of the Strategic Report on page 35.

Significant Agreements

There are a number of agreements which, subject to any discussions with relevant parties, would terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these individually is considered to be significant in terms of their likely impact on the business of the Group as a whole.

Branches

Shortly after the 30 April 2015 year end, Clipper registered a branch in Ireland, in order to facilitate performance of a contract with Ireland's largest retailer, and also to enhance its presence in Ireland in order to secure further new business.

Political donations

The Company has made no political donations since Admission on 4 June 2014 and intends to continue its policy of not doing so for the foreseeable future.

Charitable donations

During the year to 30 April 2015, the Group made charitable donations totalling £52,000 (2014: £38,000).

Directors' Report

continued

Major interests in shares

As at 15 July 2015, being the last practicable date prior to publication of this report, the Company had been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, of the following notifiable interests (whether directly or indirectly held) in 3% or more of its voting rights:

| Notification received from | Number of voting rights | % |
|--|-------------------------|-------|
| Carlton Court Investments Limited ¹ | 34,797,100 | 34.80 |
| SOMLIE Limited ² | 7,834,397 | 7.83 |
| The Chima Settlement | 6,999,999 | 7.00 |
| Unicorn Asset Management | 6,799,990 | 6.80 |
| Liontrust Asset Management | 5,360,188 | 5.36 |
| Franklin Templeton Fund Management | 4,175,000 | 4.18 |
| Legal and General Investment Management | 3,985,000 | 3.99 |
| Artemis Investment Management | 3,950,406 | 3.95 |
| Hargreave Hale | 3,233,000 | 3.23 |

¹ Ultimately controlled by Steve Parkin, Executive Chairman.

² Nominee for Sean Fahey, Chief Information Officer.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment they have considered the Company and Group budgets and cash flow forecasts for the period to 30 April 2017. The Company has considerable financial resources, negligible liquidity risk and is operating within a sector that is experiencing growing demand for its services. The Directors therefore have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements. Further information is disclosed in note 2.2 to the Group Financial Statements.

Audit information

Each of the Directors at the date of the approval of this report confirms that:

- so far as he is aware, there is no relevant audit information of which the Group's auditors are unaware; and

- he has taken all the reasonable steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

The auditors, Ernst & Young LLP have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the Annual General Meeting.

Annual general meeting

The Company's Annual General Meeting will be held at Clipper Logistics, Gelderd Road, Leeds, LS12 6LT on 28 September 2015 at 11:00. Details of the meeting venue and the resolutions to be proposed are set out in a separate Notice of Meeting which will be issued under separate cover.

The Directors consider that all of the proposed resolutions are in the best interests of the Company and its shareholders as a whole. It is the Directors' recommendation that you support the proposed resolutions and vote in favour of them, as each of the Directors intends to do.

The Directors' Report has been approved by the Board of Directors of Clipper Logistics plc.

Signed on behalf of the Board.

Guy Jackson
Company Secretary
27 July 2015

Clipper Logistics plc
Registered Office:
Gelderd Road
Leeds LS12 6LT
Company No. 03042024



Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law the Directors have prepared the Group's Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU, subject to any material departures disclosed and explained in the Group Financial Statements;
- for the Parent Company Financial Statements state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable information; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and which enable them to ensure that its Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Parent Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report, and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

Each of the Directors, whose names and functions are listed on pages 40 and 41, confirm that, to the best of his or her knowledge:

- the Financial Statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation as a whole;
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Approved by the Board and signed on its behalf by:

Steve Parkin
Executive Chairman
27 July 2015

David Hodkin
Chief Financial Officer
27 July 2015



Group Financial Statements for the year ended 30 April 2015



Independent Auditor's Report

Independent Auditor's report to the members of Clipper Logistics plc

Opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2015 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the Financial Statements of Clipper Logistics plc for the year ended 30 April 2015 which comprise the Group Income Statement and the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flows, the Parent Company Balance Sheet and the related notes 1 to 28 for the Group, and A to V for the Parent Company. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 80, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

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

the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement and responses

The following table shows the risks we identified that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team, together with our audit response to the risk.

Independent Auditor's Report

continued

Independent Auditor's report to the members of Clipper Logistics plc (continued)

Our assessment of risks of material misstatement and responses (continued)

| Risk of material misstatement | Audit response to identified risk |
|---|---|
| <p>Revenue recognition in relation to logistics sales contracts and in relation to sales of vehicles, parts and servicing</p> <p>Within the value added logistics segment there are several types of logistics contracts with individually negotiated terms which means each contract can have different points of revenue recognition, therefore there is a risk that revenue is accounted for incorrectly.</p> <p>Within the commercial vehicles segment sales are generally straightforward, requiring minimal judgment to be exercised.</p> <p>For all revenue streams an area of particular focus is the risk that revenue may be inaccurately recorded and/or recorded in the incorrect period.</p> <p>Refer also to page 52 (Audit Committee Report).</p> | <p>At each of the Group's locations we performed the following audit procedures around revenue recognition:</p> <ul style="list-style-type: none"> - We performed detailed cut-off testing for a sample of transactions around the year end date in order to corroborate that transactions made around the year-end date were recognised appropriately. - Detailed analytical review procedures were performed to identify significant fluctuations and trends. Where items were noted which were not in line with our expectations, we obtained explanations and evidence from management and assessed whether, in our professional judgement, such items were appropriate. - We completed journals testing, applying particular professional scepticism to revenue transactions. - Furthermore, for the value added logistics segment, a sample of contracts were reviewed for key and unusual terms. Where these terms impact the application of revenue recognition we have reviewed this to ensure that the judgements made were appropriate and revenue has been recognised in line with the contract terms. <p>We also ensured that policies for revenue recognition and other Financial Statement disclosures were in accordance with accounting standards.</p> |
| <p>Accounting for acquisitions</p> <p>As disclosed in note 28 to the Group Financial Statements the Group acquired a new subsidiary, Servicecare Support Services Limited, during the year.</p> <p>There is a risk that the accounting for acquisitions, including the allocation of the purchase price and the recognition of intangible assets and goodwill is not performed in accordance with IFRS 3.</p> <p>Refer also to page 52 (Audit Committee Report).</p> | <p>For the acquisition in the period we obtained and understood the sales and purchase agreement.</p> <p>We ensured the appropriateness of the allocation of the purchase price and the recognition of intangible assets.</p> <p>In particular we reviewed the judgements made by management in identifying and valuing the intangible assets acquired. We challenged the most significant assumptions used to determine the valuation, which included the discount rate and customer churn.</p> <p>We have also read the share purchase agreement to ensure that the deferred consideration has been accounted for correctly and has no contingent element.</p> |

Independent Auditor's Report

continued

Independent Auditor's report to the members of Clipper Logistics plc (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the Financial Statements. For the purposes of determining whether the Financial Statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the Financial Statements, would be changed or influenced.

We determined materiality for the Group to be £0.5 million, which is approximately 5% of pre-tax profit for the year, adjusted for exceptional items. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that performance materiality (that is our tolerance for misstatement in an individual account or balance) was 50% of our materiality, namely £0.26 million. Our objective in adopting this approach was to ensure that uncorrected and undetected audit differences in the Financial Statements as a whole did not exceed our planning materiality level.

We agreed with the Audit Committee that we would report to the Committee all corrected and uncorrected audit differences in excess of £26,000, as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

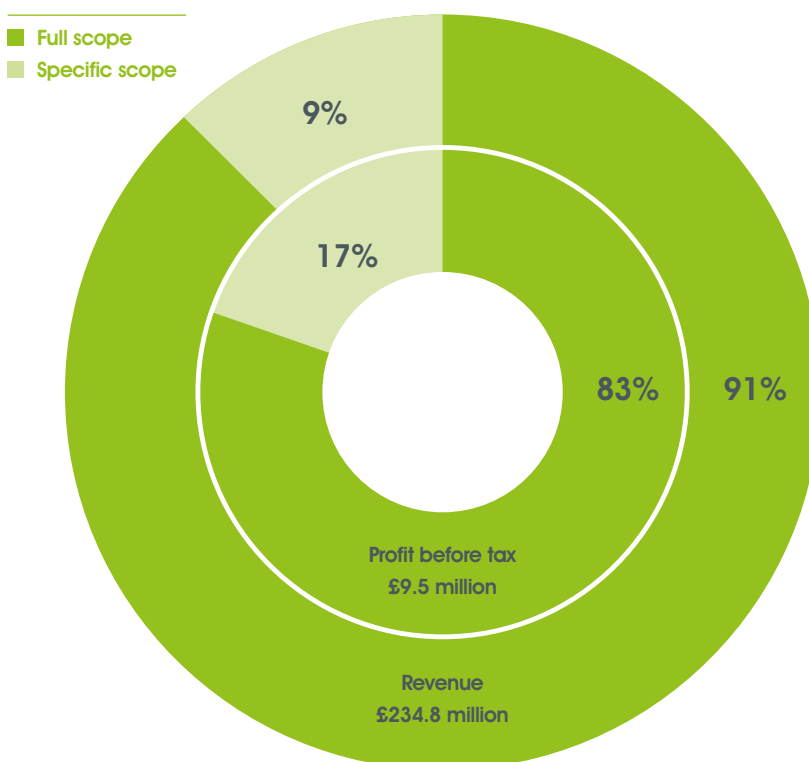
We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

We adopted a risk-based approach in determining our audit strategy. This approach focuses audit effort towards higher risk areas, such as management judgements and estimates and operating units that are considered significant based upon size, complexity and risk. Our Group audit scope focused on two operating units, which were subject to a full scope audit for the year ended 30 April 2015 performed by the Group audit team. An additional two operating units were selected for specific scope audit procedures where the extent of audit work was based on our assessment of the risks of material misstatement and of the materiality of those operating units to the Group's business operations. Together with the Group functions which were also subject to a full scope audit for the year ended 30 April 2015, these operating units represent the principal

business units of the Group and account for 100% of the Group's revenue, 100% of the Group's profit before tax, and 100% of the Group's total assets. The chart below shows how the audit coverage is split between full and specific scope.

Audits of these operating units are performed at a performance materiality level calculated with reference to a proportion of the Group materiality appropriate to the relative scale and risk associated with each operating unit. They are also selected to provide a basis for undertaking audit work to address the risks of material misstatement identified above. This percentage is based on the size of the component relative to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was £0.03 million to £0.20 million.



Independent Auditor's Report

continued

Independent Auditor's report to the members of Clipper Logistics plc (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Corporate Governance Report set out pages 42 to 49 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Responsibility Statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' Responsibility Statement, set out on page 80, in relation to going concern; and
- the part of the Corporate Governance Report relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Other matters

The maintenance and integrity of the Clipper Logistics plc web site is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Stuart Watson (Senior statutory auditor) for and on behalf of Ernst & Young LLP, Statutory Auditor, Leeds
27 July 2015

Group Income Statement

For the year ended 30 April

| | Note | 2015 Group £'000 | 2014 Group £'000 |
|--|------|------------------------------------|------------------------|
| Revenue | | | |
| Cost of sales | 3 | 234,778 (165,590) | 201,248 (141,514) |
| Gross profit | | 69,188 | 59,734 |
| Other net gains | 6 | 364 | 285 |
| Administration and other expenses | | (57,547) | (50,406) |
| Operating profit before non-recurring items | | 12,005 | 9,613 |
| Discontinuing costs | 4 | (278) | (2,297) |
| Exceptional costs | 6 | (863) | (2,516) |
| Operating profit | | 10,864 | 4,800 |
| Finance costs | 9 | (1,388) | (952) |
| Finance income | 10 | 9 | 101 |
| Profit before income tax | | 9,485 | 3,949 |
| Income tax expense | 11 | (2,161) | (1,103) |
| Profit for the financial year | | 7,324 | 2,846 |
| Attributable to: | | | |
| Equity holders of the Company | | 7,324 | 2,826 |
| Non-controlling interest | | - | 20 |
| Profit for the financial year | | 7,324 | 2,846 |
| Basic earnings per share | 7 | 7.3p | 2.8p |
| Fully diluted earnings per share | 7 | 7.3p | 2.8p |
| Adjusted basic and diluted earnings per share* | 7 | 8.4p | 7.0p |

*Earnings per share adjusted for discontinuing and exceptional costs as described in note 7.

Group Statement of Comprehensive Income

For the year ended 30 April

| | Note | 2015 Group £'000 | 2014 Group £'000 |
|--|------|------------------------|------------------------|
| Profit for the financial year | | 7,324 | 2,846 |
| Other comprehensive income for the year, net of tax: | | | |
| <i>To be reclassified to the income statement in subsequent periods:</i> | | | |
| Exchange differences on retranslation of foreign operations | | (5) | (1) |
| Total comprehensive income for the financial year | | 7,319 | 2,845 |
| Attributable to: | | | |
| Equity holders of the Company | | 7,319 | 2,825 |
| Non-controlling interest | | - | 20 |
| Total comprehensive income for the financial year | | 7,319 | 2,845 |

Group Statement of Financial Position

At 30 April

| | Note | 2015 Group £'000 | 2014 Group £'000* |
|---|------|------------------------|-------------------------|
| Assets: | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 14,615 | 15,843 |
| Goodwill | | 23,252 | 19,018 |
| Other intangible assets | | 1,567 | 549 |
| Intangible assets | 13 | 24,819 | 19,567 |
| Total non-current assets | | 39,434 | 35,410 |
| Current assets | | | |
| Inventories | 15 | 21,677 | 19,025 |
| Trade and other receivables | 16 | 33,443 | 28,332 |
| Cash and cash equivalents | 17 | 1,854 | 5,360 |
| Total current assets | | 56,974 | 52,717 |
| Total assets | | 96,408 | 88,127 |
| Equity and liabilities: | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | 61,708 | 54,410 |
| Financial liabilities: borrowings | 19 | 5,196 | 16,455 |
| Derivative financial instruments | | 70 | - |
| Short term provisions | 20 | 108 | 147 |
| Current income tax liabilities | 11 | 731 | 318 |
| Total current liabilities | | 67,813 | 71,330 |
| Non-current liabilities | | | |
| Borrowings | 19 | 10,226 | 4,260 |
| Long term provisions | 20 | 732 | 699 |
| Deferred tax liabilities | 11 | 642 | 366 |
| Total non-current liabilities | | 11,600 | 5,325 |
| Total liabilities | | 79,413 | 76,655 |
| Equity shareholders' funds | | | |
| Share capital | 21 | 50 | 50 |
| Share premium | | 48 | 48 |
| Currency translation reserve | | 31 | 36 |
| Other reserve | | 84 | 84 |
| Merger reserve | 23 | 6,006 | 6,006 |
| Share based payment reserve | | 139 | - |
| Retained earnings | | 10,637 | 5,248 |
| Total equity attributable to the owners of the Company | | 16,995 | 11,472 |
| Total equity and liabilities | | 96,408 | 88,127 |

*2014 restated (see note 2.3)

Approved by the Board on 27 July 2015 and signed on its behalf by:

D A Hodkin – Chief Financial Officer

Group Statement of Changes in Equity

For the year ended 30 April

| | Share capital £'000 | Share premium £'000 | Currency translation reserve £'000 | Other reserve £'000 | Merger reserve £'000 | Carried forward £'000 |
|--|------------------------|------------------------|--|---------------------------|----------------------------|-----------------------------|
| Balance at 1 May 2013 | 8 | 48 | 36 | 51 | 18,168 | 18,311 |
| Profit for the year | - | - | - | - | - | - |
| Other comprehensive income/(expense) | - | - | - | - | - | - |
| Share issue - for cash | 42 | - | - | - | - | 42 |
| - on acquisition of minority interest | - | - | - | 800 | - | 800 |
| Increase in ownership interest of subsidiary | - | - | - | (767) | - | (767) |
| Equity settled transactions | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - |
| Investment in subsidiaries charged to merger | - | - | - | - | (12,162) | (12,162) |
| Balance at 30 April 2014 | 50 | 48 | 36 | 84 | 6,006 | 6,224 |
| Profit for the year | - | - | - | - | - | - |
| Other comprehensive income/(expense) | - | - | (5) | - | - | (5) |
| Equity settled transactions | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - |
| Balance at 30 April 2015 | 50 | 48 | 31 | 84 | 6,006 | 6,219 |

| | Brought forward £'000 | Share based payment reserve £'000 | Retained earnings £'000 | Non- controlling interest £'000 | Total £'000 |
|--|-----------------------------|--|-------------------------------|--|----------------|
| Balance at 1 May 2013 | 18,311 | - | 8,592 | 13 | 26,916 |
| Profit for the year | - | - | 2,826 | 20 | 2,846 |
| Other comprehensive income/(expense) | - | - | (1) | - | (1) |
| Share issue - for cash | 42 | - | - | - | 42 |
| - on acquisition of minority interest | 800 | - | - | - | 800 |
| Increase in ownership interest of subsidiary | (767) | - | - | (33) | (800) |
| Equity settled transactions | - | - | 180 | - | 180 |
| Dividends | - | - | (6,349) | - | (6,349) |
| Investment in subsidiaries charged to merger reserve | (12,162) | - | - | - | (12,162) |
| Balance at 30 April 2014 | 6,224 | - | 5,248 | - | 11,472 |
| Profit for the year | - | - | 7,324 | - | 7,324 |
| Other comprehensive income/(expense) | (5) | - | - | - | (5) |
| Equity settled transactions | - | 139 | - | - | 139 |
| Dividends | - | - | (1,935) | - | (1,935) |
| Balance at 30 April 2015 | 6,219 | 139 | 10,637 | - | 16,995 |

Group Statement of Cash Flows

For the year ended 30 April

| | Note | 2015 Group £'000 | 2014 Group £'000* |
|--|--------|------------------------|-------------------------|
| Profit before tax from operating activities | | 9,485 | 3,949 |
| Adjustments to reconcile profit before tax to net cash flows: | | | |
| - Depreciation and impairment of property, plant and equipment | 6 | 3,358 | 3,685 |
| - Amortisation and impairment of intangible assets | 6 | 292 | 219 |
| - Gain on disposal of property, plant and equipment | 6 | (38) | (26) |
| - IPO transaction costs charged | 6 | 671 | 1,981 |
| - IPO transaction costs paid | | (2,065) | (587) |
| - Exchange differences | | 118 | 10 |
| - Finance costs | 9 & 10 | 1,379 | 851 |
| - Movement in derivative financial instruments | 6 | (98) | - |
| - Amortisation of grants | 6 | (1) | - |
| - Share based payments charge | 22 | 124 | 180 |
| Working capital adjustments: | | | |
| - (Increase)/decrease in trade and other receivables and prepayments | | (3,073) | (4,498) |
| - (Increase)/decrease in inventories | | (2,270) | 861 |
| - Increase/(decrease) in trade and other payables | | 4,716 | 9,205 |
| Operating activities: | | | |
| - Cash generated from operations | | 12,598 | 15,830 |
| - Interest received | | 9 | 101 |
| - Interest paid | | (1,248) | (962) |
| - Income tax paid | | (1,728) | (1,644) |
| Net cash flows from operating activities | | 9,631 | 13,325 |
| Investing activities: | | | |
| - Purchase of property, plant and equipment | | (197) | (2,557) |
| - Proceeds from sale of property, plant & equipment | | 292 | 172 |
| - Purchase of intangible assets | | (87) | (176) |
| - Transfer of subsidiaries from former parent company | | - | (12,162) |
| - Acquisition of subsidiary undertaking net of cash acquired | 28 | (3,699) | (64) |
| Net cash flows from investing activities | | (3,691) | (14,787) |

*2014 restated (see note 2.3)

Group Statement of Cash Flows

For the year ended 30 April (continued)

| | Note | 2015 Group £'000 | 2014 Group £'000* |
|---|------|------------------------|-------------------------|
| Financing activities: | | | |
| - Net (repayment to)/advance from former parent company | | (14,181) | 11,846 |
| - Receipt in respect of derivative financial instrument | | 168 | - |
| - New bank loans | | 12,762 | 146 |
| - Debt issue costs paid | | (370) | - |
| - Finance leases advanced | | 91 | 1,941 |
| - Repayment of bank loans | | (2,920) | (266) |
| - Shares issued | | - | 42 |
| - Dividends paid | 8 | (1,935) | (6,349) |
| - Repayment of capital on finance leases | | (2,976) | (2,903) |
| Net cash flows from financing activities | | (9,361) | 4,457 |
| Net (decrease)/increase in cash and cash equivalents | | (3,421) | 2,995 |
| Cash and cash equivalents at start of year | | 5,275 | 2,280 |
| Cash and cash equivalents at end of year | 17 | 1,854 | 5,275 |

*2014 restated (see note 2.3)

Notes to the Group Financial Statements

1. General information

The Group Financial Statements for the year ended 30 April 2015 were authorised for issue by the Board of Directors on 27 July 2015 and the Group Statement of Financial Position was signed on the Board's behalf by David Hodkin.

Clipper Logistics plc (the "Company") and its subsidiaries (together the "Group") provide value-added logistics and other services to predominantly the retail sector and also operate as distributors of commercial vehicles.

The Company is limited by share capital, incorporated and domiciled in the United Kingdom. The address of its registered office is Clipper Logistics, Gelderd Road, Leeds, LS12 6LT.

The Group's Financial Statements have been prepared in accordance with note 2.1 Basis of preparation, and note 2.4 Basis of consolidation. The principal accounting policies adopted by the Group are set out in note 2.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

Clipper Logistics plc ("the Company"), a public limited company incorporated and domiciled in the United Kingdom, acts as parent undertaking for the Clipper group of companies. The Company has independent operations in its own right and owns 100% of the share capital and voting rights of the following principal trading entities:

- Northern Commercials (Mirfield) Limited
- Clipper Logistics KG (GmbH & Co.) (Germany)
- Servicecare Support Services Limited (see note 28)
- Electrotec International Limited

In addition, the Group has a number of other subsidiaries as set out in note E to the Company Financial Statements.

The Group's Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and also in accordance with the provisions of the Companies Act 2006.

The preparation of the financial information under IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 30 April 2015.

The Group's Financial Statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest thousand (£'000) unless otherwise indicated.

2.2 Going concern

The Financial Statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Further information in relation to the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Strategic Report section of this report on pages 6 to 37.

Note 26 to the Group Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to foreign exchange, credit and interest rate risk. Further details of the Group's net debt at 30 April 2015 are included in note 19 of the Group Financial Statements.

Notes to the Group

Financial Statements

continued

2.2 Going concern (continued)

The Group statement of financial position shows total current assets of £56,974,000 and total current liabilities of £67,813,000. Net current liabilities at 30 April 2015 were therefore £10,839,000 (2014: £18,613,000). At the year end, the Group had a committed Revolving Credit Facility of £12,504,000 and an overdraft facility of £5,000,000, both of which were undrawn. The Directors have assessed the future funding requirements of the Group and the Company and compared them to the bank facilities which are now available. The assessment included a detailed review of financial and cash flow forecasts for at least the 12 month period from the date of signing the Annual Report. The Directors considered a range of potential scenarios within the key markets the Group serves and how these might impact on the Group's cash flow. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences.

The Group's forecasts and projections show that the Group should be able to operate without the need for any increase in borrowing facilities.

Having undertaken this work, the Directors are of the opinion that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

2.3 Restatement of prior year figures

Inventories of commercial vehicles are usually funded under stocking finance plans offered by either the manufacturer's own finance arm, or third party funders. In the financial statements for the year ended 30 April 2014, amounts outstanding to the manufacturer's finance arm were included in trade payables, whereas amounts outstanding to third party stocking finance providers were included as stocking loans within borrowings.

As the relevant characteristics of the stocking finance facilities are the same, regardless of the funder, the Group believes it is more appropriate to disclose all amounts outstanding in the same way, in order to give a consistent view of the working capital requirements. Consequently, in the restated 30 April 2014 Group statement of financial position, trade & other payables have been increased by £2,686,000 (1 May 2013: £978,000) and borrowings have been reduced by the same figure. In the Group statement of cash flows for the year ended 30 April 2014, cash generated from operations has been increased by £1,708,000 and stocking loans advanced has been reduced by the same figure. Had the change not been made, the amount of stocking finance which would have been included in borrowings at 30 April 2015 would have been £5,799,000.

2.4 Basis of consolidation

(a) Group reorganisation

The restructuring noted in note 2.4 (b) below is a combination of entities under common control. IFRS 3 states that it does not apply to a combination of entities or businesses under common control. All of the entities that make up the Clipper Group have remained under common control, in both of the years disclosed. Accordingly, the consolidated financial information of the Clipper Group has been prepared to reflect the combination of the restructured Clipper Group as if it had occurred from 1 May 2010, being the earliest comparative period reported by the restructured group.

The comparative financial information of the Clipper Group for the year ended 30 April 2014 has been prepared on a basis that combines the results and assets and liabilities of all entities within the Clipper Group. Prior to 16 April 2014 the Clipper Group did not constitute a separate legal group.

(b) Merger reserve

At 30 April 2014 the Company was a wholly owned subsidiary of Clipper Group Holdings Limited. In April 2014 the Group undertook a restructuring. On 16 April 2014 the Company acquired fellow subsidiaries from Clipper Group Holdings Limited which comprised 100% of the issued share capital of Northern Commercials (Mirfield) Limited and Genesis Specialised Product Packing Limited and, on 23 April 2014, 75% of the capital of Clipper Logistics GmbH and its subsidiary R. Geist Spedition GmbH & Co. KG (collectively "the Clipper Group"). On 30 April 2014 the Group acquired the remaining 25% of share capital of Clipper Logistics GmbH. There were no remaining non-controlling interests from this date. On 4 June 2014 Clipper Logistics plc was admitted to the premium segment of the London Stock Exchange and Clipper Group Holdings Limited was no longer the parent company.

Notes to the Group

Financial Statements

continued

2.4 Basis of consolidation (continued)

As described above, the group reorganisation is a combination of entities under common control; and consolidated using a pooling of interests basis. This treats the restructured group as if it was formed in May 2010 and a merger reserve has been included to reflect this, with a balance of £18,168,000 at this date. In the year ended 30 April 2014 a charge of £12,162,000 was made to the reserve to reflect the acquisition of the fellow subsidiaries from Clipper Group Holdings Limited as part of the group reorganisation.

(c) Consolidations

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 April 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee

- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to any non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The financial statements of subsidiaries used in the preparation of the consolidated Financial Statements are prepared on the same reporting year as the parent company.

A change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group other than those included in the restructuring referred to above. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Board of Directors, collectively the Group's chief operating decision maker, to assess performance and allocate capital or resources.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The combined Financial Statements are presented in Pounds Sterling, which is the Company's functional and presentation currency.

Notes to the Group Financial Statements

continued

2.6 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(c) Translation of foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Pounds Sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Leasehold property over the length of the lease;
- Plant and machinery 2 - 20 years; and
- Motor vehicles 4 - 8 years.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included within 'other net gains' in the income statement when the asset is derecognised.

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is 'negative goodwill' and is recognised in the income statement immediately.

Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Contracts and licences

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life (five to ten years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Notes to the Group Financial Statements

continued

2.8 Intangible assets (continued)

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and overheads directly attributable to bringing the asset in to use.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

2.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a minimum period of two years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the second year.

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At 30 April 2015 the Group held no financial assets available for sale.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other net gains' in the period in which they arise.

Notes to the Group Financial Statements

continued

2.10 Financial assets (continued)

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

Impairment testing of trade receivables is described in note 2.13.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Cost is determined using the first-in, first-out ("FIFO") method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Vehicles on consignment

Vehicles held on consignment from manufacturers are included in the statement of financial position where it is considered that the Group enjoys the benefits and carries the risks of ownership.

2.13 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administration expenses'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administration expenses' in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Cash and cash equivalents are stated net of bank overdrafts in the cash flow statement.

2.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Consignment inventory payables

Inventories of commercial vehicles are usually funded under stocking finance plans offered by either the manufacturer's own finance arm, or third party funders. Amounts outstanding are included in trade and other payables.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

However, the deferred income tax is not accounted for, if it arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or losses.

Notes to the Group Financial Statements

continued

2.18 Income tax (continued)

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

2.19 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies. The Group has only defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

For defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Share based payments

IFRS 2 requires the recognition of equity settled share based payments at fair value at the date of the grant. All equity settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to share based payment reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of shares expected to vest. Estimates are revised subsequently if there is any indication that the number of shares expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and where appropriate, share premium.

2.20 Provisions

Provisions for items such as dilapidations and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. In practice this means that revenue is generally recognised as follows:

Notes to the Group

Financial Statements

continued

2.21 Revenue recognition (continued)

a) Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. For vehicles this is generally on registration; for other goods it is when despatched, or packaged and made available for collection.

b) Services other than repair and maintenance contracts

Revenue is recognised when the service is rendered

c) Repair and maintenance contracts

Revenue is recognised over the life of the contract in proportion to the costs of providing the services.

2.22 Supplier bonuses

Cost of sales are recognised net of vehicle manufacturers' bonuses. These are recognised when the Group has met the relevant conditions. There is little judgement or estimation involved in computing the amounts.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the estimated useful life of the asset and the lease term; where the lease contains an option to purchase which is expected to be exercised, the asset is depreciated over the useful life of the asset. The accounting policy adopted for finance leases is also applied to hire purchase agreements.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

2.25 Exceptional items

Items that are both material and non-recurring are presented as exceptional items within their relevant consolidated income statement category. The separate reporting of exceptional items helps provide a clearer indication of the Group's underlying business performance.

Items which may give rise to classification as exceptional include, but are not limited to, restructuring of the business or depot network, asset impairments and litigation settlements. As shown in note 4, the Group has also identified certain discontinuing costs and disclosed them separately alongside exceptional costs.

2.26 Financial risk management

The Group carries out treasury hedging activities to manage exposures to interest rate movements on its core borrowings using interest rate swaps.

The Group only uses derivatives for hedging purposes and they are recognised at fair value and are re-measured to fair value at each balance sheet date. Where an interest rate swap qualifies as an effective hedge under IAS 39, movements in fair value are shown as an adjustment to the net interest charge being hedged.

Movements in fair value of derivatives that do not qualify as an effective hedge under IAS 39 are shown in 'other net gains' within the income statement. The Group identifies, evaluates and hedges financial risks centrally under policies approved by the Board covering specific areas, such as interest rate risk, foreign exchange risk and credit risk.

2.27 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, both in arriving at the expected future cash flows and the application of a suitable discount rate in order to calculate the present value of these flows.

Notes to the Group Financial Statements

continued

2.27 Critical accounting estimates and assumptions (continued)

(b) Fair value of intangible assets acquired in business combinations

As there is no ready market for intangible assets such as customer relationships and brands, judgement is required in assessing fair value when accounting for a business combination.

(c) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the

ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Estimates and judgements are continually evaluated by management, on a case-by-case basis, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.28 Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.29 Adoption of new and revised reporting standards

The Group has applied all accounting standards and interpretations issued by the IASB and IFRIC except for the following standards and interpretations which were in issue but not yet effective:

| | Effective date (annual periods beginning on or after) |
|--|---|
| Amendments to IAS 19 Defined Benefit Plans: Employee Contributions | 1 July 2014 |
| IFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to IFRS 11- Accounting for Acquisition of Interests in Joint Operations | 1 January 2016 |
| Amendments to IAS 16 and IAS 41- Agriculture: Bearer Plants | 1 January 2016 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2017 |
| IFRS 9 Financial Instruments (issued in 2014) | 1 January 2018 |
| Amendments to IAS 27- Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| Amendments to IAS 1 – Disclosure Initiative | 1 January 2016 |
| Annual Improvements to IFRSs 2010-2012 Cycle | 1 July 2014 |
| Annual Improvements to IFRSs 2011-2013 Cycle | 1 July 2014 |
| Annual Improvements to IFRSs 2012-2014 Cycle | 1 January 2016 |

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations.

As the Group prepares its financial information in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to them having been endorsed for use in the EU via the EU

Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact

on the Group's historical financial information in the period of initial application.

In the current year, amendments to IFRS 10, 11 and 12 have been adopted. There has been no material impact, although there have been some minor changes to disclosure.

Notes to the Group Financial Statements

continued

3. Revenue

Revenue recognised in the income statement is analysed as follows:

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| E-fulfilment & returns management services | 60,563 | 46,046 |
| Non e-fulfilment logistics | 102,155 | 89,557 |
| Value-added logistics services | 162,718 | 135,603 |
| Commercial vehicles | 73,561 | 66,796 |
| Inter-segment sales | (1,501) | (1,151) |
| Revenue from external customers | 234,778 | 201,248 |

Geographical information - revenues from external customers:

| | 2015 Group £'000 | 2014 Group £'000 |
|----------------|------------------------|------------------------|
| United Kingdom | 218,997 | 186,462 |
| Germany | 14,167 | 13,112 |
| Rest of Europe | 1,614 | 1,674 |
| Total | 234,778 | 201,248 |

Geography is determined by the location of the end customer

Notes to the Group Financial Statements

continued

4. Segment information

For the Group, the Chief Operating Decision Maker ("CODM") is the main Board of Directors. The CODM monitors the operating results of each business unit separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss, both before and after exceptional or discontinuing items. This measurement basis excludes Group-wide central services and financing costs which are not allocated to operating segments.

For management purposes, the Group is organised into two main reportable segments:

- Value-added logistics services
- Commercial vehicles, including sales, servicing and repairs

Within the value-added logistics services segment, the CODM also reviews performance of three separate business activities:

- E-fulfilment & returns management services (following the acquisition of Servicecare (see note 28) the definition of this activity has been amended from that shown in the previous Annual Report)
- Non e-fulfilment logistics
- Central logistics overheads, being the costs of support services specific to the value-added logistics services segment, but which are impractical to allocate between the sub-segment activities

Inter-segment transactions are entered into under normal commercial terms and conditions and on an arm's length basis that would also be available to unrelated third parties.

The Group has no customers that account for greater than 10% of the total Group revenue.

The following tables present profit information for continuing operations regarding the Group's business segments for the two years ended 30 April 2015:

Operating profit before non-recurring items:

| | 2015 Group £'000 | 2014 Group £'000 |
|--|---------------------------------|------------------------|
| E-fulfilment & returns management services | 5,512 | 3,724 |
| Non e-fulfilment logistics | 10,062 | 9,163 |
| Central logistics overheads | (4,038) | (4,228) |
| Value-added logistics services | 11,536 | 8,659 |
| Commercial vehicles | 1,874 | 1,836 |
| Head office costs – continuing | (1,405) | (882) |
| Group operating profit before non-recurring items | 12,005 | 9,613 |

Notes to the Group Financial Statements

continued

4. Segment information (continued)

Exceptional and discontinuing costs:

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| E-fulfilment & returns management services | (192) | (10) |
| Non e-fulfilment logistics | - | - |
| Central logistics overheads | - | (30) |
| Value-added logistics services | (192) | (40) |
| Commercial vehicles | - | (495) |
| Segment total exceptional items | (192) | (535) |
| IPO costs ¹ | (671) | (1,981) |
| Head office costs – discontinuing ² | (278) | (2,297) |
| Group total exceptional and discontinuing costs | (1,141) | (4,813) |

Operating profit and profit before income tax:

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| Operating profit: | | |
| E-fulfilment & returns management services | 5,320 | 3,714 |
| Non e-fulfilment logistics | 10,062 | 9,163 |
| Central logistics overheads | (4,038) | (4,258) |
| Value-added logistics services | 11,344 | 8,619 |
| Commercial vehicles | 1,874 | 1,341 |
| IPO costs ¹ | (671) | (1,981) |
| Head office costs ² | (1,683) | (3,179) |
| Group operating profit | 10,864 | 4,800 |
| Finance costs | (1,388) | (952) |
| Finance income | 9 | 101 |
| Profit before income tax | 9,485 | 3,949 |

¹ Professional fees and other costs paid in relation to the Initial Public Offering.

² Head office costs include a number of items which are not being borne by the Group post-Admission. These consist of certain advertising, sponsorship and corporate entertaining expenses, remuneration of a retiring Director, consultancy and professional fees in respect of potential investment opportunity appraisals and the costs of operating the Chairman's private office.

Notes to the Group Financial Statements

continued

4. Segment information (continued)

The segment assets and liabilities at the balance sheet date are as follows:

| | Segment assets £'000 | Segment liabilities £'000 |
|-------------------------------------|----------------------------|---------------------------------|
| At 30 April 2015: | | |
| Value-added logistics services | 53,619 | (33,307) |
| Commercial vehicles | 40,935 | (29,241) |
| Segment assets/(liabilities) | 94,554 | (62,548) |
| Unallocated assets/(liabilities): | | |
| - Cash and cash equivalents | 1,854 | - |
| - Financial liabilities | - | (15,492) |
| - Deferred tax | - | (642) |
| - Income tax assets/(liabilities) | - | (731) |
| Total assets/(liabilities) | 96,408 | (79,413) |

| | Segment assets £'000 | Segment liabilities £'000 |
|-------------------------------------|----------------------------|---------------------------------|
| At 30 April 2014: | | |
| Value-added logistics services | 44,376 | (27,249) |
| Commercial vehicles | 38,391 | (28,007) |
| Segment assets/(liabilities) | 82,767 | (55,256) |
| Unallocated assets/(liabilities): | | |
| - Cash and cash equivalents | 5,360 | - |
| - Financial liabilities | - | (20,715) |
| - Deferred tax | - | (366) |
| - Income tax assets/(liabilities) | - | (318) |
| Total assets/(liabilities) | 88,127 | (76,655) |

Notes to the Group Financial Statements

continued

4. Segment information (continued)

Capital expenditure, depreciation and amortisation by segment in the year ended 30

April was as follows:

Capital expenditure:

| | 2015 Group £'000 | 2014 Group £'000 |
|--------------------------------|------------------------|------------------------|
| Value-added logistics services | 7,297 | 4,203 |
| Commercial vehicles | 502 | 936 |
| Total | 7,799 | 5,139 |

Capital expenditure comprises additions to property, plant and equipment (note 12) and intangible assets (note 13).

Depreciation:

| | 2015 Group £'000 | 2014 Group £'000 |
|--------------------------------|------------------------|------------------------|
| Value-added logistics services | 2,694 | 3,100 |
| Commercial vehicles | 664 | 585 |
| Total | 3,358 | 3,685 |

Amortisation:

| | 2015 Group £'000 | 2014 Group £'000 |
|--------------------------------|------------------------|------------------------|
| Value-added logistics services | 266 | 212 |
| Commercial vehicles | 26 | 7 |
| Total | 292 | 219 |

Non-current assets held by each geographical area are made up as follows:

| | 2015 Group £'000 | 2014 Group £'000 |
|----------------|------------------------|------------------------|
| United Kingdom | 36,772 | 32,621 |
| Germany | 2,662 | 2,789 |
| Total | 39,434 | 35,410 |

Notes to the Group Financial Statements

continued

5. Staff costs

| | 2015 Group £'000 | 2014 Group £'000 |
|---|------------------------|------------------------|
| Wages and salaries | 59,734 | 52,594 |
| Social security costs | 5,492 | 4,839 |
| Pension costs for the defined contribution scheme | 1,189 | 883 |
| Share based payments | 124 | 180 |
| Total | 66,539 | 58,496 |

The average monthly number of employees during the year was made up as follows:

| | 2015 Group Number | 2014 Group Number |
|-------------------------|-------------------------|-------------------------|
| Warehousing | 1,789 | 1,433 |
| Distribution | 387 | 379 |
| Service and maintenance | 346 | 237 |
| Administration | 442 | 334 |
| Total | 2,964 | 2,383 |

Key management compensation (including Executive Directors):

| | 2015 Group £'000 | 2014 Group £'000 |
|---|------------------------|------------------------|
| Wages and salaries | 2,695 | 2,411 |
| Social security costs | 351 | 333 |
| Pension costs for the defined contribution scheme | 357 | 389 |
| Share based payments | 93 | 180 |
| Total | 3,496 | 3,313 |

Notes to the Group Financial Statements

continued

5. Staff costs (continued)

Directors' emoluments:

| | 2015 Group £'000 | 2014 Group £'000 |
|---|------------------------|------------------------|
| Aggregate emoluments | 1,416 | 1,300 |
| Pension costs for the defined contribution scheme | 73 | 139 |
| Total | 1,489 | 1,439 |

The number of Directors who were accruing benefits under a Group Pension Scheme is as follows:

| | 2015 Group Number | 2014 Group Number |
|----------------------------|-------------------------|-------------------------|
| Defined contribution plans | 4 | 5 |

More detail is set out in the Directors' Remuneration Report on pages 56 to 73.

Notes to the Group Financial Statements

continued

6. Group operating profit

This is stated after charging/(crediting):

| | 2015 Group £'000 | 2014 Group £'000 |
|---|------------------------|------------------------|
| Depreciation of property, plant and equipment - owned assets | 2,260 | 1,760 |
| Depreciation of property, plant and equipment - leased assets | 1,098 | 1,925 |
| Amortisation of intangible assets (included within administration & other expenses) | 292 | 219 |
| Total depreciation and amortisation expense | 3,650 | 3,904 |
| Operating lease rentals: | | |
| - Vehicles, plant and equipment | 6,936 | 6,672 |
| - Land and buildings | 13,062 | 12,658 |
| Auditors' remuneration: | | |
| Ernst & Young LLP: | | |
| - Group audit fees | 144 | 135 |
| - Tax services | - | - |
| - Corporate finance services | 47 | 565 |
| Baker Tilly UK Audit LLP & Associates: | | |
| - Group audit fees | - | 6 |
| - Tax services | - | 24 |
| Total auditors' remuneration: | | |
| - Audit of the Group Financial Statements | 51 | 50 |
| - Audit of the subsidiaries | 93 | 91 |
| - Non-audit fees | 47 | 589 |
| Total fees paid to the Group's auditors | 191 | 730 |
| Exceptional items: | | |
| - IPO transaction costs | 671 | 1,981 |
| - Fees & other costs in relation to the acquisition of subsidiaries | 192 | - |
| - Closure of depots | - | 363 |
| - Redundancy costs on reorganisation | - | 162 |
| - Aborted contract exit costs | - | 10 |
| Total exceptional items | 863 | 2,516 |
| Other net gains: | | |
| - Profit on sale of property, plant and equipment | 38 | 26 |
| - Dealership contributions | 227 | 259 |
| - Fair value adjustment to derivative financial instruments | 98 | - |
| - Amortisation of grants | 1 | - |
| Total net gains | 364 | 285 |

Notes to the Group Financial Statements

continued

7. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the

profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive instruments into ordinary shares.

The following reflects the income and share data used in the basic earnings per share computation:

| | 2015 Group £'000 | 2014 Group £'000 |
|--|---------------------------------|------------------------|
| Profit attributable to ordinary equity holders of the Company | 7,324 | 2,826 |

| | 2015 | 2014 |
|---|----------------|--------|
| Basic weighted average number of shares (thousands) | 100,000 | 99,160 |
| Basic earnings per share | 7.3p | 2.8p |
| Fully diluted weighted average number of shares (thousands) | 100,052 | 99,160 |
| Fully diluted earnings per share | 7.3p | 2.8p |

The weighted average number of shares has been calculated assuming all shares were converted from £1 to 0.05p shares as from 1 May 2013 in accordance with IAS 33.28.

Notes to the Group Financial Statements

continued

7. Earnings per share (continued)

Adjusted earnings per share

As set out in note 21, during the year ended 30 April 2014 there was a group reorganisation involving both an issue and a subdivision of shares.

In addition, in both years there was a large amount of non-recurring costs. Consequently, the basic measure of earnings per share is significantly distorted by these factors.

Adjusted earnings per share:

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| Profit attributable to ordinary equity holders of the Company | 7,324 | 2,826 |
| Discontinuing costs | 278 | 2,297 |
| Exceptional costs | 863 | 2,516 |
| Tax effect* | (102) | (735) |
| Adjusted earnings | 8,363 | 6,904 |

| | 2015 | 2014 |
|---|----------------|--------|
| Basic weighted average number of shares (thousands) | 100,000 | 99,160 |
| Adjusted basic earnings per share | 8.4p | 7.0p |

*in the previous Annual Report the tax effect was calculated at standard rate. It is now calculated at the effective rate applicable to the specific transactions.

Notes to the Group Financial Statements

continued

8. Dividends and other distributions

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| Interim dividend for the year ended 30 April 2015 of 1.6p per share | 1,600 | - |
| Dividends declared and paid by the Company during the year to former parent company | 335 | 2,500 |
| Dividends declared and paid by other Group members | - | 3,849 |
| Payments charged to merger reserve in respect of the transfer of subsidiaries | - | 12,162 |
| Total distributions | 1,935 | 18,511 |
| Proposed final dividend for the year ended 30 April 2015 of 3.2 pence (2014: nil) per share | 3,200 | - |

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is

payable to all shareholders on the Register of Members on 4 September 2015. The payment of this dividend will not have any tax consequences for the Group.

9. Finance costs

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| On bank loans and overdrafts | 720 | 19 |
| On hire purchase agreements | 308 | 292 |
| Amortisation of debt issue costs | 64 | - |
| Commercial vehicle stocking interest | 270 | 305 |
| Other interest payable | 26 | 38 |
| Amounts payable to former parent company | - | 298 |
| Total interest expense for financial liabilities measured at amortised cost | 1,388 | 952 |

10. Finance income

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| Bank interest | 7 | - |
| Other interest | - | 1 |
| Amounts receivable from former parent company | 2 | 100 |
| Total interest income for financial assets measured at amortised cost | 9 | 101 |

Notes to the Group Financial Statements

continued

11. Income tax expense

a) Tax charged in the income statement:

| | 2015 Group £'000 | 2014 Group £'000 |
|---|------------------------|------------------------|
| Current income tax: | | |
| UK & foreign corporation tax | 2,220 | 1,408 |
| Amounts under/(over) provided in previous years | (74) | 3 |
| Total income tax on continuing operations | 2,146 | 1,411 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (47) | (267) |
| Amounts under/(over) provided in previous years | 62 | 4 |
| Impact of change in tax laws and rates | - | (45) |
| Total deferred tax | 15 | (308) |
| Tax expense in the income statement on continuing operations | 2,161 | 1,103 |

(b) Tax relating to items charged or credited to other comprehensive income:

There are no tax consequences of any of the items included in other comprehensive income.

(c) Reconciliation of income tax charge:

The income tax expense in the income statement for the year differs from the standard rate of corporation tax in the UK. The differences are reconciled below:

| | 2015 Group £'000 | 2014 Group £'000 |
|---|------------------------|------------------------|
| Profit before taxation from continuing operations | 9,485 | 3,949 |
| Standard rate of corporation tax in UK | 20.92% | 22.84% |
| Tax on profit on ordinary activities at standard rate | 1,984 | 902 |
| Expenses not allowable for tax purposes | 248 | 223 |
| Tax under (over) provided in previous years | (12) | 7 |
| Difference in tax rates overseas | 45 | 16 |
| Utilisation of previously unrecognised tax losses | (104) | - |
| Deferred tax rate difference | - | (45) |
| Total tax expense reported in the income statement | 2,161 | 1,103 |

Notes to the Group Financial Statements

continued

11. Income tax expense (continued)

d) Deferred tax in the income statement:

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| Deferred tax on accelerated capital allowances | (31) | (261) |
| Deferred tax on other temporary differences | 46 | (47) |
| Total | 15 | (308) |

The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015. As this was substantively enacted at 30 April 2014, this rate has been applied in the measurement of the Group's deferred tax assets and liabilities in both years.

e) Deferred tax in the statement of financial position:

| | 2015 Group £'000 | 2014 Group £'000 |
|---------------------------------------|------------------------|------------------------|
| Deferred tax liabilities: | | |
| Accelerated capital allowances | (479) | (466) |
| Other timing differences | (218) | - |
| Deferred tax asset: | | |
| Provisions & other timing differences | 55 | 100 |
| Net deferred tax liability | (642) | (366) |

f) Deferred tax movement:

| | Group £'000 |
|---|----------------|
| At 1 May 2013 | (672) |
| Credited to income statement | 308 |
| Foreign currency adjustment | (2) |
| At 30 April 2014 | (366) |
| Acquisitions | (275) |
| Charged to income statement | (15) |
| Credited to share based payment reserve | 15 |
| Foreign currency adjustment | (1) |
| At 30 April 2015 | (642) |

Notes to the Group Financial Statements

continued

12. Property, plant and equipment

Group:

| | Leasehold property £'000 | Motor vehicles £'000 | Plant, machinery, fixtures & fittings £'000 | Total £'000 |
|----------------------------------|--------------------------------|----------------------------|---|----------------|
| Cost: | | | | |
| At 1 May 2013 | 3,439 | 2,931 | 22,723 | 29,093 |
| Acquisitions | 37 | 12 | 78 | 127 |
| Additions | 586 | 1,215 | 2,929 | 4,730 |
| Disposals | (58) | (528) | (159) | (745) |
| Foreign currency adjustment | (1) | (10) | (34) | (45) |
| At 30 April 2014 | 4,003 | 3,620 | 25,537 | 33,160 |
| Acquisitions | 38 | - | 261 | 299 |
| Additions | 52 | 870 | 1,345 | 2,267 |
| Disposals | (236) | (571) | (653) | (1,460) |
| Foreign currency adjustment | (6) | (83) | (266) | (355) |
| At 30 April 2015 | 3,851 | 3,836 | 26,224 | 33,911 |
| Accumulated depreciation: | | | | |
| At 1 May 2013 | 1,510 | 1,401 | 11,347 | 14,258 |
| Charge for the year | 250 | 596 | 2,839 | 3,685 |
| Disposals | (58) | (383) | (159) | (600) |
| Foreign currency adjustment | (1) | (6) | (19) | (26) |
| At 30 April 2014 | 1,701 | 1,608 | 14,008 | 17,317 |
| Charge for the year | 298 | 737 | 2,323 | 3,358 |
| Disposals | (236) | (350) | (620) | (1,206) |
| Foreign currency adjustment | (4) | (30) | (139) | (173) |
| At 30 April 2015 | 1,759 | 1,965 | 15,572 | 19,296 |
| Net book value: | | | | |
| At 1 May 2013 | 1,929 | 1,530 | 11,376 | 14,835 |
| At 30 April 2014 | 2,302 | 2,012 | 11,529 | 15,843 |
| At 30 April 2015 | 2,092 | 1,871 | 10,652 | 14,615 |

Included within property, plant and equipment are amounts held under finance lease contracts. At 30 April 2015 the net book value of these assets was £5,231,000 (30 April 2014 £4,767,000).

Notes to the Group Financial Statements

continued

13. Intangible assets

Group:

| | Goodwill £'000 | Contracts and licenses £'000 | Computer software £'000 | Total £'000 |
|----------------------------------|-------------------|------------------------------------|-------------------------------|----------------|
| Cost: | | | | |
| At 1 May 2013 | 18,785 | 723 | 1,413 | 20,921 |
| Acquisitions | 233 | - | - | 233 |
| Additions | - | - | 176 | 176 |
| Disposals | - | - | - | - |
| At 30 April 2014 | 19,018 | 723 | 1,589 | 21,330 |
| Acquisitions | 4,234 | 1,210 | 12 | 5,456 |
| Additions | - | - | 87 | 87 |
| Disposals | - | - | (173) | (173) |
| Foreign currency adjustment | - | - | (1) | (1) |
| At 30 April 2015 | 23,252 | 1,933 | 1,514 | 26,699 |
| Accumulated amortisation: | | | | |
| At 1 May 2013 | - | 723 | 821 | 1,544 |
| Charge for the year | - | - | 219 | 219 |
| At 30 April 2014 | - | 723 | 1,040 | 1,763 |
| Charge for the year | - | 63 | 229 | 292 |
| Disposals | - | - | (173) | (173) |
| Foreign currency adjustment | - | - | (2) | (2) |
| At 30 April 2015 | - | 786 | 1,094 | 1,880 |
| Net book value: | | | | |
| At 1 May 2013 | 18,785 | - | 592 | 19,377 |
| At 30 April 2014 | 19,018 | - | 549 | 19,567 |
| At 30 April 2015 | 23,252 | 1,147 | 420 | 24,819 |

The average remaining useful life of contracts & licences at 30 April 2015 is 7.6 years (2014: 0.0 years)

Notes to the Group Financial Statements

continued

14. Impairment test for goodwill

The carrying amount of goodwill has been allocated to cash generating units ("CGU"s) as follows:

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| Value-added logistics services excluding Servicecare group | 13,092 | 13,092 |
| Servicecare group | 4,234 | - |
| Commercial vehicles | 5,926 | 5,926 |
| Total | 23,252 | 19,018 |

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is determined based on value-in-use calculations.

The value-in-use calculations have used pre-tax cash flow projections based on the Board approved business plans for the two years ending 30 April 2017. Subsequent cash flows are extrapolated using an estimated long term growth rate of 2.5% (2014: 2.5%) to 2025 (2014: 2024). The cash flows have then been discounted using a pre-tax risk adjusted discount rate of 10% (2014: 10%). The forecasts of foreign operations are translated at the exchange rate ruling at the year end

The pre-tax adjusted discount rate has been estimated based on other similar sized companies in similar industries.

The Directors have concluded that no reasonably foreseeable change in the key assumptions would give rise to an impairment.

Notes to the Group Financial Statements

continued

15. Inventories

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| Component parts and consumable stores | 4,063 | 3,427 |
| Commercial vehicles | 2,993 | 2,669 |
| Commercial vehicles on consignment | 14,621 | 12,929 |
| Total inventories net of provision for obsolescence | 21,677 | 19,025 |

See below for the movements in the provision for obsolescence:

| | Group £'000 |
|-------------------------|----------------|
| At 1 May 2013 | 104 |
| Charged for the year | 127 |
| Utilised | (99) |
| At 30 April 2014 | 132 |
| Credited for the year | (9) |
| Utilised | (106) |
| At 30 April 2015 | 17 |

The cost of inventories recognised as an expense amounted to £69,720,000 (2014:£61,789,000).

Included within commercial vehicles is £1,141,000 (2014: £1,071,000) relating to assets held under hire purchase agreements.

Notes to the Group Financial Statements

continued

16. Trade and other receivables

| | 2015 Group £'000 | 2014 Group £'000 |
|---|------------------------|------------------------|
| Trade receivables | 17,562 | 16,378 |
| Less: provision for impairment of receivables | (256) | (349) |
| Trade receivables - net | 17,306 | 16,029 |
| Other receivables | 3,494 | 2,636 |
| Prepayments and accrued income | 12,643 | 9,667 |
| Total trade and other receivables | 33,443 | 28,332 |

See note 26 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

See below for the movements in the provision for impairment:

| | Group £'000 |
|-------------------------|----------------|
| At 1 May 2013 | 172 |
| Charged for the year | 331 |
| Utilised | (154) |
| At 30 April 2014 | 349 |
| Charged for the year | 34 |
| Utilised | (127) |
| At 30 April 2015 | 256 |

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large, unrelated and blue chip. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables. The average credit period taken on sale of goods or services is 23 days (2014: 25 days).

An impairment review has been undertaken at the balance sheet date to assess whether the carrying amount of financial assets is deemed recoverable. The primary credit risk relates to customers which have amounts due outside of their credit period. A provision for impairment is made when there is objective evidence of impairment which is usually indicated by a delay in the expected cash flows or non-payment from customers.

Notes to the Group Financial Statements

continued

16. Trade and other receivables (continued)

The ageing analysis of trade receivables was as follows:

| | Neither past due nor impaired | Past due but not impaired | | |
|----------------------|----------------------------------|---------------------------|---------------------|--------------------|
| | | 30-60 days £'000 | 60-90 days £'000 | > 90 days £'000 |
| 30 April 2015 | 16,126 | 764 | 149 | 267 |
| 30 April 2014 | 15,032 | 455 | 190 | 352 |

17. Cash and cash equivalents

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| Cash and cash equivalents | 1,854 | 5,360 |
| Bank overdraft | - | (85) |
| Total cash and cash equivalents | 1,854 | 5,275 |

18. Trade and other payables

| | 2015 Group £'000 | 2014 Group £'000* |
|---------------------------------------|------------------------|-------------------------|
| Trade creditors | 25,272 | 21,352 |
| Stocking finance | 14,176 | 17,210 |
| Other taxes and social security | 4,507 | 4,915 |
| Other creditors | 6,096 | 3,265 |
| Accruals and deferred income | 11,657 | 7,668 |
| Total trade and other payables | 61,708 | 54,410 |

*2014 restated (see note 2.3)

Notes to the Group Financial Statements

continued

19. Financial liabilities: borrowings

| | 2015 Group £'000 | 2014 Group £'000* |
|--|------------------------|-------------------------|
| Non-current: | | |
| Bank loans | (7,291) | (216) |
| Obligations under finance leases or hire purchase agreements | (2,935) | (4,044) |
| Total non-current | (10,226) | (4,260) |
| Current: | | |
| Bank overdrafts | - | (85) |
| Bank loans | (2,604) | (177) |
| Obligations under finance leases or hire purchase agreements | (2,592) | (2,012) |
| Total current | (5,196) | (2,274) |
| Total external borrowings | (15,422) | (6,534) |
| Add cash and cash equivalents | 1,854 | 5,360 |
| Net external debt | (13,568) | (1,174) |
| Net former parent company balance | - | (14,181) |
| Net debt | (13,568) | (15,355) |

*2014 restated (see note 2.3)

Current financial liabilities:

Prior to the reorganisation, the former parent company arranged a proportion of external borrowings used to finance the group. Balances were lent to and from the former

parent company to fund the group activities. Therefore the amounts owed to and from the former parent company have been disclosed in financial liabilities.

| | 2015 Group £'000 | 2014 Group £'000* |
|---|------------------------|-------------------------|
| Amounts owed to former parent company | - | (15,267) |
| Amounts owed by former parent company | - | 1,086 |
| Net former parent company balance | - | (14,181) |
| Current external financial liabilities | (5,196) | (2,274) |
| Current financial liabilities | (5,196) | (16,455) |

*2014 restated (see note 2.3)

Notes to the Group Financial Statements

continued

19. Financial liabilities: borrowings (continued)

The maturity analysis of the bank loans at 30 April is as follows:

| | 2015 Group £'000 | 2014 Group £'000 |
|----------------------------|------------------------|------------------------|
| In one year or less | 2,604 | 177 |
| Between one and five years | 7,291 | 216 |
| After five years | - | - |
| Total bank loans | 9,895 | 393 |

The principal lender has security over all assets of the Group's UK operations.

The principal features of the bank loans are as follows:

- Medium term loan from principal lender - £10,000,000 repayable in quarterly instalments of £625,000 to 30 April 2019; interest rate 3.25% above LIBOR.
- Other bank loans - £201,000 repayable in monthly or quarterly instalments over periods between 3 and 50 months; interest rates fixed at between 3.90% and 4.80%.
- Unamortised debt issue costs of £306,000 have been deducted from the total outstanding bank loans

Notes to the Group Financial Statements

continued

19. Financial liabilities: borrowings (continued)

The amounts which are repayable under hire purchase or finance lease instalments are shown below:

| | 2015 Group £'000 | 2014 Group £'000 |
|--|------------------------|------------------------|
| Fixed rate leases: | | |
| Minimum lease payments: | | |
| In one year or less | 1,561 | 1,451 |
| Between one and five years | 2,112 | 2,676 |
| After five years | - | - |
| | 3,673 | 4,127 |
| Interest: | | |
| In one year or less | (151) | (192) |
| Between one and five years | (105) | (182) |
| After five years | - | - |
| | (256) | (374) |
| Principal of fixed rate leases: | | |
| In one year or less | 1,410 | 1,259 |
| Between one and five years | 2,007 | 2,494 |
| After five years | - | - |
| | 3,417 | 3,753 |
| Variable rate leases: | | |
| In one year or less | 1,182 | 753 |
| Between one and five years | 928 | 1,550 |
| After five years | - | - |
| | 2,110 | 2,303 |
| Total | 5,527 | 6,056 |

It is the Group's policy to acquire certain of its property, plant and equipment and inventories under finance leases or hire purchase agreements. The average contract term is 3.5 (2014: 3.5) years. At 30 April 2015 £5,234,000 (2014 £5,998,000) of the Group total of such obligations is denominated in sterling and the remainder is denominated in Euros. The interest on the variable rate leases is based on a margin above Bank Base Rate, FHBR or LIBOR. The Group's obligations under finance leases are secured by the lessor's charge over the assets.

Notes to the Group Financial Statements

continued

20. Provisions

| | Onerous contracts | Uninsured losses | Dilapidations | Total |
|-------------------------|-------------------|------------------|---------------|------------|
| At 1 May 2013 | - | 350 | 705 | 1,055 |
| Acquisitions | 60 | - | - | 60 |
| Utilised | (79) | (155) | (264) | (498) |
| Charged in year | 331 | (195) | 93 | 229 |
| At 30 April 2014 | 312 | - | 534 | 846 |
| Acquisitions | - | - | 48 | 48 |
| Utilised | (78) | (79) | (82) | (239) |
| Charged in year | - | 79 | 106 | 185 |
| At 30 April 2015 | 234 | - | 606 | 840 |

Provisions have been analysed between current and non-current as follows:

| | 2015 Group £'000 | 2014 Group £'000 |
|-------------|------------------------|------------------------|
| Current | 108 | 147 |
| Non-current | 732 | 699 |
| | 840 | 846 |

Onerous contracts

As part of the consideration for the acquisition of R. Geist Spedition GmbH & Co. KG in 2013, the Group took on contracts for some staff, vehicles and premises that were surplus to the immediate requirements of the business. The onerous element of those contracts has been recognised within the fair value of assets and liabilities acquired. The provision was fully utilised by 30 April 2014.

Following a reorganisation of the commercial vehicles business in the year ended 30 April 2013, which included the closure of a depot, the Group was unsuccessful in its efforts to sub-let the closed premises. The Directors therefore made a provision in the year ended 30 April 2014 for the rent that will be payable until the expiry of the lease in September 2018.

Uninsured losses

The uninsured losses provision is in respect of the cost of claims (generally for commercial vehicles and employment related) which are either not insured externally or fall below the excess on the Group's insurance policies.

Dilapidations

Provisions are established over the life of leases to cover remedial work necessary at termination under the terms of those leases. Three key sites have leases that expire 22, 13 and 11 years from the balance sheet date. All other leases expire in 10 years or less.

Notes to the Group Financial Statements

continued

21. Share capital

| | 2015 Company £'000 | 2014 Company £'000 |
|--|--------------------------|--------------------------|
| Allotted, called up and fully paid: | | |
| 100,000,000 ordinary shares of 0.05p each | 50 | 50 |

On 30 April 2014 the following transactions occurred:

a) 3,852 'A' ordinary and 3,851 'B' ordinary shares of £1 each were re-designated as 15,406,000 ordinary shares of 0.05p each.

b) 83,794,000 ordinary shares of 0.05p each were allotted to the then parent company for cash consideration of £42,000.

c) 800,000 ordinary shares of 0.05p each were allotted in exchange for the minority shareholding in Clipper Logistics GmbH. The fair value of the shares issued was estimated at £800,000 and consequently £800,000 was credited to other reserves.

22. Share based payments

Year ended 30 April 2015

The Clipper Performance Share Plan ("PSP") was approved by shareholders on 29 September 2014. The PSP enables selected directors and employees of the Group to be granted awards in respect of ordinary shares. Share Awards under the PSP will ordinarily be structured as nil cost share options with the vesting of Share Awards being subject to performance conditions measured over a period of at least 3 years. A summary of the principal terms of the PSP, including vesting conditions, is contained in the Directors' Remuneration Report on pages 56 to 73.

The Clipper Sharesave Plan is a share plan for all UK employees in the Group, and offers them the opportunity to acquire an interest in shares in the Company on favourable terms within the long-standing regime allowed by HMRC legislation. All UK staff are invited to participate on the same terms, and employees who choose to participate are granted an option over shares in the Company, with the exercise of that option being funded by the proceeds of a savings contract taken out by the relevant employee, under which the employee saves a set amount each month over a set period. The options granted in the year were offered with a 3-year savings contract, under which the employee could elect to save between £10 and £500 per month.

Notes to the Group Financial Statements

continued

22. Share based payments (continued)

Options granted during the year were as follows:

| | Number granted | Exercise price | Vesting period Years | Expiry period Years |
|-------------------------|------------------|----------------|----------------------|---------------------|
| PSP: | | | | |
| 14 January 2015 | 826,493 | £nil | 3 | 10 |
| 26 March 2015 | 19,402 | £nil | 3 | 10 |
| Sharesave: | | | | |
| 10 February 2015 | 1,352,846 | £1.404 | 3 | 3.5 |
| At 30 April 2015 | 2,198,741 | | | |

At 30 April 2015 no options were exercisable.

The fair value of the share options is measured at the grant date, using the Black-Scholes model and taking into account the terms and conditions upon which the instruments were granted. The key inputs to the model are:

| | 2015 |
|---------------------------------|-----------|
| Share price at: 14 January 2015 | 1.7425 |
| 10 February 2015 | 1.7475 |
| 26 March 2015 | 1.7000 |
| Bid price discount | 25% |
| Expected life of option | 3.5 years |
| Volatility | 35% |
| Dividend yield | 2.75% |

The expected life of the options has been estimated as 6 months beyond vesting date. As there is little historical data the volatility has been estimated at 35% based on similar quoted companies. The dividend yield is calculated from the Company's stated dividend policy applied to the share price at the grant date.

The cost of the options is recognised over the expected vesting period. The total charge for the year ended 30 April 2015 relating to employee share based payment plans was £124,000. The fair value of share options at 30 April 2015 to be amortised in future years was £1,188,000.

All share based payments in both years are equity settled.

Year ended 30 April 2014

The charge for share based payments in the year ended 30 April 2014 related to options granted over shares in the former parent company. All such options were exercised or cancelled in May 2014.

The total charge for the year ended 30 April 2014 relating to employee share based payment plans was £180,000.

Notes to the Group Financial Statements

continued

23. Merger reserve

To reflect the group reorganisation a merger reserve with a balance of £18,168,000 was included in the Group statement of financial position at 1 May 2010.

In the year ended 30 April 2014 a charge of £12,162,000 was made to the reserve to reflect the acquisition of the fellow subsidiaries from Clipper Group Holdings Limited as part of the group reorganisation.

24. Commitments and contingencies

Operating lease commitments – land and buildings:

| | 2015 Group £'000 | 2014 Group £'000 |
|-------------------------------------|------------------------|------------------------|
| Less than one year | 11,391 | 9,660 |
| Between one and five years | 43,269 | 35,952 |
| More than five years | 59,327 | 57,816 |
| Total minimum lease payments | 113,987 | 103,428 |

Operating lease commitments – vehicles, plant and equipment:

| | 2015 Group £'000 | 2014 Group £'000 |
|-------------------------------------|------------------------|------------------------|
| Less than one year | 2,364 | 2,615 |
| Between one and five years | 3,503 | 3,750 |
| More than five years | 84 | 293 |
| Total minimum lease payments | 5,951 | 6,658 |

25. Capital commitments

| | 2015 Group £'000 | 2014 Group £'000 |
|------------------------------------|------------------------|------------------------|
| Authorised and contracted for | 797 | 295 |
| Authorised, but not contracted for | 8,569 | - |
| | 9,366 | 295 |

Notes to the Group

Financial Statements

continued

26. Financial instruments and financial risk management objectives and policies

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement) the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements. The Group did not identify any such derivatives.

The Group is exposed to a number of different market risks in the normal course of business including credit, interest rate and foreign currency risks.

Credit risk

Credit risk predominantly arises from trade receivables and cash and cash equivalents. The Group has a customer credit policy in place and the exposure to credit risk is monitored on an ongoing basis. External credit ratings are generally obtained for customers; Group policy is to assess the credit quality of each customer before accepting any terms of trade.

Internal procedures take into account the customers' financial positions as well as their reputation within the industry and past payment experience. Cash and cash equivalents and derivative financial instruments are held with AAA or AA rated banks. Financial instruments classified as fair value through profit and loss and available for sale are all publicly traded on the UK London Stock Exchange. Given the high credit quality of counterparties with whom the Group has investments, the Directors do not expect any counterparty to fail to meet its obligations.

At 30 April 2015 there were no significant concentrations of credit risk (2014: £nil). The Group's maximum exposure to credit risk, gross of any collateral held, relating to its financial assets is equivalent to their carrying value. All financial assets have a fair value which is equal to their carrying value, as a consequence of their short maturity. The Group did not have any financial instruments that would mitigate the credit exposure arising from the financial assets designated at fair value through profit or loss in either the current or the preceding financial year.

Interest rate risk

The Group adopts a policy of ensuring that there is an appropriate mix of fixed and floating rates in managing its exposure to changes in interest rates on borrowings. Interest rate swaps are entered into, where necessary, to achieve this appropriate mix.

As part of the novation of bank facilities from the former parent on 2 May 2014, the Company took on an existing interest rate swap. The notional principal at 30 April 2015 is £2,700,000 which reduces by £450,000 on a quarterly basis. The Company pays a fixed rate of 3.68% and receives a variable LIBOR rate on the notional amount. The fair value of the interest rate swap is determined by reference to market value and at 30 April 2015 was £70,000.

Interest rate sensitivity

The Group's borrowings are largely denominated in Pounds Sterling and the Group is therefore exposed to a change in the relevant interest rate. With all other variables held constant, the impact of a reasonably possible increase in interest rates of 50 basis points (2014: 50 points) on that portion of borrowings affected, would be to reduce the Group's profit before tax by £77,000 (2014: £23,000).

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Pounds Sterling. The currencies giving rise to this risk are primarily the Euro and US dollar. The volume of transactions denominated in foreign currencies is not significant to the Group.

The exposure to a short-term fluctuation in exchange rates on the investment in foreign subsidiaries is not expected to have a material impact on the results of the Group.

Notes to the Group

Financial Statements

continued

26. Financial instruments and financial risk management objectives and policies (continued)

Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis and adjusting the level of dividends paid to ordinary shareholders.

The Group considers its capital to include equity and net debt. Net debt includes

short and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents.

The Group has not made any changes to its capital management during the year. The Group has no long-term gearing ratio target. Borrowings are taken out to invest in the acquisition of subsidiaries, new sites or depots and are considered as part of that investment appraisal. Key measures monitored by the Group are interest cover and net debt compared to earnings before interest, tax, depreciation and amortisation.

In order to achieve the overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings. The Group has satisfied all such financial covenants in both years.

| | 2015 | 2014 |
|-----------------------|---------------|-------|
| | Group | Group |
| | £'000 | £'000 |
| Adjusted EBIT | 12,005 | 9,613 |
| Finance costs (net) | 1,379 | 851 |
| Interest cover | 8.7 | 11.3 |

| | 2015 | 2014 |
|---|---------------|--------|
| | Group | Group |
| | £'000 | £'000 |
| Adjusted EBIT | 12,005 | 9,613 |
| Depreciation and impairment of property, plant and equipment | 3,358 | 3,685 |
| Amortisation and impairment of intangible assets | 292 | 219 |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA") | 15,655 | 13,517 |
| Net debt (note 19) | 13,568 | 15,355 |
| Net debt/EBITDA | 0.87 | 1.14 |

Notes to the Group Financial Statements

continued

26. Financial instruments and financial risk management objectives and policies (continued)

Liquidity risk

Management closely monitors available bank and other credit facilities in comparison to the Group's outstanding commitments on a regular basis to ensure that the Group has sufficient funds to meet the obligations of the Group as they fall due.

The Board receives regular cash forecasts which estimate the cash inflows and outflows over the next 24-36 months, so that management can ensure that sufficient financing can be arranged as it is required. The Group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management.

| | Due within one year £'000 | Due between one and two years £'000 | Due between two and five years £'000 | Total £'000 |
|------------------------------------|---------------------------------|--|---|----------------|
| 30 April 2014 | | | | |
| Fixed rate borrowings | 1,436 | 1,242 | 1,469 | 4,147 |
| Floating rate borrowings | 15,019 | 978 | 571 | 16,568 |
| Total borrowings | 16,455 | 2,220 | 2,040 | 20,715 |
| Trade and other payables | 54,158 | - | - | 54,158 |
| Total financial liabilities | 70,613 | 2,220 | 2,040 | 74,873 |
| 30 April 2015 | | | | |
| Fixed rate borrowings | 3,314 | 2,163 | 841 | 6,318 |
| Floating rate borrowings | 1,882 | 2,320 | 5,208 | 9,410 |
| Total borrowings | 5,196 | 4,483 | 6,049 | 15,728 |
| Trade and other payables | 60,237 | - | - | 60,237 |
| Total financial liabilities | 65,433 | 4,483 | 6,049 | 75,965 |

Notes to the Group Financial Statements

continued

26. Financial instruments and financial risk management objectives and policies (continued)

Estimation of fair values

The main methods and assumptions used in estimating the fair values of financial instruments are as follows:

- derivatives: interest rate swaps are marked to market using listed market prices;
- interest-bearing loans and borrowings: fair value is calculated based on discounted expected future principal and interest cash flows; and
- trade and other receivables/payables: the notional amount for trade receivables/ payables with a remaining life of less than one year are deemed to reflect their fair value.

| | 2015 Book value £'000 | 2015 Fair value £'000 | 2014 Book value £'000 | 2014 Fair value £'000 |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Current financial assets: | | | | |
| Cash and cash equivalents | 1,854 | 1,854 | 5,360 | 5,360 |
| Trade and other receivables | 33,443 | 33,443 | 28,332 | 28,332 |
| Liabilities: | | | | |
| Bank overdraft | - | - | (85) | (85) |
| Short term borrowings | (5,196) | (5,196) | (16,370) | (16,370) |
| Trade and other payables | (61,708) | (61,708) | (54,410) | (54,410) |
| Derivative financial instruments | (70) | (70) | - | - |
| Long term borrowings | (10,226) | (10,106) | (4,260) | (4,103) |

Long-term borrowings are classified as Level 2 (items with significant observable inputs) financial liabilities under IFRS 13. Derivative financial instruments consist of interest rate swaps and are classified as Level 2 (items with significant observable inputs) financial liabilities under IFRS 13. There have been no transfers between Level 1 and Level 2 financial instruments during the year.

Notes to the Group

Financial Statements

continued

27. Related party disclosures

The Group rented an aircraft from South Acre Aviation Limited, a company owned by Steve Parkin. Charges are on an arm's length basis and the Group had advanced a loan to South Acre Aviation Limited. The loan was repaid to the Company in April 2014 and bore interest at 3.25% per annum. The rental agreement terminated on 30 May 2014.

During the year the Company leased racehorses which are beneficially owned by Steve Parkin. These horses ran in the Company name and in Company colours. Under the terms of the lease, the Company was responsible for all expenditure in connection with the horses but could retain any monies received for a win or placing up to the value of the costs incurred for that horse. The rights and liabilities arising under this arrangement ceased on 31 May 2014.

Roydhouse Properties Limited is the landlord of two of the Company's leasehold properties and is classed as a related party due to the company having common directors with Clipper Logistics plc.

Knaresborough Real Estate Ltd, a company owned by Steve Parkin, is the landlord of one of the Group's leasehold properties. Rent payable under the current lease is at the same rate as that with the previous landlord.

Guiseley Association Football Club shares a common director with Clipper Logistics plc.

The dividends paid to the former parent company can be found in note 8.

Key management compensation is disclosed in note 5.

There were no balances owing to or from these related parties at 30 April 2015. Balances due to and from the former parent company at 30 April 2014 can be found in note 19. Interest receivable from and payable to the former parent company can be found in notes 9 and 10.

| | 2015 Group £'000 | 2014 Group £'000 |
|--|---------------------------------|------------------------|
| Items charged to the income statement: | | |
| South Acre Aviation Limited – aircraft rental costs | 7 | 69 |
| Horse costs | 56 | 414 |
| Roydhouse Properties Limited – rent payable | 877 | 819 |
| Knaresborough Real Estate Limited – rent payable | 157 | - |
| Guiseley Association Football Club – advertising and sponsorship | 25 | 275 |

Notes to the Group Financial Statements

continued

28. Business combinations

28.1. Servicecare Support Services Limited

On 3 December 2014, the Group acquired 100% of the voting shares of Servicecare Support Services Limited ("Servicecare") and its subsidiary, Electrotec International Limited (together, the "Servicecare group"),

in exchange for cash consideration. Both are unlisted companies based in the UK. The Servicecare group specialises in providing returns logistics services to consumer electronics manufacturers and retailers. The Group acquired Servicecare to enhance its returns management service offering.

Purchase consideration:

| | £'000 |
|--|--------------|
| Cash paid | 6,475 |
| Deferred consideration payable in the year ending 30 April 2016 | 2,000 |
| Additional consideration payable on receipt of equivalent tax refund | 212 |
| Total consideration payable | 8,687 |
| Analysis of cash flows on acquisition: | |
| Cash paid | 6,475 |
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | (2,776) |
| Net cash flow on acquisition in the year | 3,699 |

Acquisition:

| | Fair value recognised on acquisition £'000 |
|--|---|
| Assets: | |
| Property, plant and equipment | 299 |
| Intangible assets | 1,222 |
| Cash and cash equivalents | 2,776 |
| Inventories | 219 |
| Trade receivables (at cost and fair value) | 1,801 |
| Other receivables | 260 |
| Current tax asset | 49 |
| Liabilities: | |
| Trade payables | (1,125) |
| Other payables | (622) |
| Borrowings | (151) |
| Current tax liability | - |
| Deferred tax liability | (275) |
| Total identifiable net assets (liabilities) at fair value | 4,453 |
| Goodwill arising on acquisition | 4,234 |
| Total consideration | 8,687 |

The fair values above are considered to be final.

Notes to the Group Financial Statements

continued

28. Business combinations (continued)

28.1. Servicecare Support Services Limited (continued)

The goodwill of £4,234,000 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the value-added logistics services segment.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Intangible assets recognised, consist of brands, customer relationships and the acquired order book.

From the date of acquisition, Servicecare has contributed £5,706,000 of revenue and £794,000 to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, Group revenue from continuing operations would have been £242,698,000 and the profit before tax from continuing operations for the Group would have been £10,531,000.

Professional fees and costs in relation to the acquisition were £192,000 and have been charged to the income statement.

Notes to the Group Financial Statements

continued

28. Business combinations (continued)

28.2. R. Geist Spedition GmbH & Co. KG

On 1 October 2013, the Group acquired 100% of the voting shares of R. Geist Spedition GmbH & Co. KG ("Geist"), an unlisted company based in Germany and

specialising in value-added logistics services, in exchange for cash consideration.

The Group acquired Geist to increase its presence in mainland Europe and therefore assist the Group's UK customers with their expansion plans.

Purchase consideration:

| | £'000 |
|--|-------------|
| Cash paid | 224 |
| Total consideration | 224 |
| Analysis of cash flows on acquisition: | |
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | (160) |
| Net cash flow on acquisition | (64) |

Acquisition:

| | Fair value recognised on acquisition £'000 |
|--|--|
| Assets: | |
| Property, plant and equipment | 127 |
| Cash and cash equivalents | 160 |
| Inventories | 49 |
| Trade receivables | 841 |
| Other receivables | 48 |
| Liabilities: | |
| Trade payables | (418) |
| Other payables | (475) |
| Borrowings | (317) |
| Current tax liability | (24) |
| Deferred tax liability | - |
| Total identifiable net assets (liabilities) at fair value | (9) |
| Goodwill arising on acquisition | 233 |
| Total consideration | 224 |

Notes to the Group Financial Statements

continued

28. Business combinations (continued)

28.2. R. Geist Spedition GmbH & Co. KG (continued)

The fair value of the trade receivables amounts to £841,000. The gross amount of trade receivables is £878,000. An impairment provision of £37,000 has been made.

The goodwill of £233,000 comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognised. Goodwill is allocated entirely to the value-added logistics services segment.

Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognised is expected to be deductible for income tax purposes.

In the year ended 30 April 2014 the Geist business was merged with Clipper Logistics GmbH. Following a further change of name the combined entity now trades as Clipper Logistics KG (GmbH & Co.).

28.3. Clipper Logistics GmbH

On 23 April 2014, the Company acquired, at book value, the former parent company's 75% shareholding in Clipper Logistics GmbH.

On 30 April 2014 the Company acquired the remaining 25% from the minority shareholders, in exchange for the allotment of 800,000 ordinary shares of 0.05p each. As this is an increase in the Company's ownership interest that does not result in a change of control, this is accounted for as an equity transaction through other reserves.

Acquisition of minority shareholding in Clipper Logistics GmbH:

| | £'000 |
|--|------------|
| Fair value of shares issued | 800 |
| Book value of non-controlling interests acquired | (33) |
| Difference accounted for through equity | 767 |

Company Financial Statements for the year ended 30 April 2015



Company Balance Sheet

At 30 April

| | Note | 2015 Company £'000 | 2014 Company £'000 |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Tangible assets | D | 10,734 | 12,026 |
| Investment in subsidiaries | E | 19,973 | 11,286 |
| Intangible assets | F | 5,362 | 5,778 |
| Total fixed assets | | 36,069 | 29,090 |
| Current assets | | | |
| Stock | G | 463 | 543 |
| Debtors | H | 19,030 | 16,743 |
| Cash at bank and in hand | | 52 | 3,302 |
| Total current assets | | 19,545 | 20,588 |
| Creditors: amounts falling due within one year | I | 38,788 | 42,240 |
| Net current liabilities | | (19,243) | (21,652) |
| Total assets less current liabilities | | 16,826 | 7,438 |
| Creditors: amounts falling due after more than one year | J | 8,845 | 2,438 |
| Provisions for liabilities | N | 923 | 902 |
| Net assets | | 7,058 | 4,098 |
| Capital and reserves | | | |
| Called up share capital | P | 50 | 50 |
| Share premium | R | 48 | 48 |
| Other reserve | R | 851 | 851 |
| Share based payment reserve | R | 110 | - |
| Profit and loss account | R | 5,999 | 3,149 |
| Total equity | | 7,058 | 4,098 |

Approved by the Board on 27 July 2015 and signed on its behalf by:

D A Hodkin – Chief Financial Officer

Notes to the Company

Financial Statements

A. Authorisation of financial statements and statement of compliance with UK GAAP

The parent company financial statements of Clipper Logistics plc (the "Company") for the year ended 30 April 2015 were authorised for issue by the Board of Directors on 27 July 2015 and the balance sheet was signed on the Board's behalf by David Hodkin. Clipper Logistics plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

These financial statements are prepared under the historical cost convention.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. The profit after tax attributable to the members of the Company was £4,785,000 (2014: £784,000). There were no other recognised gains or losses in either year.

The results of Clipper Logistics plc are included in the consolidated financial statements of Clipper Logistics plc which are available from Gelderd Road, Leeds LS12 6LT.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 April 2015. The financial statements are prepared in Pounds Sterling and are rounded to the nearest thousand pounds (£000).

B. Accounting policies

The Financial Statements have been prepared in accordance with the Companies Act 2006 and with applicable accounting standards in the United Kingdom.

B.1. Basis of preparation

A summary of the principal accounting policies applied by the Company is set out below. These have been applied on a consistent basis unless otherwise indicated.

The Company has taken advantage of the exemptions in FRS 1 from preparing a statement of cash flows as the Group's consolidated Financial Statements, in which the company is included, provide equivalent disclosures. The Company has taken advantage of the exemption in FRS 8 from disclosing related party transactions with Group companies.

B.2. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

B.3. Basis of accounting

The Financial Statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Further information in relation to the Group's business activities, together with the factors likely to affect its future development,

performance and position is set out in the Strategic Report section of this report on pages 6 to 37.

Note 26 to the Group Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to foreign exchange, credit and interest rate risk.

The Company Balance Sheet at 30 April 2015 shows net current liabilities of £19,243,000 (2014: £21,652,000). Following the restructuring of the bank facilities in May and June 2014 the Group has access to a five year, non-amortising, revolving credit facility of £12,504,000 and an overdraft facility of £5,000,000 neither of which were drawn down at 30 April 2015. The Company's overdraft at 30 April 2015, shown in note 1, was covered by cash at bank in other Group companies.

The Directors have assessed the future funding requirements of the Group and the Company and compared them to the bank facilities which are now available. The assessment included a detailed review of financial and cash flow forecasts for at least the 12 month period from the date of signing the Annual Report. The Directors considered a range of potential scenarios within the key markets the Group serves and how these might impact on the Group's cash flow. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences. The Group's forecasts and projections show that the Group should be able to operate without the need for any increase in borrowing facilities.

Having undertaken this work, the Directors are of the opinion that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Notes to the Company

Financial Statements

continued

B.4. Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line or reducing balance basis over their estimated economic lives. The estimated economic lives used for the separate categories of fixed assets for this purpose are:

- Leasehold property – over the length of the lease
- Plant and machinery - 2 to 20 years
- Motor vehicles - 4 to 8 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the profit and loss account in the period of derecognition.

B.5. Investments in subsidiary undertakings

Fixed asset investments are shown at cost less provision for impairment.

B.6. Intangible assets

(a) Contracts and licences

Intangible assets recognised in relation to contracts or licences are amortised over the length of the relevant agreement.

(b) Goodwill

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and included in intangible assets. Separately recognised goodwill is amortised over its estimated useful life of 20 years, unless the Directors consider that a shorter period is more appropriate.

B.7. Lease assets and obligations

Leasing agreements and hire purchase contracts which transfer to the Company substantially all the benefits and risks of ownership of an asset ("finance leases") are treated as if the asset had been purchased outright. Assets held under such agreements are included in fixed assets and the capital element of commitments is shown as obligations under finance leases. Payments under such agreements are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account over the primary lease period in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

All other leases are treated as operating leases, the costs of which are charged on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term or the period to the next rent review.

B.8. Stock - component parts and consumable stores

Stocks of component parts and consumable stores are valued at the lower of cost and net realisable value on a line by line basis. Provision is made for obsolete and slow-moving items.

B.9. Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

B.10. Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material provisions are discounted.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain.

Notes to the Company

Financial Statements

continued

B.11. Taxation

The charge for taxation is based on the result for the year. Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and laws. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities recognised have not been discounted.

B.12. Pensions

Contributions are made to the personal pension plans of certain employees. The assets of the scheme are held separately from those of the Company. The expenditure is charged to the profit and loss account as incurred.

B.13. Post-retirement benefits

The Company provides no other post-retirement benefits to its employees.

B.14. Foreign currencies

The Company's functional currency and presentation currency is pounds sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The company does not apply hedge accounting of foreign exchange risks in its company financial statements.

B.15. Share based payments Equity-settled transactions

The cost of equity-settled transactions with employees of the Company is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

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

The former parent company issued equity-settled share based payments to certain employees. The charge in the prior year represents the fair value at the date of grant of the equity-settled share based payments, expensed on a straight-line basis over the vesting period based on the former parent company's estimate of shares that would eventually vest. All such options were exercised or cancelled in May 2014

B.16. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest income and interest expense.

C. Auditors remuneration

Remuneration payable to the Company's auditors is shown in note 6 to the Group Financial Statements.

Notes to the Company

Financial Statements

continued

D. Tangible fixed assets

| | Leasehold property £'000 | Motor vehicles £'000 | Plant, machinery, fixtures & fittings £'000 | Total £'000 |
|----------------------------------|-----------------------------|-------------------------|--|----------------|
| Cost: | | | | |
| At 1 May 2014 | 2,630 | 1,324 | 23,677 | 27,631 |
| Additions | 25 | 178 | 758 | 961 |
| Disposals | (106) | (188) | (592) | (886) |
| At 30 April 2015 | 2,549 | 1,314 | 23,843 | 27,706 |
| Accumulated depreciation: | | | | |
| At 30 April 2014 | 899 | 1,030 | 13,676 | 15,605 |
| Charge for the year | 195 | 125 | 1,886 | 2,206 |
| Disposals | (106) | (170) | (563) | (839) |
| At 30 April 2015 | 988 | 985 | 14,999 | 16,972 |
| Net book value: | | | | |
| At 30 April 2014 | 1,731 | 294 | 10,001 | 12,026 |
| At 30 April 2015 | 1,561 | 329 | 8,844 | 10,734 |

Included within tangible fixed assets are amounts held under finance lease contracts. At 30 April 2015 the net book value of these assets was £3,447,000 (2014:£3,560,000). The depreciation charged to the accounts in the year in respect of such assets amounted to £606,000 (2014:£1,612,000).

Notes to the Company

Financial Statements

continued

E. Investment in subsidiaries

| | Company £'000 |
|--|------------------|
| Cost: | |
| At 1 May 2014 | 11,501 |
| Additions | 8,687 |
| At 30 April 2015 | 20,188 |
| Provision for impairment: | |
| At 1 May 2014 and 30 April 2015 | 215 |
| Net book value: | |
| At 30 April 2014 | 11,286 |
| At 30 April 2015 | 19,973 |

On 3 December 2014 the company acquired the entire issued share capital of Servicecare Support Services Limited and its subsidiary, Electrotec International Limited (see note 28 to the Group Financial Statements).

Notes to the Company Financial Statements

continued

E. Investment in subsidiaries (continued)

Subsidiary undertakings

Except where indicated, the subsidiary undertakings are incorporated and operate in Great Britain, registered in England and Wales and the Company or Group owns 100% of the issued ordinary share capital and voting rights. The subsidiary undertakings of the Company are as follows:

| Company | Nature of business during the year |
|--|---|
| Servicecare Support Services Limited | Returns management & reverse logistics services |
| Clipper Logistics KG (GmbH & Co.) (Germany) | Contract distribution & warehousing |
| Northern Commercials (Mirfield) Limited | Sale, servicing and repair of commercial vehicles |
| Electrotec International Limited* | On-line retail and distribution |
| Genesis Specialised Product Packing Limited | On-line retail and distribution |
| Stormont Truck and Van Limited* | Agency for leasing commitments |
| Clipper Verwaltungs GmbH (Germany)* | Agency for leasing commitments |
| Gagewell Transport Limited | Dormant |
| Clipper e-commerce Limited | Dormant |
| Clipper Logistics (Processing) Limited | Dormant |
| Clipper Logistics (Warehousing) Limited | Dormant |
| Clipper Secure Logistics Limited | Dormant |
| Clipper Logistics BV (Netherlands) | Dormant |
| DTS Logistics Limited | Dormant |
| Guardex Security Services Limited | Dormant |
| Transference Technology Limited (90% owned)* | Dormant |
| Northern Commercial Trailers (Mirfield) Limited* | Dormant |

* shareholding held indirectly

Notes to the Company Financial Statements

continued

F. Intangible assets

| | Goodwill £'000 | Contracts and licenses £'000 | Total £'000 |
|--|-------------------|------------------------------------|----------------|
| Cost: | | | |
| At 1 May 2014 and 30 April 2015 | 8,312 | 723 | 9,035 |
| Accumulated amortisation: | | | |
| At 1 May 2014 | 2,534 | 723 | 3,257 |
| Charge for the year | 416 | - | 416 |
| At 30 April 2015 | 2,950 | 723 | 3,673 |
| Net book value: | | | |
| At 30 April 2014 | 5,778 | - | 5,778 |
| At 30 April 2015 | 5,362 | - | 5,362 |

G. Stock

| | 2015 Company £'000 | 2014 Company £'000 |
|---------------------------------------|--------------------------|--------------------------|
| Component parts and consumable stores | 463 | 543 |

H. Debtors

| | 2015 Company £'000 | 2014 Company £'000 |
|--|--------------------------|--------------------------|
| Trade debtors | 6,303 | 6,412 |
| Corporation tax | - | 121 |
| Other debtors | 100 | 146 |
| Prepayments and accrued income | 10,885 | 8,232 |
| Amounts owed by fellow Group companies | 1,742 | 1,832 |
| | 19,030 | 16,743 |

Notes to the Company Financial Statements

continued

I. Creditors: amounts falling due within one year

| | 2015 Company £'000 | 2014 Company £'000 |
|---|--------------------------|--------------------------|
| Bank loans (note K) | 2,533 | 86 |
| Bank overdrafts | 2,904 | 85 |
| Obligations under finance leases or hire purchase agreements (note L) | 1,195 | 1,164 |
| Trade creditors | 14,021 | 13,999 |
| Other taxes and social security | 3,661 | 3,667 |
| Other creditors | 3,475 | 1,021 |
| Corporation tax payable | 207 | - |
| Accruals and deferred income | 8,926 | 6,600 |
| Amounts owed to fellow Group companies | 1,866 | 351 |
| Amounts owed to former parent company | - | 15,267 |
| | 38,788 | 42,240 |

Bank loans and overdrafts are secured by a charge over the Group's assets

Obligations under finance leases or hire purchase agreements are secured by related assets.

J. Creditors: amounts falling due after more than one year

| | 2015 Company £'000 | 2014 Company £'000 |
|---|--------------------------|--------------------------|
| Bank loans (note K) | 7,199 | 40 |
| Obligations under finance leases or hire purchase agreements (note L) | 1,646 | 2,398 |
| | 8,845 | 2,438 |

K. Bank loans

Bank loans repayable, included within creditors are analysed as follows:

| | 2015 Company £'000 | 2014 Company £'000 |
|----------------------------|--------------------------|--------------------------|
| In one year or less | 2,533 | 86 |
| Between one and five years | 7,199 | 40 |
| After five years | - | - |
| | 9,732 | 126 |

The principal features of the bank loans are as follows:

- Medium term loan from principal lender - £10,000,000 repayable in quarterly instalments of £625,000 to 30 April 2019; interest rate 3.25% above LIBOR
- Other bank loans - £38,000 repayable in monthly or quarterly instalments over periods between 3 and 18 months; interest rates fixed at between 3.90% and 4.80%
- Unamortised debt issue costs of £306,000 have been deducted from the total outstanding bank loans

Notes to the Company Financial Statements

continued

L. Finance leases and hire purchase agreements

The Company uses finance leases and hire purchase agreements to acquire tangible fixed assets. Future minimum amounts repayable are shown below:

| | 2015 Company £'000 | 2014 Company £'000 |
|--|--------------------------|--------------------------|
| Fixed rate leases: | | |
| Minimum lease payments: | | |
| In one year or less | 1,322 | 1,345 |
| Between one and five years | 1,721 | 2,571 |
| | 3,043 | 3,916 |
| Interest: | | |
| In one year or less | (127) | (181) |
| Between one and five years | (75) | (173) |
| | (202) | (354) |
| Principal of fixed rate leases: | | |
| In one year or less | 1,195 | 1,164 |
| Between one and five years | 1,646 | 2,398 |
| | 2,841 | 3,562 |
| Variable rate leases: | - | - |
| TOTAL | 2,841 | 3,562 |

M. Derivative financial instruments

As part of the novation of bank facilities from the former parent, the Company took on an existing interest rate swap. The notional principal at 30 April 2015 is £2,700,000 which reduces by £450,000 on a quarterly basis. The Company pays a fixed rate of 3.68% and receives a variable LIBOR rate on the notional amount. The fair value of the interest rate swap at 30 April 2015, determined by reference to market value, is £70,000 (2014: not applicable).

Notes to the Company Financial Statements

continued

N. Provisions for liabilities

| | Deferred taxation £'000 | Other provisions £'000 | Total £'000 |
|----------------------------|-------------------------------|---------------------------|----------------|
| At 1 May 2014 | 431 | 471 | 902 |
| Utilised | - | (43) | (43) |
| (Credited)/charged in year | (39) | 103 | 64 |
| At 30 April 2015 | 392 | 531 | 923 |

Other provisions

Provisions are established over the life of leases to cover remedial work necessary at termination under the terms of those leases. Two key sites have leases that expire 22 and 13 years from the balance sheet date. All other leases expire in 10 years or less.

O. Deferred tax

| | 2015 Company £'000 | 2014 Company £'000 |
|---------------------------------------|--------------------------|--------------------------|
| Deferred tax liability: | | |
| Accelerated capital allowances | (436) | (444) |
| Deferred tax asset: | | |
| Share based payment | 22 | - |
| Provisions & other timing differences | 22 | 13 |
| Net deferred tax liability | (392) | (431) |

A reduction in the UK corporation tax rate from 21% to 20% was substantively enacted at 30 April 2014 and is effective from 1 April 2015. Accordingly, the rate applied in the measurement of the Company's deferred tax assets and liabilities as at 30 April 2014 and 2015 was 20%.

P. Share capital

| | 2015 Company £'000 | 2014 Company £'000 |
|--|--------------------------|--------------------------|
| Allotted, called up and fully paid: | | |
| 100,000,000 ordinary shares of 0.05p each | 50 | 50 |

Q. Share based payments

Further details of the share option schemes are set out in note 22 to the Group Financial Statements. The charge to the Company's profit and loss account for equity settled transactions in the year ended 30 April 2015 was £110,000 (2014: £175,000)

Notes to the Company Financial Statements

continued

R. Capital and reserves

| | Share capital £'000 | Share premium £'000 | Other reserve £'000 | Share based payment reserve £'000 | Profit and loss account £'000 | Total £'000 |
|---------------------------------------|------------------------|------------------------|------------------------|--------------------------------------|----------------------------------|----------------|
| Balance at 1 May 2013 | 8 | 48 | 51 | - | 4,690 | 4,797 |
| Profit for the year | - | - | - | - | 784 | 784 |
| Share issue - for cash | 42 | - | - | - | - | 42 |
| - on acquisition of minority interest | - | - | 800 | - | - | 800 |
| Equity settled transactions | - | - | - | - | 175 | 175 |
| Dividends | - | - | - | - | (2,500) | (2,500) |
| Balance at 30 April 2014 | 50 | 48 | 851 | - | 3,149 | 4,098 |
| Profit for the year | - | - | - | - | 4,785 | 4,785 |
| Equity settled transactions | - | - | - | 110 | - | 110 |
| Dividends | - | - | - | - | (1,935) | (1,935) |
| Balance at 30 April 2015 | 50 | 48 | 851 | 110 | 5,999 | 7,058 |

S. Commitments and contingencies

The Company has annual commitments under non-cancellable operating leases as follows:

Operating lease commitments – land and buildings:

| | 2015 Company £'000 | 2014 Company £'000 |
|---------------------------------------|--------------------------|--------------------------|
| Operating leases which expire: | | |
| Within one year | 182 | 509 |
| Between one and five years | 2,598 | 1,905 |
| After more than five years | 6,478 | 4,964 |
| | 9,258 | 7,378 |

Operating lease commitments – vehicles, plant and machinery:

| | 2015 Company £'000 | 2014 Company £'000 |
|---------------------------------------|--------------------------|--------------------------|
| Operating leases which expire: | | |
| Within one year | 453 | 582 |
| Between one and five years | 1,311 | 1,358 |
| After more than five years | 151 | 215 |
| | 1,915 | 2,155 |

Notes to the Company Financial Statements

continued

T. Capital commitments

| | 2015 Company £'000 | 2014 Company £'000 |
|------------------------------------|--------------------------|--------------------------|
| Authorised and contracted for | 797 | 295 |
| Authorised, but not contracted for | 8,569 | - |
| | 9,366 | 295 |

U. Related party disclosures

The Company rented an aircraft from South Acre Aviation Limited, a company owned by Steve Parkin. Charges are on an arm's length basis and the Company had advanced a loan to South Acre Aviation Limited. The loan was repaid to the Company in April 2014 and bore interest at 3.25% per annum. The rental agreement terminated on 30 May 2014.

During the year the Company leased racehorses which are beneficially owned by Steve Parkin. These horses ran in the Company name and in Company colours. Under the terms of the lease, the Company was responsible for all expenditure in connection with the horses but could retain any monies received for a win or placing up to the value of the costs incurred for that horse. The rights and liabilities arising under this arrangement ceased on 31 May 2014.

Roydhouse Properties Limited is the landlord of two of the Company's leasehold properties and is classed as a related party due to the company having common directors with Clipper Logistics plc.

Guiseley Association Football Club shares a common director with Clipper Logistics plc.

The dividends paid to the former parent company can be found in note 8 to the Group Financial Statements.

Directors' remuneration can be found in note 5 to the Group Financial Statements.

There were no balances owing to or from these related parties at 30 April 2015.

Balances due to and from the former parent company at 30 April 2014 can be found in note I.

| | 2015 Company £'000 | 2014 Company £'000 |
|--|--------------------------|--------------------------|
| Items charged to the profit & loss account: | | |
| South Acre Aviation Limited – aircraft rental costs | 7 | 69 |
| Horse Costs | 56 | 414 |
| Roydhouse Properties Limited – rent payable | 877 | 819 |
| Guiseley Association Football Club – advertising and sponsorship | 25 | 275 |

Notes to the Company Financial Statements

continued

V. Transition to FRS 101

Following the publication of FRS 100 'Application of Financial Reporting Requirements' by the Financial Reporting Council, Clipper Logistics plc is required to change its accounting framework for its entity financial statements, for its financial year commencing 1 May 2015.

The Board considers that it is in the best interests of the Group for Clipper Logistics plc to adopt FRS101 'Reduced Disclosure Framework'. No disclosures in the current UK GAAP financial statements would be omitted on adoption of FRS 101.

Directors, Secretary, Registered & Head Office and Advisors

| | |
|---|---|
| Directors: | <p>Steve Parkin, Executive Chairman Tony Mannix, Chief Executive Officer David Hodkin, Chief Financial Officer Sean Fahey, Chief Information Officer Paul Hampden Smith, Senior Independent Non-Executive Director Mike Russell, Independent Non-Executive Director Stephen Robertson, Independent Non-Executive Director Ron Series, Independent Non-Executive Director</p> |
| Company Secretary: | Guy Jackson |
| Registered Office and Head Office of the Company: | Gelderd Road Leeds LS12 6LT |
| Registered number: | 03042024 |
| Sponsor, financial advisor, sole bookrunner and broker: | <p>Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT</p> |
| Legal advisors: | <p>Squire Patton Boggs (UK) LLP 2 Park Lane Leeds LS3 1ES</p> <p>Pinsent Masons LLP 1 Park Row Leeds LS1 5AB</p> |
| Reporting accountant and auditors: | <p>Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR</p> |
| Registrars: | <p>Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA</p> |
| Financial public relations advisors to the Company: | <p>Bell Pottinger Holborn Gate 330 High Holborn London WC1V 7QD</p> |

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