Clipper Logistics plc

2016 Annual Report and Accounts

Clipper

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 click and collect platform has been established to enable the Group to benefit from anticipated future growth of click and collect as a method of shopping.

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

The Group operates from 41 locations comprising over 6.8 million square feet. It now has over 3,500 employees, excluding agency staff.

Financial Highlights

For the year ended 30 April 2016

Group revenue

Basic earnings per share

Group Adjusted EBIT[1]

Adjusted earnings per share[2]

Group profit for the financial year[3]

Dividend per share

[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 £nil (2015: £0.3m) and exceptional costs of £nil (2015: £0.9m).
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 2016

Successfully launched a **Click and Collect collaboration** with John Lewis, with plans to roll out across the Clipper customer base.

Commenced operations on the Pep&Co, Haddad and Zara contracts secured in FY15.

Secured new contract wins in the year with Browns (a Farfetch brand) and M&Co, both of which launched in FY16, and Kidly which launched in early FY17. After the year end, we also secured new contract wins with Links of London, and John Lewis for pre-retail and returns services.

Secured increased space, rate and/or **activity commitments** with existing customers including British American Tobacco, Sainsbury's, SuperGroup, Bench, Wilko, Mint Velvet and Philip Morris.

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Signed two new flagship 10 year leases in Northampton, one for 342,000 sq ft for exclusive use by Zara and one for 304,000 sq ft for a shared use facility with John Lewis as the anchor tenant. The John Lewis facility combines the service offerings of both Clipper and Servicecare.

SuperGroup.Plc

Implemented a significant **project for a single pool of stock** with SuperGroup, making all inventory available to retail and e-commerce operations.

Increased the capacity at a number of our existing sites completing mezzanine floor builds at Swadlincote and Milton Keynes, with another two to be added in FY17 at Harlow and Northampton (Zara).

Servicecare part of the Clipper group

Good progress in Servicecare in line with expectations. New Managing Director appointed to drive future growth and development strategy

Strong performance in commercial vehicles division driven by new vehicle sales and aftersales activities.

Strategic Report

Chairman's Statement

Steve Parkin, Executive Chairman

As Chairman of Clipper Logistics plc, I am proud to present our 2016 financial results following our second anniversary of listing on the London Stock Exchange in June 2014.

During our second year as a listed company, we have seen continued growth. This growth is a result of our ability to think outside the box and deliver innovative, best-practice, low-cost solutions for our extensive blue-chip client base. Our recognised skills in delivering these solutions mean we remain confident of our ability to continue this momentum.

The Group has seen a strong performance throughout the year under review, with a number of high-profile contracts starting, including those with M&Co, Zara, Haddad, and Pep&Co. In addition, our commercial vehicles business has performed very strongly.

Servicecare Support Services Limited ("Servicecare"), which we acquired in December 2014, has extended our ability to offer a comprehensive returns management solution under our "Boomerang" brand, and Servicecare is delivering results in line with our expectations.

Our driving force remains our focus on identifying new services, processes and solutions that address the operational needs of our customers. Our unrivalled understanding of the dynamics of e-retail and multi and omni-channel retailing, coupled with the dramatic changes taking place in these sectors, provide the Group with exceptionally strong strategic positioning for the future.

We are particularly excited about the prospects for our new dedicated next day Click and Collect solution, developed in collaboration with John Lewis. This is a service designed to address the rapidly growing need for retailers to offer an effective next day service to store for orders placed online. After an initial trial period involving 115 Waitrose stores, the service will be extended to the whole Waitrose estate in late summer 2016, and we are in advanced discussions with a number of other retailers who wish to use the service.

We remain confident of the Group's ability to continue to evolve and develop, and to deliver strong returns to our shareholders.

Chairman's Statement
continued

Group results
Group revenues increased by 23.7% to £290.3 million for the year to 30 April 2016, and Group Adjusted EBIT* increased by 21.0% to £14.5 million.

Adjusted earnings per share were 10.3 pence for the year to 30 April 2016 (2015: 8.4 pence), an increase of 22.6%.

On an unadjusted basis earnings per share were 10.3 pence (2015: 7.3 pence).

Net debt was £18.8 million at the year end, in line with our expectations, after planned investment in capital projects to support new contracts (much of which involves a back-to-back commitment from customers to reimburse this capital over the duration of their contract), and paying £2.2 million in deferred consideration in respect of the acquisition of Servicecare.

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.

The team has a well-established track record of identifying areas for innovation and value-added services within the sectors we serve, and for delivering on commitments to our customers.

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 4.0 pence per share, making a total dividend in respect of the year ended 30 April 2016 of 6.0 pence per share (2015: 4.8 pence), an increase of 25.0%.

The proposed final dividend, if approved by shareholders, will be paid on 20 October 2016 to shareholders on the register at the close of business on 23 September 2016.

Outlook
The Group continues to be one of the leading providers of value-added logistics and e-fulfilment solutions to the retail sector in the UK. The development of our new Click and Collect proposition, together with recent contract wins and a strong new business pipeline, place the Group in an excellent position to continue to achieve further growth, 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
23.7% to £290.3 million
for the year to 30 April 2016

Group Adjusted EBIT*
increased by
21.0% to £14.5 million
for the year to 30 April 2016

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

Group Structure

Composition of the Group at 30 April 2016

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") is 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. On 30 April 2016, the trading of Electrotec was absorbed into Servicecare; 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 also owns the 'Boomerang' brand, 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 included in this category.

Non e-fulfilment logistics

Non e-fulfilment logistics include receipt, warehousing, value-add processing, stock management, picking, packing 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 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 three 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.


symbol

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:
  - is highly respected in the sector; and
  - has 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.

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 retail sector, and provides services under formalised contractual arrangements to a major blue chip customer base including Asda, ASOS, John Lewis, Morrisons, SuperGroup, and Zara.

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; 70% of consumers envisage that on-line will be their main shopping channel in five years' time (Source: JDA & Centiro Customer Pulse Report 2015).

Our Business Model
continued

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 (Source: IMRG). Clipper's successful introduction of its 'Boomerang' brand is enabling it to capitalise upon this opportunity, leveraging from its already market-leading proposition in online fulfilment. The Group's acquisition of Servicecare in 2014 is complementary to the returns management proposition, as the Group is now able to offer a wider range of services, including electrical returns capability.

- The returns process is of vital importance, as 67% of shoppers check the returns page of a website before making a purchase, and 92% of consumers will buy something again if the returns process is easy (Source: Business 2 Community, E-Commerce Product Return Statistics & Trends, April 2016).

- The JDA & Centiro Customer Pulse Report 2016 reported that 73% of customers said that as a result of a poor online experience, they would be likely to switch to an alternative retailer. The returns process is the final touch point between the customer and the retailer, and therefore must be highly efficient.

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;

- The 'Boomerang' brand for returns management, as noted above; and

- Click and Collect services:
  - Over the past couple of years there has been a market shift towards "Click and Collect" with many retailers reporting that over 60% of their online orders are collected by consumers rather than home delivered.
  - Working in partnership with John Lewis, Clipper has developed a next day, fully integrated, retail friendly solution that not only creates a high quality customer experience but which also allows for the ease of handling at the receiving store.
  - The success of the early trials means that the service will be rolled out to the whole Waitrose estate in late summer 2016, and the solution will be offered to the wider Clipper customer base from autumn 2016.
  - The add-on benefit of the Click and Collect solution is the direct link to Boomerang.

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

69% of the UK logistics division's revenue (excluding Servicecare) in the year to 30 April 2016 was on open book contract terms (2015: 70%). 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.

13% of the UK logistics division's revenue (excluding Servicecare) in the year to 30 April 2016 was derived from minimum volume guarantee contracts (2015: 12%), which protect Clipper from volume downsides, whilst allowing the Company to benefit from growing activity levels. The slight growth in the percentage of revenue derived from minimum volume guarantee contracts was driven primarily by the full year effect and growth of the Philip Morris contract which commenced in the year to 30 April 2015, and the new contract with M&Co which commenced during the year to 30 April 2016.

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 (2015: 18%).

Our Business Model
continued

A proven and robust business model (continued)

High degree of contractual certainty underpins financial predictability and stability (continued)
Servicecare has historically operated using a traditional closed book charging methodology, but also trades under open book terms with one of its 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. In addition, all tractor units sold by Northern Commercials now come with a two year standard repair and maintenance contract which further underpins the revenue and profit derived from aftersales activities.

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 provides, which require specialist skill, knowledge and manufacturer certifications/authorisations.

CLIPPER USP
BESPOKE INTEGRATION TO THE CLIENT - NO TEMPLATES

CLIPPER IS AT THE HEART OF THE INTEGRATION	IP OF INTEGRATION REMAINS WITH CLIPPER	CLIPPER CONTROLS AND SUPPORTS THE SYSTEMS
REDUCES DEMAND ON CLIENT IT	BARRIER TO ENTRY	CLIPPER MANAGES THE COMPLEX SYSTEMS COMMUNICATIONS

Maximising value

Clipper uses the business model above to promote 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 extended 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 recent expansion into Ireland), and also through selective acquisitions offering complementary logistics capabilities (as demonstrated by the acquisition of Servicecare during the prior year).

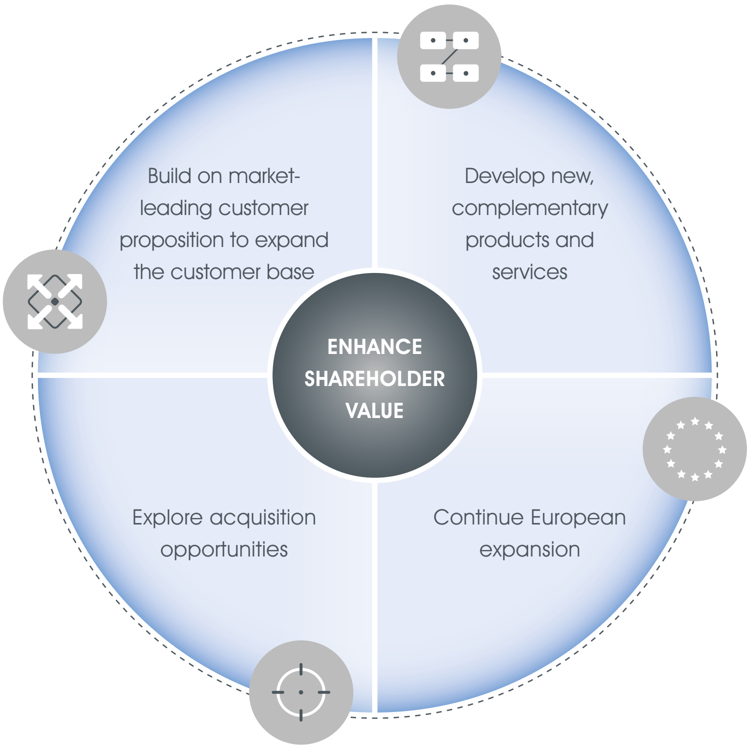
The commercial vehicles division of the Group is robustly profitable and cash generative – its profitability driven by higher margin aftersales activity, which is underpinned by legal requirements governing the inspection of commercial vehicles.

Whilst Northern Commercials 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 Commercials' 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 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 and returns management 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 retail logistics sector, 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 2016

The full year benefit was realised of contracts that went live during the previous year with M&S, Ted Baker and s.Oliver, and additional services for ASOS.

New contracts went live in the year with John Lewis (Click and Collect), Zara, Browns, Haddad, Pep&Co and M&Co.

New contracts have been secured which will commence in the year to 30 April 2017, with customers including John Lewis (pre-retail and returns), Kidly, Flyers, Links of London and Inditex.

Further details of the above contract wins can be found in the Operating and Financial Review on pages 18 to 28.

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 successful integration of Servicecare will continue to 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 2016
Clipper's returns management services brand 'Boomerang' saw another successful year with approximately 95% of product successfully returned to prime stock at first pass.

Clipper has also been developing its Click and Collect offering in collaboration with John Lewis, as well as setting up an Ancillary Distribution Centre for John Lewis to provide a wider range of services. The full impact of these projects is not anticipated to be realised until the year ending 30 April 2018.

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 years ending 30 April 2017 and 2018.

Further details of the above projects can be found in the Operating and Financial Review on pages 18 to 28.

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 2016
Whilst no acquisitions were undertaken during the year, the Group continually evaluates potential value-adding acquisition targets.

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 2016
The Group benefited from the full year effect of the new returns management contract that went live with s.Oliver in Germany in the prior financial year, under the Boomerang brand.

We have focused on consolidating the activities of the prior year to create a sound platform for the future. The strong opportunities within the UK business have been the major focus of the team – as reported previously, the international business is a longer-term objective.

Further details of the above contract wins can be found in the Operating and Financial Review on pages 18 to 28.

Going forward
In the medium term, Clipper will continue to seek opportunities with new and existing customers to provide services in Germany and Ireland, and will also consider other strategic mainland European destinations for potential expansion.

Operating and Financial Review

1. Overview of results

The Group continued to make excellent progress in the financial year to 30 April 2016.

Group revenue

Group revenue increased by 23.7% to £290.3 million, with strong growth in all business areas:

Revenue	Year to 30 April 2016 £m	Year to 30 April 2015 £m	% change
E-fulfilment & returns management services	**97.6**	60.6	**+61.1%**
Non e-fulfilment logistics	**108.4**	102.1	**+6.1%**
Total value-added logistics services	**206.0**	162.7	**+26.6%**
Commercial vehicles	**85.6**	73.6	**+16.4%**
Inter-segment sales	**(1.3)**	(1.5)	
Group revenue	**290.3**	234.8	**+23.7%**

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 logistics services segment, the Group benefited from:

- the full year impact of contract wins secured in the previous financial year including, amongst others, M&S, Ted Baker and s.Oliver, and additional services for ASOS;
- the full year impact of the acquisition of Servicecare and its subsidiary Electrotec in December 2014;
- organic growth on existing contracts, including ASOS, SuperGroup and Wilko;
- the ongoing shift in retail trends towards online trading which continues to bring particularly strong organic growth to our e-fulfilment customers; and
- the part-year impact of operations commenced during the year to 30 April 2016, including Pep&Co, Haddad, Zara, Browns and M&Co. The full year benefit of these operations will be realised in the year to 30 April 2017, 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 2016 and early calendar year 2017.

Revenue growth in commercial vehicles was driven by:

- a £10.3 million increase in new vehicle sales. The number of new units sold reduced slightly by 1% year-on-year, but the average selling price increased significantly by 26.5% due to the mix of vehicles sold; and
- a £1.5 million increase in aftersales revenues, comprising servicing, body shop 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:

Adjusted EBIT	Year to 30 April 2016 £m	Year to 30 April 2015 £m	% change
E-fulfilment & returns management services	**8.1**	5.5	**+47.6%**
Non e-fulfilment logistics	**10.7**	10.1	**+6.4%**
Central logistics overheads	**(4.7)**	(4.1)	
Total value-added logistics services	**14.1**	11.5	**+22.5%**
Commercial vehicles	**2.3**	1.9	**+20.8%**
Head office costs	**(1.9)**	(1.4)	
Group Adjusted EBIT	**14.5**	12.0	**+21.0%**

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 21.0% to £14.5 million in the year to 30 April 2016, and the Group expects to achieve further EBIT growth in the coming financial year due to the full year benefits of contracts brought on line in the year to 30 April 2016, the commencement of activities on further new contracts and a 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 relatively 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, packing and distribution of products on behalf of customers. Within this business activity 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. In our 2015 Annual Report, we stated our intention to invest more in such resources during the year ended 30 April 2016 and we have done so, particularly in operational support and business development.

Operating and Financial Review
continued

1. Overview of results (continued)

Group Adjusted EBIT (continued)

Additionally, the central logistics overheads have increased in the year due to share based payment charges. In the year, we have restructured the reporting within the central logistics management team, preparing the business for future growth. Whilst incremental investment is likely to be required in the logistics overheads base as the business continues to grow, we do not expect further significant stepped increases in the overheads base in the foreseeable future, other than in respect of share based payment charges (see below).

The commercial vehicles business, Northern Commercials (Mirfield) Limited, operates Iveco and Fiat commercial vehicle dealerships from six locations, together with three 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, Group General Counsel, Non-Executive Directors and plc compliance costs. The year-on-year increase in head office costs is attributable to full year costs of the Group General Counsel and Deputy Chief Financial Officer both appointed during the year ended 30 April 2015 to strengthen the senior management structure of the Group post-IPO, and incremental Non-Executive Director costs and share based payment charges following the Group's listing on the London Stock Exchange.

Share based payment charges totalling £0.5 million (2015: £0.1 million) have been charged to central logistics overheads, commercial vehicles and head office costs as appropriate in respect of the Sharesave Plan and the Performance Share Plan ("PSP") (see note 22 to the Group Financial Statements). Since listing on the London Stock Exchange in the year ended 30 April 2015, the Group invites certain employees to participate in an annual iteration of the PSP and all employees to participate in an annual iteration of the Sharesave Plan. Each scheme vests over a three year period. As a result, the year ended 30 April 2016 included a full year of charges in respect of options granted in the year ended 30 April 2015, together with a part year of charges in respect of options granted in the year ended 30 April 2016; the prior year only incurred a part year of charges in respect of options granted in the year ended 30 April 2015.

The profit after tax for the year to 30 April 2016 was £10.3 million (2015: £7.3 million). In the year ended 30 April 2016, there were no discontinuing costs (2015: £0.3 million) and no exceptional costs (2015: £0.9 million) expensed in arriving at this figure.

As such, adjusted profit after tax (which excludes the discontinuing costs, exceptional costs and the tax associated with those costs) for the year to 30 April 2016 was also £10.3 million (2015: £8.4 million), an increase of 23.6%.

Of the exceptional costs of £0.9 million incurred in the year to 30 April 2015, £0.7 million related to the costs of the IPO and £0.2 million related to legal and professional expenses incurred on the acquisition of Servicecare.

Net interest charges

Net interest charges for the year to 30 April 2016 were £1.4 million, in line with the charge incurred in the previous year.

Taxation

The effective rate of taxation of 21.2% (2015: 22.8%) is higher than the standard UK rate of corporation tax of 20.0% (2015: 20.9%) principally due to certain expenditure incurred which is disallowable for tax purposes and the higher rate of tax to which our German business is subject. The reduction in the year-on-year effective rate of taxation stems from the reduction in the headline rate in the UK, together with a reduction in the quantum of disallowable items, some of which related to the exceptional and discontinuing items in the year ended 30 April 2015.

Earnings per share

As discussed above, there were no non-recurring costs in the year ended 30 April 2016 (2015: £1.2 million).

Earnings per share were 10.3 pence for the year to 30 April 2016 (2015: 8.4 pence adjusted, 7.3 pence unadjusted).

Capital expenditure

Of total capital expenditure of £16.2 million (2015: £7.8 million), £15.5 million (2015: £7.3 million) related to the logistics services segment and £0.7 million (2015: £0.5 million) related to the commercial vehicles segment. Of the £15.5 million attributable to the logistics services segment, approximately £10.7 million is backed by customer commitments to repay Clipper over the term of the customer contracts.

Operating and Financial Review
continued

1. Overview of results (continued)

Capital expenditure (continued)
Clipper has committed to spending a significant sum on capital expenditure in the year ended 30 April 2017, with £9.5 million contracted at 30 April 2016 and £2.8 million in the course of construction (2015: £0.8 million and £nil). £9.5 million of the total relates to the new Northampton shared-use facility where John Lewis is the core client. Where a customer has a strong credit rating, we will often fund the initial capital requirements and customers will commit to repay us over the term of the contract, together with finance charges and a management fee.

Goodwill and other intangible assets
The goodwill recognised on the acquisition of Servicecare in the year ended 30 April 2015 amounted to £4.2 million, and the contracts and licences, principally in respect of customer relationships, were valued at £1.2 million. We have not revised the acquisition fair values of the acquired assets in the twelve months' post-acquisition and so the gross value of the goodwill and contracts and licences recognised on 30 April 2016 remain at the same values as they were on 30 April 2015. The amortisation recognised through the income statement in the year ended 30 April 2016 in respect of this acquisition amounted to £156,000.

Cash flow
Cash generated from operations was £20.5 million (2015: £12.6 million, after paying £2.1 million of IPO transaction costs, so £14.7 million before taking account of such costs), an increase of 39.8%.

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. Net cash used in working capital was broadly neutral in each of the two years ended 30 April 2016 and 30 April 2015.

Net cash paid in the year to 30 April 2015 for the purchase of Servicecare amounted to £3.7 million. A further £2.2 million was paid in deferred consideration in the year ended 30 April 2016.

There has been significant investment in the fixed assets base this year, as noted above. However, providing the terms are commercially acceptable, we typically fund a significant proportion of such capital expenditure using hire purchase and finance leases, and so not all of the fixed asset investment actually results in a cash outflow. Cash capital expenditure, including intangible assets, for the year ended 30 April 2016 was £5.9 million compared to £0.3 million in the year ended 30 April 2015.

The Group repaid £10.1 million of bank loans in the year, including £10.0 million of Medium Term Loans, £8.75 million of which was repaid on the renegotiation of its principal bank facilities with Santander (see 'Net debt' section below). £6.4 million of new loans, including £5.5 million of the Revolving Credit Facility under the modified principal bank facilities, have been drawn in the year.

In line with the stated dividend payment policy, a final dividend for the year ended 30 April 2015 of £3.2 million (3.2 pence per share) and an interim dividend of £2.0 million (2.0 pence per share) for the year ended 30 April 2016 were paid in the year to 30 April 2016. This compares to the maiden interim dividend of £1.6 million (1.6 pence per share) and the dividend of £0.3 million paid to the former parent company prior to IPO in the year to 30 April 2015.

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.

The Group had £18.8 million of net debt outstanding at 30 April 2016 (2015: £13.6 million), broadly in line with expectations. The increase in net debt compared to the prior year was driven primarily by the need to invest in capital assets to service significant new contracts, largely backed by contractual commitments from customers to repay that capital expenditure over the term of the contract, together with both finance and management fees.

The Group renegotiated its principal bank facilities in the year ended 30 April 2016. Before the modification, the Group had principal bank facilities comprising a Medium Term Loan of £8.75 million, a committed Revolving Credit Facility of £12.5 million maturing in April 2019 and an overdraft facility of £5.0 million, renewed annually. After the modification, the Group's principal bank facility is a £30.0 million Revolving Credit Facility committed until January 2021, from which an overdraft of £8.0 million and bonds and guarantee facilities of £2.4 million have since been carved out (£2.3 million of bonds and guarantee facilities were in place at 30 April 2016, with a further £0.1 million carved out subsequent to the year end). Additionally, the interest margin and the covenant requirements are more favourable to Clipper under the renegotiated facility than under the facilities it replaced.

Operating and Financial Review
continued

2. 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, in fashion 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 multi-channel 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 (12.5% of total retail sales in 2015 (Source: ONS)) 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.

The UK's e-commerce market has grown from

£104 billion in 2014 to £114 billion in 2015

(10% annual increase)

According to market research (Source: IMRG), the UK's e-commerce market has grown from £0.8 billion in 2000 to £104 billion in 2014 and £114 billion in 2015 (10% annual increase), with a further 11% growth forecast in 2016. Within that market there are also significant changes taking place:

- orders placed via mobile channels (smartphones and tablets) accounted for 51% of UK e-retail sales in Q4 2015 compared to 34% of UK e-retail sales in Q1 2015 (and only 1% during 2010) (Source: IMRG). In fashion, one of Clipper's core sectors, mobile is estimated to account for as much as two thirds of fashion e-commerce traffic (Source: Fashion Focus 2016, Affiliate Window);

- UK consumers have embraced Click and Collect (buying online and picking up in store) and it is growing in importance rapidly. In their latest financial results, Halfords reported 91% of online orders were through Click and Collect, making up 12% of total revenue. Argos, where 54% of total revenue is generated online, drove 34% of online orders with collection in-store. For John Lewis, 54% of online orders are Click and Collect, 66% of which are collected in Waitrose stores. (Source: Retail Economics, March 2016);

- whilst Black Friday has been a mainstay for bricks and mortar retailers in the UK for a number of years, the growth in the Black Friday-Cyber Monday weekend in e-commerce is even greater. Whilst multi-channel retailers recorded a 4% increase in November 2015 sales compared to November 2014, online-only retailers recorded a 24% increase (Source: IMRG). Indeed, Black Friday 2015 was the first £1 billion online shopping day in the UK, and the Black Friday-Cyber Monday weekend in 2016 is anticipated to result in a record-breaking £5 billion spent online (Source: Salmon, May 2016).

  There are significant challenges faced by retailers with such a high volume of heavily-discounted sales concentrated over such a short period, including stock management, margin preservation and adverse media exposure as a result of poor customer experiences in the scramble to secure the best deals.

In 2015, 12.5% of sales in the UK were online (Source: ONS); by 2022, one third of sales in the UK are forecast to be conducted online (Source: Insider Trends). 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 (Source: Forrester Western European Online Retail Sales Forecast for 2013 to 2018).

Structural growth in online,multi-channel and omni-channel 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 (Source: eMarketer December 2014).

This trend has fundamentally altered the logistical requirements of retailers, who must meet the challenges of multi-channel 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.

Omni-channel represents the latest evolution of multi-channel retailing, whereby retailers offer consumers flexibility not only on the

Operating and Financial Review

continued

2. Value-added logistics services (continued)

Structural growth in online, multi-channel and omni-channel retailing (continued)

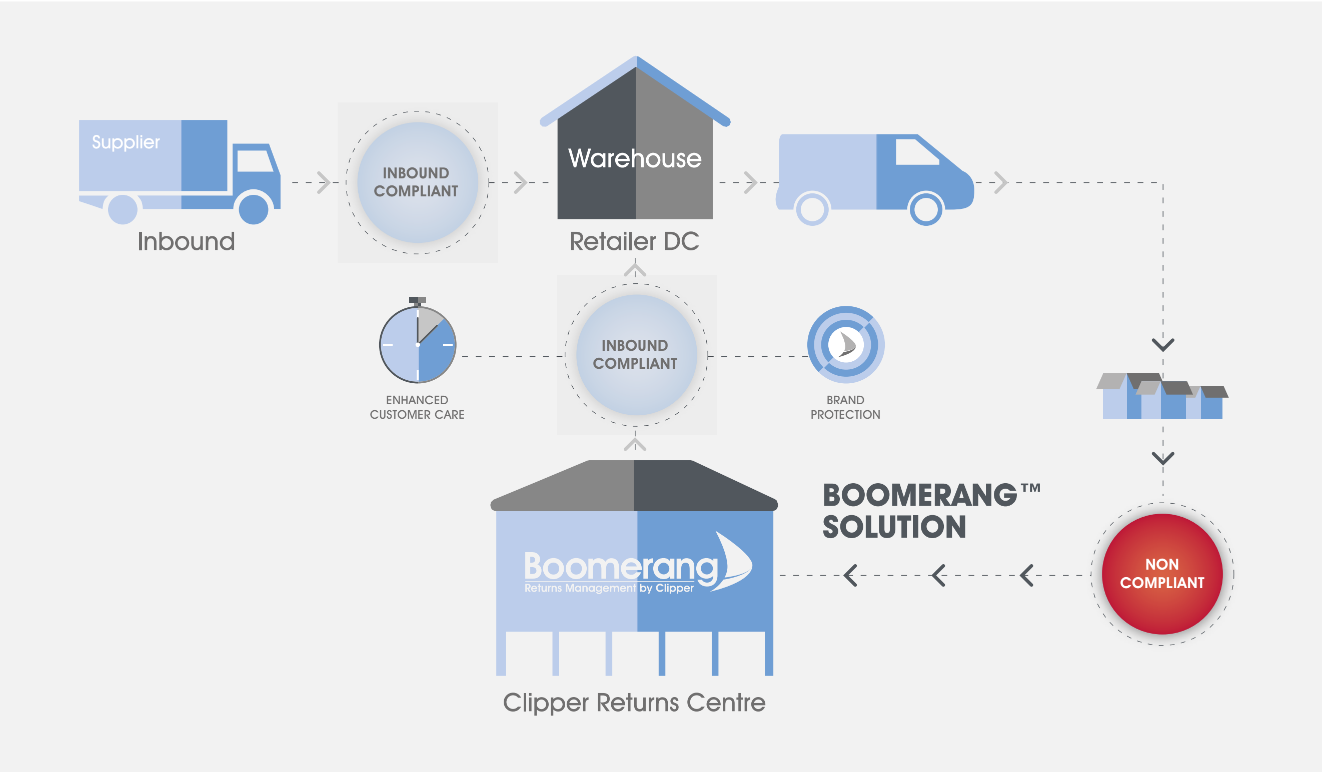
method of order placement (as is the case with multi-channel) but also in respect of the choice of delivery destination – for example, the consumer might place an order online and choose to have the order delivered to that retailer's high street store, or at a Click and Collect site in a third party location, rather than their home address. Retailers are embracing the trend towards Click and Collect as it brings customers in-store inspiring impulse purchases and building brand loyalty. This development adds even greater complexities to the logistical requirements of retailers.

Returns management demands of retailers increasingly complex

Returns management continues to be an ever-increasing area of importance for retailers. Depending upon the category involved, returns rates can vary from less than 10% to over 35% (Source: Metapack). A recent market study highlighted that 83% of consumers would stay loyal to a retailer if it could provide a reliable and effective returns service (Source: Metapack). Retailers are therefore focusing more and more on consumers' returns experience, just as much as they are on consumers' purchase experience. Retailers are increasingly focusing on ensuring that returns management is handled effectively so that their brands are not damaged by customers using social media to comment unfavourably on their experience.

Where historically customers would return the product to the store where the purchase was made, more recently 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 well as providing this range of returns methodologies from which consumers can choose, it is good practice for the retailer, particularly e-tailers, to also provide returns ready packaging and ready-printed returns labels not requiring pre-authorisation, and for the consumer to receive credit for any goods returned as soon as possible.

This developing returns culture has several implications for retailers. Returns cost money so many retailers bear the cost to ensure that they don't risk alienating their customers. Free returns as part of an offer in fashion for example are used as a sales generator to help with conversion. By focusing on improving the returns process, retailers can reduce the adverse impact on their bottom lines. In addition, product cleaning and rectification during the returns management process can maximise the saleable value to the retailer of returned goods.



Operating and Financial Review
continued

2. Value-added logistics services (continued)

Returns management demands of retailers increasingly complex (continued)

Managing the returns process also represents a stock management and processing challenge for retailers, since traditional distribution centres are 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 these processes for customers, including managing the returns operation for ASOS, the UK's leading online fashion retailer, and for s.Oliver, one of the largest fashion and lifestyle companies in Europe.

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.

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.

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 are promoting the Boomerang brand across Servicecare's existing customers and are broadening our service offering with existing Clipper customers with the Servicecare electrical returns proposition, as evidenced by our securing of the contract with John Lewis which includes an electrical returns aspect.

Our inaugural reverse logistics contract in mainland Europe commenced in the year ended 30 April 2015 with s.Oliver in Germany, owners of a global fashion brand. Under the contract, Clipper manages s.Oliver's European wholesale and retail returns management service.

Mechanisation and technology

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 has recently completed a number of client initiatives in the year just ended and is working on a number of other such projects in the current year, including:

- automated sortation: one automated sorter is currently in operation in Ollerton and we have two others used for Click and Collect services, one of which is in operation in Swadlincote and another of which is under construction in Northampton;
- the installation of a switch sorter which routes parcels automatically for specific couriers; 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 the new Northampton logistics facility initially providing ancillary services for John Lewis and Clipper's Click and Collect offering, have significant capital commitments authorised at 30 April 2016 totalling £16.7 million (2015: £9.4 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 substantial advances in its revenues and earnings, significantly outperforming market growth. Revenues from e-fulfilment & returns management services increased by 61.1% from £60.6 million for the year to 30 April 2015 to £97.6 million for the year to 30 April 2016, with Adjusted EBIT growing by 47.6% from £5.5 million to £8.1 million over the same period.

Operating and Financial Review

continued

2. Value-added logistics services (continued)

E-fulfilment & returns management growth (continued)

This is a particularly pleasing performance, as one of our core strategies 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.

Organic growth in activities with SuperGroup, ASOS, Wilko, John Lewis and Tesco, the full year impact of the s.Oliver operations commenced in the year ended 30 April 2015, and the new operations commenced with Zara, Browns and Ireland's largest retailer in the year ended 30 April 2016 have all contributed favourably to the growth in this business activity year-on-year.

The results of this business activity include a full year contribution from Servicecare in the year ended 30 April 2016 compared to only five months in the year ended 30 April 2015 following its acquisition in December 2014. In addition to the full year effect, Servicecare also delivered significant organic growth year-on-year, and profitability is in line with our expectations at the time of the acquisition.

This business activity saw the launch of a collaboration with John Lewis in September 2015. This collaboration initially involved providing John Lewis with a Click and Collect service, comprising automated parcel sortation and transport distribution services, to 115 stores in the Waitrose portfolio, 33% of the total Waitrose store estate. The remainder of the Waitrose store estate will be added from August 2016. We are also in advanced discussions with other Clipper customers who wish to use this network. This collaboration with John Lewis leaves Clipper extremely well-positioned to exploit this strategically important growth area of the market.

Despite the increasingly challenging logistics demands of the Black Friday-Cyber Monday weekend in the UK outlined previously, Clipper delivered a very successful 2015 Black Friday-Cyber Monday trading period for its clients and maintained excellent service levels throughout.

Clipper had been providing e-commerce fulfilment services to Tesco in a property leased by Tesco in Daventry. As a result of underutilised space elsewhere in its property portfolio, Tesco has opted not to renew its Daventry lease and intends to relocate into its Fenny Lock property from August 2016. The compensation for this early termination means Clipper's profit and loss account for the year ended 30 April 2017 will not be adversely impacted by this.

In this business activity, since the year end on 30 April 2016:

- we have commenced activity in the new pre-retail and returns facility for John Lewis in Northampton;

- we have commenced operations with Kidly, a start-up business which exclusively sells baby products through its website;

- we have secured a new contract with Links of London to provide warehousing, e-commerce and ancillary services from our Milton Keynes facility, the capacity of which has recently been increased through the addition of a mezzanine floor; and

- we have seen further growth as a result of Zara transferring additional logistics activities to Clipper. We have also secured new activity with Inditex post year-end in non-Zara brands.

In April 2016 we appointed a new Managing Director at Servicecare to drive the future growth and development strategy of the business. The new Managing Director brings a wealth of experience in electrical returns, having previously held senior roles at Panasonic and Comet. He is working alongside the UK Logistics team to broaden the service offering to existing customers to also include electrical returns.

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. This business activity also includes our transport and high value logistics activities.

Revenue from non e-fulfilment operations grew by 6.1% for the year ended 30 April 2016, from £102.1 million to £108.4 million, with Adjusted EBIT increasing by 6.4%, from £10.1 million to £10.7 million.

Within non e-fulfilment, the full year effect of the contracts secured in the prior year with Philip Morris and Ted Baker in the UK contributed to revenue and EBIT growth, as did organic growth on existing contracts with Sainsbury's, British American Tobacco, SuperGroup and Bench. Our transport operations at Rotherham and Harlow and our tobacco contract packing operations at Brighouse also performed particularly strongly, but this was partly offset by the cessation of the Aurora and Michael Lewis contracts during the year.

In the year just ended, we implemented a complex operational change to the SuperGroup activity in Burton whereby the e-commerce and non e-commerce activities could both be serviced from a common pool of stock.

Operating and Financial Review

continued

2. Value-added logistics services (continued)

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

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

Additionally, in the year to 30 April 2016 we commenced operating under new long-term contracts with:

- Haddad, specialists in fashion for children and teenagers, for warehousing and transport services;
- Pepkor UK Retail Limited, the owners of the fashion brand Pep&Co, to provide warehousing and returns management services; and
- M&Co, to provide transport services.

In this business activity, since the year end on 30 April 2016:

- we began operating a forward orders service line and transferred the pre-retail service line formerly performed in Enfield to the new Ancillary Distribution Centre for John Lewis;
- we have leveraged our relationship with Haddad to secure additional activity on Flyers and others of their brands;
- we have been notified that the Ted Baker and Hobbycraft contracts will not be renewed on expiry in January 2017 and September 2016 respectively. We are confident that the business development pipeline, together with the new long-term contracts discussed above will provide continued earnings growth in this sector into the next financial year and beyond; and
- we have commenced additional packing activity for certain of our tobacco customers.

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.

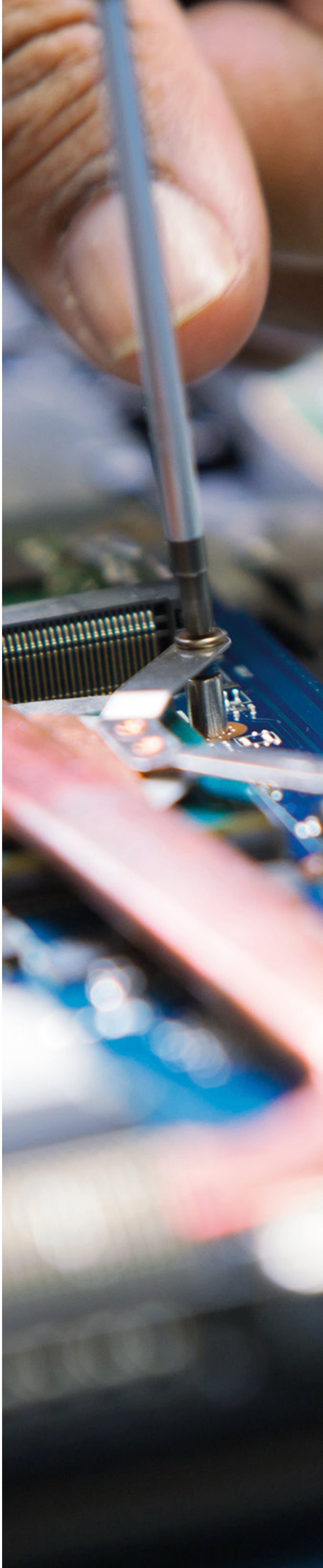
Investment in key personnel

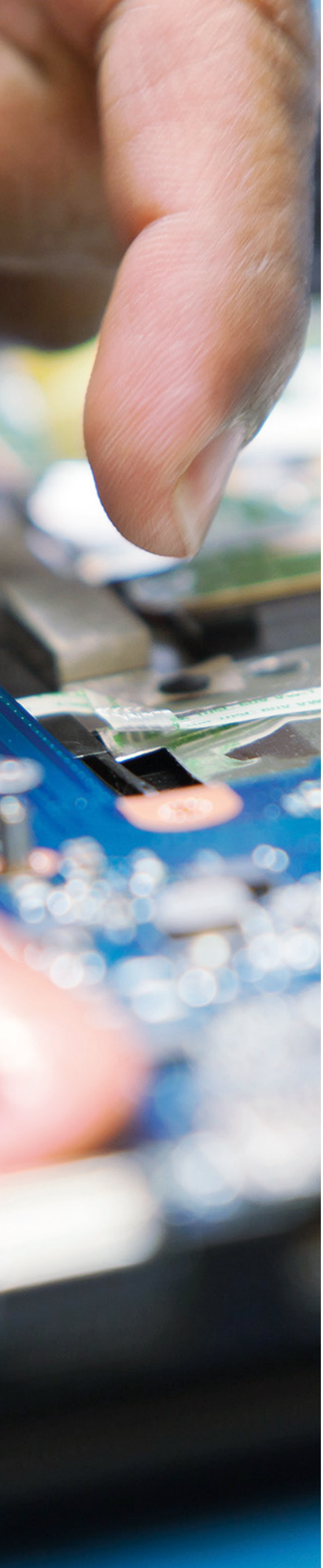
The Group differentiates itself by providing consultancy-led, value-added services to its actual and prospective client base. We have established ourselves as a thought leader within the logistics sector, and this is evidenced both by our customers' buy-in to our innovative approach, and by brand health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

The Group has a Senior Leadership Development Programme to enhance the skills of its senior team, and to assist with succession planning.





Operating and Financial Review

continued

3. Commercial vehicles

The commercial vehicles business delivered EBIT of £2.3 million in the year to 30 April 2016 (2015: £1.9 million), an increase of 20.8% on the previous year.

Northern Commercials operates from six dealership locations and has three sub-dealers. Main dealerships are located in Brighouse, Manchester, Northampton, Dunstable, Tonbridge and Brighton, and in the year ended 30 April 2016 Northern Commercials added an Iveco sales office on the sub-dealer's site in Liverpool. 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 1,792 new vehicles in the year to 30 April 2016 (2015: 1,810), and 443 used vehicles (2015: 470). However, due to a change in mix of vehicles sold, the average selling price of a new vehicle in the year to 30 April 2016 was £29,000 compared to £23,000 in the prior year, an increase of 26.1%, and the average selling price of a used vehicle was £11,000 compared to £9,000 in the prior year, an increase of 15.8%. Servicing saw increases in revenue between the year ended 30 April 2015 and the year ended 30 April 2016, with a 7.2% increase in the number of hours sold, and parts sales increased by 4.1%.

Key customers of Northern Commercials include Allied Bakeries, Asda, Clancy Docwra, Dawson Rental, Ryder, Variety Club (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 46.1 minutes to arrive to provide assistance to breakdowns;
- Vehicles Off-Road: Northern Commercials was the number one dealer, with an average of 1.9 days off-road for repairs;
- MOT pass rate at our dedicated Test station in Brighouse of 100%; and
- parts service: 97% of parts required by customers were delivered within 24 hours.

Operating and Financial Review

continued

4. Current trading and outlook

As noted previously, the Group secured a number of significant contract wins in the two years ended 30 April 2016, the full year benefit of which will not be realised until the years to 30 April 2017 and 30 April 2018.

As we look ahead to the 2017 financial year, we have a strong new business pipeline. Since the year end we have won new contracts within both e-fulfilment & returns management services 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. These contract wins will more than compensate for the contract losses mentioned earlier in this report. We look forward to updating shareholders on the progress of these new contracts.

The structural management changes we have made in central logistics, and key personnel changes in Servicecare, leave us ideally positioned to proactively and reactively scale-up our activities as necessary. These changes will enable us to cross-fertilise Clipper's and Servicecare's activities and customers and will allow us to deliver further growth.

Our new Click and Collect solution in collaboration with John Lewis, soon to experience an increase in level of activity when the second sorter hub goes live in Northampton in August 2016, 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 2017.

Following the UK referendum decision to exit the European Union, we do not anticipate any immediate impact on our activities. We believe our business model, whereby the majority of our contracts are on an open-book or minimum volume basis, coupled with fuel price escalators in our other contracts, means we will be able to mitigate the effect of short term economic uncertainty. We will continue to monitor and react accordingly to the development of the new trading environment as the details of the exit process become clearer.

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 2017.


Do not climb , step,

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 ("SMT") are collectively responsible for managing risk across the Group. Risks are formally reviewed regularly and risk registers are updated throughout the year. The Company has carried out a robust assessment of the principal risks facing the Group.

Principal risks are identified through an evaluation of likelihood of occurrence and potential impact. The SMT also reviews specific strategic, operational, 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.

The Group adopts the following process:

1. Identify risk:
Identify key risks by category
(including changes since the last review)

2. Rate risk:
Rate each risk (by evaluating and assigning a score to each risk)

3. Identify risk mitigation:
Identify mitigating actions required for each risk

4. Execute risk mitigation:
Execute agreed risk mitigation and process improvements

5. Review, monitor and report risk management process:
Review and monitor risk management process, and report to Board and Audit Committee

Risk Management
continued

Risk management process (continued)

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

Strategic:

Risk	Mitigation
Reputation 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.	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. All projects are reviewed and evaluated on a weekly basis by the relevant SMT members. In addition, independent 'Brand Health' reviews are undertaken regularly to monitor customer perception of, and satisfaction with, the Company.
People Failure to develop and retain key staff may prevent the Group from delivering its objectives.	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. 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.

Risk Management
continued

Risk management process (continued)

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

Operational:

Risk	Mitigation
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.	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.
Health & safety Our activities are conducted in a variety of operating environments. A failure to monitor or manage health and safety risks appropriately can not only lead to an unsafe working environment for our people and others who interact with us but may cause significant reputational damage and legal liabilities.	The Group has a team of dedicated health and safety professionals who maintain, audit and review detailed health and safety procedures and processes. The team advises the board and SMT. It also provides leadership and training to encourage a culture which values the early identification of situations that could lead to accidents.
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.	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.
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.	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.
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.	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. The Group maintains an extensive IT team supported where appropriate by external expertise. Particular focus is given to recovery processes and procedures, infrastructure resilience, innovation and security.

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
Legal and regulatory As the Group continues its expansion, particularly in the European Union, exposure to greater regulatory and legal risk will increase.	The Group employs internal and external experts where appropriate, supported by its Group General Counsel and external law firms, to set policy and monitor its application. Data control is a major area of client and regulatory focus. The Group's IT management systems and processes are designed to ensure controls over system access and data flow movements are carefully monitored. The Group undertakes appropriate staff training to ensure legal compliance. Operational sites are audited on a frequent, cyclical basis to test for instances of non-compliance. External specialist advice is sought to ensure technical compliance with financial, taxation, listing and other technical legislation. 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.

Financial:

Risk	Mitigation
Liquidity Inadequate cash resources could leave the Group unable to fund its growth plans, thus affecting future financial performance.	In the year just ended, the Group undertook an assessment of its funding requirements in the context of its growth plans, and entered into modified facilities with its bank to ensure that expected future growth plans can be funded within these increased facilities, as it did in the prior year following IPO. The Group will continue to undertake further reviews of funding requirements as its growth plans evolve.
Credit risk Customer default or insolvency could result in a bad debt.	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. Where customer contracts negate the Company's standard terms, protections against non-payment of amounts due are written into the contract.
Fraud risk Major fraud, including the risks posed from organised crime, may result in significant financial loss.	Our accounting procedures manual includes several layers of checking and control for new customers and suppliers and changes to suppliers' bank details, including combinations of oral and written confirmations from known contacts. Formal whistleblowing and anti-bribery policies are in place.

Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code (the "Code"), the Directors have assessed the prospect of the Company and the Group over a longer period than the 12 months required by the 'Going Concern' principle.

Whilst the Board has no reason to believe the Group will not be viable over a longer period, the period over which the Board considers it appropriate to form a reasonable expectation as to the Group's longer term viability, is the three-year period to 30 April 2019. This period reflects the period used for the Group's business plans and the typical length of a customer contract, and has been selected because it gives management and the Board sufficient, realistic visibility on the future in the context of the industry and market environment. The Board has considered whether it is aware of any specific relevant factors beyond the three year horizon and confirmed that there are none.

The Board's assessment has been made with reference to the resilience of the Group and its historical ability to deliver strong operational cash flows, the Group's robust balance sheet, the Group's current strategy, the Board's attitude to risk, and the principal risks documented in the Strategic Report. The starting point for the Board's review was the annual strategic planning process, which results in business plans for the next three financial years. These plans are then subjected to risk and sensitivity analysis. The assessment considers the potential impacts these risks would have under severe but plausible scenarios on the Group's business model, the Group's solvency and liquidity, compliance with covenants, likely availability to the business of future bank facilities and other key financial ratios. The Board considers that the Group's broad spread of customers across independent market sectors, the majority of which are underpinned by long-term agreements with minimum volume guarantees or open-book terms, acts significantly to mitigate the impact any of these risks might have on the Group.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due up to 30 April 2019.

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, apprenticeships and Potential Team Leader 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 continues to increase as we open new sites, employ new staff and promote existing staff, and is recognised as an excellent development tool improving skill levels and creating a robust succession pool. As reported last year, and supported by investment in an open learning portal, 2016 saw the programme extended to senior management with the piloting of Levels 4 and 5. We also support relevant professional qualifications across a range of disciplines e.g. operations (CILT), finance (ACCA/CIMA), HR (CIPD), and health and safety (IOSH/NEBOSH).

In order to improve succession planning and to develop high performance teams, 2016 saw the launch of a new online performance management system, which focuses 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.

Development at senior level is supported by a Senior Leadership Development Programme.

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. All employees with six months or more service are invited to participate in each iteration of the Sharesave Plan (see page 71).

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 by celebrating achievements, for example via our Employee of the Month Scheme, and Long Service awards.

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

Schools and universities

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.

Corporate Social Responsibility
continued

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.

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.

Gender breakdown as at 30 April 2016:

	Male	Female	Total	Male%	Female%
Board of Directors	8	0	8	100	0
Other Senior Management*	12	0	12	100	0
Other employees	2,148	1,265	3,413	63	37
Total	**2,168**	**1,265**	**3,433**	**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

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.

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. Last year we employed a Health, Safety and Environmental Advisor to provide additional resource to further develop our agenda, and we have expanded our network of site based health and safety managers to ensure compliance as we grow our operations.

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 now have solar panels installed on the warehouse roof at our Ollerton, Gelderd Road and Burton sites, and will continue to investigate the possibility of installing solar panels at our other sites where appropriate;
- we investigate fuel use, route planning and best design of vehicles across the fleet to become more efficient and minimise emissions. We continue to participate in the ECO Stars Fleet Recognition Scheme which recognises fleet operators who use lower polluting vehicles and effective fuel management, thereby becoming the first multi-regional member of this scheme;
- we promote environmental awareness via 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 CO_2 equivalent (tCO_2e) using the relevant DEFRA conversion factors.

In the year to 30 April 2016, both Scope 1 and Scope 2 emissions increased from the prior year, driven by an increase in the warehouse space occupied by the Group (which led to higher gas and electricity usage), and an increase in the transport activities within the UK logistics business (which increased the amount of diesel used). However, emissions per £ million of revenue fell by 11%, as a result of ongoing fuel efficiency programmes and increased utilisation of space within our warehouses, which meant that revenue increased without a proportionate increase in emissions.

Corporate Social Responsibility
continued

Greenhouse gas (GHG) emissions (continued)

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

Emissions (tonnes CO_2e)	Year to 30 April 2016	Year to 30 April 2015
Scope 1	**27,089**	24,757
Scope 2	**10,125**	9,224
Total emissions	**37,214**	33,981
Emissions per £m of revenue	**128.2**	144.7

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.

Our expanding returns operations sort, reprocess, repair or recycle our clients' products which are returned from their customers. These processes help to reduce the amount of goods which may otherwise go to landfill.

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 7.5 tonne vehicles.

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.

Approved by the Board and signed on its behalf by:

David Hodkin
Chief Financial Officer
1 August 2016


0502551253
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MIN: 2318g
MAX: 2832g
SC01 CHECK WEIGH SCANNER

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

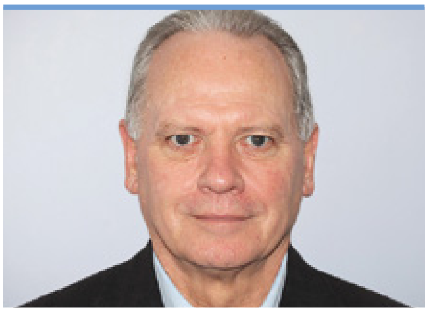
Paul joined the Group as Senior Independent Non-Executive Director on 16 May 2014. Paul retired from his role as Group Finance Director of Travis Perkins plc in 2013, following 25 years with the group. During that time, the group enjoyed tenfold growth and Paul oversaw a significant number of acquisitions ranging from £1 million to £1 billion in size.

Paul is currently non-executive director and chairman of the audit committee at Grafton Group plc and a non-executive director at Bellway plc.

During the last ten years, Paul has held non-executive directorships on the boards of DX Services plc, Redrow 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.

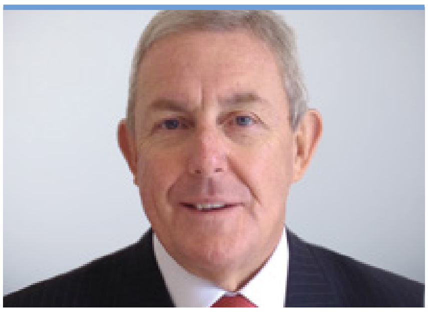
Stephen Robertson, Independent Non-Executive Director

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 Director General 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,

I am pleased to present the Company's Corporate Governance Report for the year ended 30 April 2016. 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 and follows an approach which complies with the provisions of the UK Corporate Governance Code dated September 2014 (the "Code"). The report which follows describes how, for the year ended 30 April 2016, the Group has complied with the main provisions of the Code.

Steve Parkin
Executive Chairman

Compliance with the Code

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. 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 2016, except for provisions A.4.2 and E.1.1.

In April 2016 the Financial Reporting Council published a revised 2016 UK Corporate Governance Code ("2016 Code") which will apply to premium listed companies in respect of accounting periods commencing on or after June 2016. This will apply to the Company in the year ending 30 April 2018.

This Report, which incorporates reports from the Nomination and Audit Committees on pages 52 to 57 together with the Strategic Report on pages 6 to 40, the Directors' Remuneration Report on pages 58 to 72 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 44 and 45.

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 at which meetings Board performance and other appropriate matters are discussed. The Chairman also discusses 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 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 and contracts	Governance
- approve and consider strategic initiatives and plans, including potential acquisitions; - competitor activity review; - European strategy review; - dividend policy; - growth strategy; - health & safety record; and - approval of SMT reorganisation.	- review of contract performance; - Black Friday performance; - financial review; - approve capital projects and contracts of material importance; - review of IT support; and - introduction and impact of Living Wage.	- risk review; - legal and governance updates; - approving process of training of Persons Discharging Managerial Responsibility ("PDMRs") and senior management on various regulatory matters including the new Market Abuse Regulation which became effective on 3 July 2016; - the introduction of class leading bespoke insider management software; and - Board and committee evaluation.

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 year under review, 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	Nomination Committee Meetings
Steve Parkin	Executive Chairman	9/9			2/2
Tony Mannix	Chief Executive Officer	9/9			
David Hodkin	Chief Financial Officer	9/9			
Sean Fahey	Chief Information Officer	9/9			
Paul Hampden Smith	Senior Independent Director	9/9	3/3	1/1	
Stephen Robertson	Non-executive Director	9/9	3/3		
Mike Russell	Non-executive Director	9/9	3/3	1/1	2/2
Ron Series	Non-executive Director	9/9		1/1	2/2

The Board has a full programme of Board meetings planned for 2016 and 2017. 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 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 and Executive Committees certain authorities. There are written terms of reference for each of these Committees, available on request from the Company Secretary. Separate reports for each of the Nomination, Audit and Remuneration Committees are included in this Annual Report and Accounts from pages 52 to 72.

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 leadership and overall effectiveness of the Board and setting the Board's agenda, 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.

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, chief executive officer 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 attending the AGM, receiving feedback on other shareholder meetings and analysts' and brokers' briefings on a regular basis.

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 last AGM. 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 updated training to the Directors and Senior Management Team on the changes to the Company's share dealing code, insider dealing and other regulatory matters to ensure compliance with the new EU regulation on Market Abuse. This is supplemented by advice and training provided on certain matters by the Company Secretary.

Corporate Governance Report
continued

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 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.

Sean Fahey, Mike Russell and Ron Series will be offering themselves for re-election at the 2016 AGM to be held at Clipper Logistics, Gelderd Road, Leeds, LS12 6LT on 17 October 2016 at 11.00am, full details of which will be issued under separate cover.

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 2016, 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 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

As Chairman of the Nomination Committee (the "Committee"), I am pleased to present the report of the Committee for the year ended 30 April 2016. The Committee is a key committee of the Board whose role is to keep the composition and structure of the Board and its committees under review. The Committee's role also includes enhancing the quality of nominees to the Board and ensuring that the recruitment and appointment process is conducted with rigour and integrity.

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.

Activities of the Nomination Committee in 2016

The Committee met twice during the financial year and considered the succession plans for both executive appointments to the Board and the Senior Management Team, taking into account the strategic objectives of the Group and in that regard considered a reorganisation of the Senior Management Team below board level proposed by the CEO. Earlier in the year Dave Aspin (Managing Director of Servicecare Support Services Limited), a member of the Senior Management Team, indicated that he wished to retire during 2016. As a result a search for a replacement was initiated. After careful consideration of a number of potential candidates it was recommended to the Board that Simon Parkinson be appointed as Managing Director of Servicecare Support Services Limited. Simon Parkinson was until recently Marketing Director (UK and Ireland) at Panasonic. The Board approved such recommendation and Simon Parkinson started with the Group on 18 April 2016.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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 2016, the Audit Committee has met three 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. Clipper's 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 45, 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 Accounts 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 position and performance, business model and strategy.

Audit Committee Report
continued

Activities during the year ended 30 April 2016

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

- review and approval for consideration by the Board of the financial results for the year ended 30 April 2015;
- findings from the external audit for the year ended 30 April 2015;
- approval of the auditors' remuneration in respect of the year ended 30 April 2015;
- discussion around the UK Corporate Governance Code on risk management, internal control, viability and going concern;
- auditors' confirmation of independence;
- review of auditors' effectiveness;
- approving management's recommendation for a change in auditors, following a competitive tender process; and
- 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.

Since the year end, the Audit Committee has also reviewed and approved for consideration by the Board this Annual Report and reviewed the findings from the external audit for the year ended 30 April 2016.

As part of their review process, the members of the Audit Committee are provided with a draft of the full Annual Report and Accounts 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 assists 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. The most significant risk identified is set out below:

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.

Change of auditor

Following the conclusion of the audit for the year ended 30 April 2015, with the Audit Committee's approval, management conducted a competitive bid process for the Group's audit. The incumbent auditors, Ernst & Young LLP were invited to participate and submitted a bid. After due consideration of four audit firms, management recommended that KPMG LLP be appointed. The Audit Committee reviewed management's proposal and approved the appointment, to take place once Ernst & Young LLP's resignation had taken effect.

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, before making a recommendation to the Board to be put to shareholders.

Prior to recommending the appointment of KPMG 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 KPMG LLP proved 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. Following the

Audit Committee Report

continued

Independence safeguards (continued)

change in auditor, the current audit engagement partner was appointed in the year just ended. 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.

Independence assessment by the Audit Committee

As required, the external auditor provided the Audit Committee with information for review about policies and procedures for maintaining its independence and compliance regarding the rotation of audit partners and staff. Separate external firms are engaged for taxation advisory services. The Audit Committee is satisfied that the independence of KPMG LLP is not impaired.

Furthermore, KPMG LLP has 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).

KPMG LLP has performed no non-audit work for the Group in the two years ended 30 April 2016. Since the completion of the IPO in the year ended 30 April 2015, 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 KPMG LLP as auditor until the conclusion of the AGM in 2017.

Internal audit

The Board has considered the benefits that an internal audit function might bring to the Group. It has 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, in accordance with Code provision C.3.2.

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.

In reviewing the effectiveness of the system of internal controls, the Audit Committee receives self-assurance statements from the members of the Senior Management Team who are 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 Chief Financial Officer 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.

Audit Committee Report

continued

Internal control and risk management (continued)

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, performance, business model and strategy. The responsibilities of the Directors and external auditor are set out on pages 80 and 85 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 2016.

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 ended 30 April 2016 was a significant one for Clipper. The Group performed strongly, with Group revenue increasing by 23.7% to £290.3 million, and Adjusted EBIT growing by 21.0% to £14.5 million.

Although this performance was very positive and the Group is in a position to realise further strong growth going forwards, considering both the reported Adjusted EBIT for the financial year and the very stretching targets set by the Committee and management at the commencement of the year, the Committee determined that no bonuses should be paid under the Annual Incentive Plan ("AIP") to our Executive Directors for the year ended 30 April 2016.

Due to our shareholding structure, we are required to seek specific shareholders' approval to permit the Executive Chairman, the Chief Financial Officer, the Chief Information Officer and the Company Secretary and General Counsel to participate in awards under our Sharesave and Performance Share Plan ("PSP").

At the 2016 AGM we will be proposing two remuneration related resolutions:

- a vote to approve the Directors' Remuneration Report; and

- 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".

Similar resolutions were proposed at our 2014 and 2015 AGMs and, whilst both resolutions were approved, around 20% of the votes cast on these resolutions were "votes against". Accordingly in 2016 the Company is engaging with its leading shareholders and with leading proxy voting agencies to emphasise the importance of the strong team culture amongst the entire Senior Management Team which has served the Company so well to date and how, as part of that team culture, it is integral that all Executive Directors and senior managers should participate in the same annual incentive plan and long-term incentive plan, with all of the wider 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 2016 AGM.

Mike Russell
Chairman, Remuneration Committee


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Implementation Report on Remuneration

Audited information

Single Figure Table

£'000	Salary year ended 30 April: 2016	2015	Benefits year ended 30 April: 2016	2015	Annual bonus year ended 30 April: 2016	2015	Long-term incentives year ended 30 April: 2016	2015	Pension contributions year ended 30 April: 2016	2015	Total year ended 30 April: 2016	2015
Steve Parkin	384	405	67	56	nil	42	nil	nil	35	15	486	518
Tony Mannix	213	208	27	25	nil	23	nil	nil	36	39	276	295
David Hodkin	180	180	2	2	nil	19	nil	nil	23	23	205	224
Sean Fahey	150	150	27	11	nil	16	nil	nil	15	15	192	192

[1] Benefits comprise a car allowance or company car, fuel allowance, private family medical cover, and insurance benefits. The increase in the value of benefits for the Executive Chairman in the year principally represents an increased car value within the Company's policy.

[2] Details of the annual incentive plan for the financial year ending 30 April 2016 are set out below.

[3] No LTIP awards vested in the financial year ending 30 April 2016. For details of the LTIP in operation for the financial year ending 30 April 2016 refer to page 62 below.

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

[5] Base salaries for Steve Parkin and Tony Mannix in the years ended 30 April 2015 and 2016 were £405,000 and £225,000 respectively. In the year ended 30 April 2016 both Steve and Tony surrendered part of their salaries in return for additional employer's pension contributions. Tony also surrendered part of his salary in the prior year in return for additional employer's pension contributions.

Annual bonus outcomes for the year ended 30 April 2016

Performance for the Annual Incentive Plan ("AIP") was measured against Adjusted EBIT for the year to 30 April 2016. The Adjusted EBIT achieved for the year was £14.5 million. For the financial year ended 30 April 2016, very demanding targets had been set for the AIP and accordingly this level of Adjusted EBIT did not allow for the payment of any bonuses for Executive Directors when compared to the £14.8 million Adjusted EBIT target set for the AIP.

Non-Executive Directors' fees

£'000	Fees year ended 30 April: 2016	2015	Benefits year ended 30 April: 2016	2015	Total year ended 30 April: 2016	2015
Paul Hampden Smith	60	55	1	-	61	55
Stephen Robertson	40	37	3	1	43	38
Mike Russell	40	39	-	2	40	41
Ron Series	40	37	2	1	42	38

[1] As the Non-Executive Directors were appointed in May 2014 the prior year figures represent remuneration for only 11 months.

[2] 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 2016 are set out below:

	Ordinary shares Number
Steve Parkin	30,797,100
Tony Mannix	1,358,613
David Hodkin	1,358,613
Sean Fahey	7,834,397
Paul Hampden Smith	100,000
Stephen Robertson	9,410
Mike Russell	-
Ron Series	10,000

[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 2015	Options lapsed	Options granted	Options exercised	Option grant price (p)	Options held at 30 April 2016	Earliest exercise date	Latest exercise date
Steve Parkin	229,682	-	135,374	-	nil	365,056	14/01/2018	14/01/2026
Tony Mannix	127,601	-	75,208	-	nil	202,809	14/01/2018	14/01/2026
David Hodkin	102,081	-	60,166	-	nil	162,247	14/01/2018	14/01/2026
Sean Fahey	85,067	-	50,138	-	nil	135,205	14/01/2018	14/01/2026

Sharesave Plan:

	Options held at 1 May 2015	Options lapsed	Options granted	Options exercised	Option grant price (p)	Options held at 30 April 2016	Earliest exercise date	Latest exercise date
Steve Parkin	12,820	-	-	-	n/a	12,820	01/04/2018	30/09/2018
Tony Mannix	6,410	-	3,760	-	239.34	10,170	01/04/2018	30/09/2019
David Hodkin	12,820	-	-	-	n/a	12,820	01/04/2018	30/09/2018
Sean Fahey	12,820	-	-	-	n/a	12,820	01/04/2018	30/09/2018

[1] *The range of market price of shares in Clipper Logistics plc during the year ended 30 April 2016 was 188p to 305p. The closing price on 30 April 2016 was 270p.*

[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 299.17p for the options granted on 14 January 2016.*

[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 in the year (9 February 2016) was 267.25p. The face value of the options was therefore £10,048.60 for Tony Mannix. The option price for options granted on 9 February 2016 was 239.34p as shown above.*

[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 2016 are 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%

Implementation Report on Remuneration

continued

Unaudited information

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 2016 were £29,000. 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 2017

Executive Directors

Base salary

- Base salaries for the year ending 30 April 2017 are as follows: £411,075 for Steve Parkin, £228,375 for Tony Mannix, £182,700 for David Hodkin and £152,250 for Sean Fahey. These salaries represent a 1.5% increase from the financial year ended 30 April 2016, in line with increases made for central functions staff.

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 2016, although Steve Parkin and Tony Mannix surrendered part of their salaries 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 60.

- There is no intention to introduce additional benefits in the financial year ending 30 April 2017.

Annual Incentive Plan for the year ending 30 April 2017

- The AIP maximum is 50% of base salary. This is unchanged from the financial year ended 30 April 2016.

- Performance measures for the AIP in the year to 30 April 2017 will be based on EBIT. The Remuneration Committee selected EBIT as the performance measure for the AIP for the year ending 30 April 2017 as it is regarded as a key performance indicator for the Group. 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 2017

- Award levels are proposed at 100% of base salary for each Executive Director. This is unchanged from the financial year ended 30 April 2016.

- The performance measures and targets for this award will be based on Adjusted EPS performance for the financial year ending 30 April 2019.

- The Remuneration Committee selected this performance measure because growth in earnings is a key measure of success for the Group.

- The performance targets for the Adjusted EPS measure will be set by the Committee shortly before the awards are made, it being the Company's practice to make the awards following the announcement of its half-yearly results. Accordingly, this allows the Committee to ensure that the targets applied are both appropriately stretching, and relevant to participants. The Company will disclose the performance targets for the Adjusted EPS measure in next year's Directors' Remuneration Report.

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;
  - Mike Russell - £40,000; and
  - Ron Series - £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, 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 2016 and 30 April 2015.

£'000	2016	2015	% change
Remuneration paid to all employees of the Group[1]	**81,253**	66,539	**+22.1%**
Distributions to shareholders	**5,200**	1,935	**+168.7%**

[1] *Total remuneration reflects overall employee costs. See note 5 to the Group Financial Statements for further information.*

[2] *Distributions to shareholders in the year ended 30 April 2015 include £335,000 paid to the Company's former parent company.*

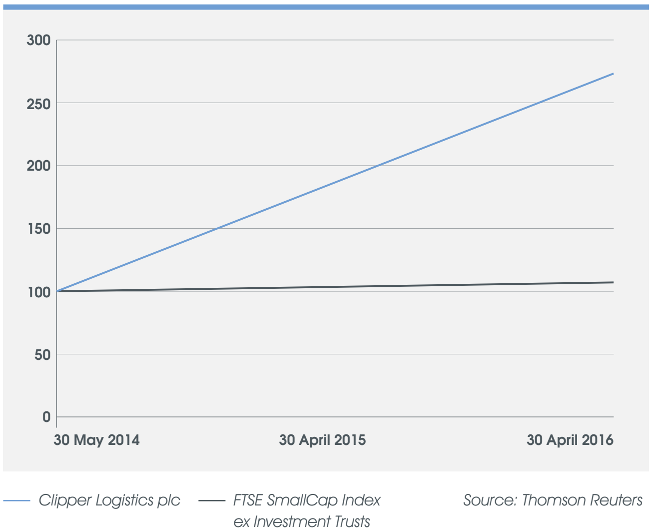
Comparative Total Shareholder Return ("TSR")

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, 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.

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:

Total Shareholder Return Index (30 May 2014 = 100)



Source: Thomson Reuters

	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 2016: Steve Parkin	**486**	**0.0%**	**n/a**
Year ended 30 April 2015: Steve Parkin	518	20.8%	n/a

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 2015 and the year ended 30 April 2016.

Year-on-year % change	Salary	Taxable benefits	Annual bonus
Executive Chairman	-5.1%	+19.1%	-100.0%
All-employees	+1.9%	+6.3%	-6.1%

In the year ended 30 April 2016 the Executive Chairman surrendered part of his salary for additional employer's pension contributions. Subsequently a decrease in salary from the prior year is shown above, but this is offset by an equal and opposite increase in employer's pension contributions.

The increase in the value of benefits for the Executive Chairman in the year principally represents an increased car value within the Company's policy.

AGM voting results

Details of the votes on remuneration matters held at the 2015 AGM are as follows:

Resolution	Votes for	% for	Votes against	% against	Total votes	Withheld
Approve Directors' Remuneration Report	89,072,202	100.00%	0	0.00%	89,072,202	0
Approve participation by "Concert Party" in PSP and Sharesave	36,402,635	80.75%	8,679,457	19.25%	45,082,092	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 the PSP given the level of his existing shareholding in the Company.

However, this participation in the 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 at the 2014 AGM.

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
Mike Russell	16 May 2014
Ron Series	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 1 August 2016 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 2016 AGM.

Element and purpose	Policy and operation	Maximum	Performance measures
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.	Base salaries will be reviewed each year by the Remuneration Committee. The Remuneration Committee does not strictly follow data but uses it as a reference point in considering, in its judgement, 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. Base salary is paid monthly in cash.	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.	N/A
Benefits To provide benefits valued by recipients.	The Executive Directors may receive a car allowance or company car, fuel allowance, private family medical cover and insurance benefits. 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. Where appropriate, the Group will meet certain costs relating to Executive Director relocations.	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). 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.	N/A

Directors' Remuneration Policy
continued

Appendix (continued)

Element and purpose	Policy and operation	Maximum	Performance measures
Pension To provide retirement benefits.	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.	The maximum employer's contribution is limited to 15% of base salary.	N/A
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.	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. 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. AIP outcomes are paid in cash following the determination of achievement against performance measures and targets. Malus and clawback provisions apply to the AIP as explained in more detail in the notes to this table.	The maximum level of AIP outcomes is 50% of base salary p.a. for the duration of this Policy.	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. Details of the proposed performance measures for the year ending 30 April 2015 are set out in the notes to this table.[1] 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. However, the AIP remains a discretionary arrangement and the Remuneration Committee retains a standard power to apply its judgement to adjust the outcome of the AIP for any performance measure (from zero to any cap) should it consider that to be appropriate.

[1] *Now included at page 53 of the Company's 2014 Annual Report and Accounts.*

Directors' Remuneration Policy

continued

Appendix (continued)

Element and purpose	Policy and operation	Maximum	Performance measures
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"). Shareholders' approval for the PSP is being sought at the 2014 AGM.	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. Under the PSP rules, vested awards may also be settled in cash. 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. Malus and clawback provisions apply to PSP awards and are explained in more detail in the notes to this table.	The PSP allows for awards over shares with a maximum value of 150% of base salary per financial year. The Remuneration Committee expressly reserves discretion to make such awards as it considers appropriate within these limits.	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). Details of the proposed performance measures for the initial awards are set out in the notes to this table.[1] 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. 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. No more than 25% of awards vest for attaining the threshold level of performance conditions.
Share ownership guidelines To further align the interests of Executive Directors with those of shareholders.	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.	100% of salary for all Executive Directors. The Remuneration Committee reserves the power to amend (but not reduce) these levels in future years.	N/A

[1] *Now included at page 53 of the Company's 2014 Annual Report and Accounts.*

Directors' Remuneration Policy
continued

Appendix (continued)

Element and purpose	Policy and operation	Maximum	Performance measures
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. Shareholders' approval is being sought at the 2014 AGM for the Clipper Sharesave Plan ("Sharesave Plan").	The Sharesave Plan is an all-employee share plan established under the HMRC tax-advantaged regime and follows the usual form for such plans. Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees.	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%. The maximum amount that can be invested in the plan will not exceed the statutory limit from time to time (currently £500 pcm). The options vest on the third anniversary of the commencement of the savings period.	Consistent with normal practice, such awards are not subject to performance conditions.
Non-Executive Director fees To enable the Group to recruit and retain Non-Executive Directors of the highest calibre, at the appropriate cost.	The fees paid to Non-Executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity. The fees payable to the Non-Executive Directors are determined by the Board. 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.	Fees are paid monthly in cash. Any increases made will be appropriately disclosed.	N/A

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.


Clipper

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 2016.

The Corporate Governance Report on pages 46 to 50 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 40).

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 28, along with the financial position of the Group, its cash flows and liquidity.

In addition, note 25 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 £10.3 million (2015: £7.3 million). The results are discussed in greater detail in the Operating and Financial Review on pages 18 to 28 and set out in the Group Income Statement on page 86.

The Directors are recommending the payment on 20 October 2016 of a final dividend of 4.0 pence per ordinary share to shareholders on the register at the close of business on 23 September 2016 which, together with the net interim dividend of 2.0 pence per ordinary share paid on 31 December 2015, results in a total net dividend for the year of 6.0 pence per share (2015: 4.8 pence).

Directors

The names and biographies of the current Directors of the Company are set out on pages 44 and 45 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 61. Between 30 April 2016 and 29 July 2016 (being the latest practicable date before publication) there had been no change in Directors' interests as set out on page 61.

Directors' indemnities

The Company provided indemnities to each of its Directors during the year ending 30 April 2016 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 2016:

Name	Position
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
Stephen Peter Robertson	Independent Non-Executive Director
Michael (Mike) John Russell	Independent Non-Executive Director
Ronald (Ron) Charles Series	Independent Non-Executive Director

Directors' Report

continued

Significant contracts

The only significant contract involving any Director or controlling shareholder of the Company during the year was the Relationship Agreement (referred to later in this report) entered into between the Company and Steve Parkin and Carlton Court Investments Limited.

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 58 to 72.

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.

Share capital structure

Details of the Company's share capital are set out in note 21 to the Group Financial Statements on page 123. During the year the Company issued 5,341 new ordinary shares of 0.05p each pursuant to the exercise of options granted to certain employees of the Company under the Company's Sharesave Plan approved by shareholders at the 2014 AGM.

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 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 2016 AGM.

As at 29 July 2016, 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 less than 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 Controlling Shareholders by notice in writing.

Relationship agreement with controlling shareholders

Carlton Court Investments Limited ("Carlton") holds 30.0% 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 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.

Directors' Report

continued

Relationship agreement with controlling shareholders (continued)

As such, the Board can confirm that since the entry into the Relationship Agreement on 30 May 2014 until 29 July 2016, 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 39 and 40 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 38.

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

During the year ended 30 April 2016, 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 2016, the Group made charitable donations totalling £72,000 (2015: £52,000).

Directors' Report
continued

Major interests in shares

As at 15 July 2016, 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]	30,000,000	30.00
SOMLIE Limited[2]	7,834,397	7.83
The Chima Settlement	6,999,999	7.00
Unicorn Asset Management	6,433,002	6.43
Hargreave Hale	5,245,140	5.24
Liontrust Asset Management	4,963,416	4.96
Franklin Templeton Fund Management	4,300,000	4.30
Legal and General Investment Management	3,163,436	3.16

[1] *Ultimately controlled by Steve Parkin, Executive Chairman.*

[2] *Ultimately controlled by Sean Fahey, Chief Information Officer.*

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and Group have 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 2019. 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 the Viability Statement on page 34 and 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, KPMG 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 17 October 2016 at 11:00. Details of the meeting venue and the resolutions to be proposed are set out in a 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
1 August 2016

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


SCAN

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

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 they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

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;
- 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; 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 are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group 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.

Responsibility statement of the Directors in respect of the Annual Report and Accounts

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

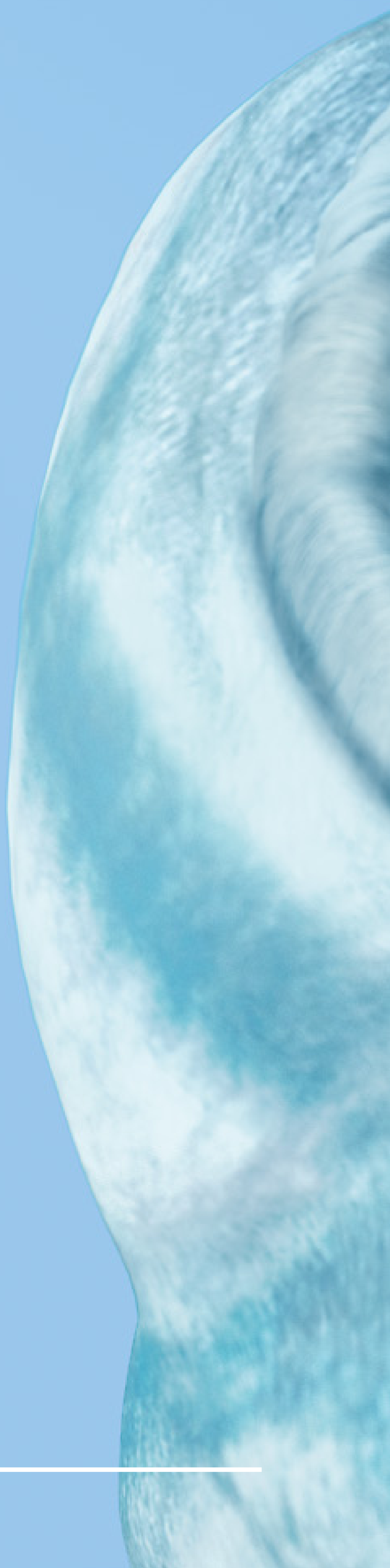
Approved by the Board and signed on its behalf by:

Steve Parkin
Executive Chairman
1 August 2016

David Hodkin
Chief Financial Officer
1 August 2016


asos

Group Financial Statements for the year ended 30 April 2016



Independent Auditor's Report

to the members of Clipper Logistics plc only

Opinions and conclusions arising from our audit

Our opinion on the Financial Statements is unmodified

We have audited the Financial Statements of Clipper Logistics plc for the year ended 30 April 2016 set out on pages 86 to 157.

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 2016 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 as adopted by the European Union;

- the Parent Company Financial Statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; 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.

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the Financial Statements the risk of material misstatement that has the greatest effect on our audit was as follows:

- **Revenue recognition – £290.3m**
  - *Refer to page 55 (Audit Committee Report) and pages 97 to 98 (accounting policy).*

The Risk:

Accuracy and timing of revenue recognition is one of the key judgemental areas for our audit, particularly in respect of the different revenue streams around the Group. These include the various contractual arrangements, each with bespoke billing terms which can lead to complexity around the calculation of revenue and any deferred and accrued revenue, in the value-added logistics services segment (including Clipper Logistics and Servicecare).

Our response:

Our procedures included:

- checking of the reconciliation of cash receipts and movements in opening and closing related balance sheet captions to total revenue for the value-added logistics services segment;

- inspecting contracts with key customers in the value-added logistics services segment to determine whether, based on the contract terms and billing schedule, the Directors have appropriately captured these contracts as part of the calculation of revenue and any accrued or deferred income at the year end;

- assessing accuracy of accrued and deferred income in the value-added logistics services segment by agreeing a sample of balances to invoices raised pre or post year end and recalculating the amount accrued or deferred based on contract terms and costs incurred in the period up to year end;

- assessing completeness of accrued and deferred revenue by testing a sample of transactions around the year end date, in order to assess whether the associated revenue was recognised in the correct period; and

- assessing the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition set out in note 2.20.

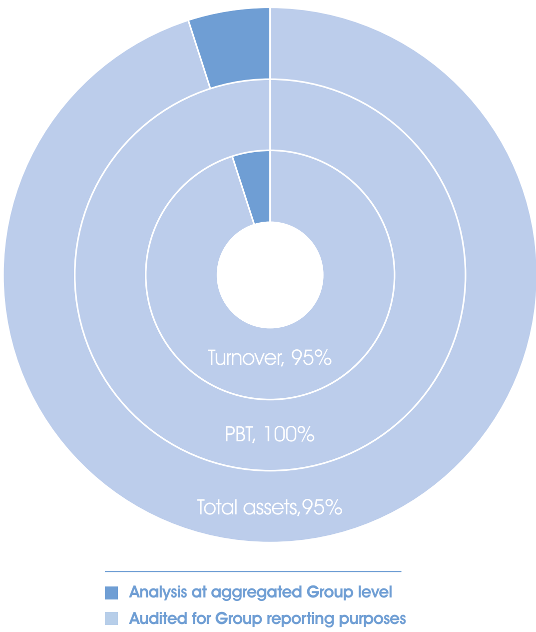
Our application of materiality and an overview of the scope of our audit

The materiality for the Group Financial Statements as a whole has been set at £650,000 determined by reference to a benchmark of Group profit before taxation (of which it represents approximately 5%).

We report to the Audit Committee any corrected and uncorrected misstatements (including disclosure misstatements) exceeding £32,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's seven reporting components, we subjected six to audits for Group reporting purposes; the remainder was not individually financially significant enough to require an audit for Group reporting purposes.

The components, subjected to audits for Group reporting purposes covered 95% per cent of Group revenue, 100% per cent of Group profit before tax and 95% per cent of Group total assets.



Independent Auditor's Report

to the members of Clipper Logistics plc only

continued

Opinions and conclusions arising from our audit (continued)

Our application of materiality and an overview of the scope of our audit (continued)

For the remaining component, we performed analysis at a Group level to re-examine our assessment that there were no significant risks of material misstatement within this component.

The Group audit team performed and reviewed all of the work discussed above.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

- 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.

We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Viability Statement on page 34, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group continuing in operation over the three years to 30 April 2019; or

- the disclosures in note 2 of the Group Financial Statements concerning the use of the going concern basis of accounting.

We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the Financial Statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or

- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 34 and 78, in relation to going concern and longer-term viability; and

- the part of the Corporate Governance statement on page 46 in the Corporate Governance Report relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

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. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
1 August 2016

Group Income Statement

For the year ended 30 April

	Note	**2016 Group £'000**	2015 Group £'000
Revenue	3	**290,325**	234,778
Cost of sales		**(205,742)**	(165,590)
Gross profit		**84,583**	69,188
Other net gains	6	**263**	364
Administration and other expenses		**(70,315)**	(57,547)
Operating profit before non-recurring items		**14,531**	12,005
Discontinuing costs	4	**-**	(278)
Exceptional costs	6	**-**	(863)
Operating profit	6	**14,531**	10,864
Finance costs	8	**(1,413)**	(1,388)
Finance income	9	**4**	9
Profit before income tax		**13,122**	9,485
Income tax expense	10	**(2,786)**	(2,161)
Profit for the financial year		**10,336**	7,324
Basic earnings per share	11	**10.3p**	7.3p
Diluted earnings per share	11	**10.3p**	7.3p
Adjusted basic earnings per share*	11	**10.3p**	8.4p

**Earnings per share adjusted for discontinuing and exceptional costs as described in note 11.*

The accompanying notes on pages 92 to 131 form part of these Financial Statements.

Group Statement of Comprehensive Income

For the year ended 30 April

	Note	**2016 Group £'000**	2015 Group £'000
Profit for the financial year		**10,336**	7,324
Other comprehensive expense for the year, net of tax:			
To be reclassified to the income statement in subsequent periods:			
Exchange differences on retranslation of foreign operations		**(6)**	(5)
Total comprehensive income for the financial year		**10,330**	7,319

The accompanying notes on pages 92 to 131 form part of these Financial Statements.

Group Statement of Financial Position

At 30 April

	Note	**2016 Group £'000**	2015 Group £'000
Assets:			
Non-current assets			
Property, plant and equipment	12	**25,564**	14,615
Goodwill		**23,252**	23,252
Other intangible assets		**1,646**	1,567
Intangible assets	13	**24,898**	24,819
Total non-current assets		**50,462**	39,434
Current assets			
Inventories	15	**26,252**	21,677
Trade and other receivables	16	**39,816**	33,443
Current tax assets		**36**	-
Cash and cash equivalents	17	**715**	1,854
Total current assets		**66,819**	56,974
Total assets		**117,281**	96,408
Equity and liabilities:			
Current liabilities			
Trade and other payables	18	**72,183**	61,708
Financial liabilities: borrowings	19	**6,553**	5,196
Derivative financial instruments		**10**	70
Short term provisions	20	**109**	108
Current income tax liabilities		**1,747**	731
Total current liabilities		**80,602**	67,813
Non-current liabilities			
Financial liabilities: borrowings	19	**12,931**	10,226
Long term provisions	20	**769**	732
Deferred tax liabilities	10	**202**	642
Total non-current liabilities		**13,902**	11,600
Total liabilities		**94,504**	79,413
Equity shareholders' funds			
Share capital	21	**50**	50
Share premium		**56**	48
Currency translation reserve		**24**	31
Other reserve		**84**	84
Merger reserve		**6,006**	6,006
Share based payment reserve		**783**	139
Retained earnings		**15,774**	10,637
Total equity attributable to the owners of the Company		**22,777**	16,995
Total equity and liabilities		**117,281**	96,408

The accompanying notes on pages 92 to 131 form part of these Financial Statements.

Approved by the Board on 1 August 2016 and signed on its behalf by:

D A Hodkin – Chief Financial Officer
Company No. 03042024

Group Statement of Changes in Equity

For the year ended 30 April

	Share capital Group £'000	Share premium Group £'000	Currency translation reserve Group £'000	Other reserve Group £'000	Carried forward Group £'000
Balance at 1 May 2014	50	48	36	84	218
Profit for the year	-	-	-	-	-
Other comprehensive income/(expense)	-	-	(5)	-	(5)
Equity settled transactions	-	-	-	-	-
Dividends	-	-	-	-	-
Balance at 30 April 2015	50	48	31	84	213
Profit for the year	**-**	**-**	**-**	**-**	**-**
Other comprehensive income/(expense)	**-**	**-**	**(7)**	**-**	**(7)**
Equity settled transactions	**-**	**-**	**-**	**-**	**-**
Share issue	**-**	**8**	**-**	**-**	**8**
Dividends	**-**	**-**	**-**	**-**	**-**
Balance at 30 April 2016	**50**	**56**	**24**	**84**	**214**

	Brought forward Group £'000	Merger reserve Group £'000	Share based payment reserve Group £'000	Retained earnings Group £'000	Total Group £'000
Balance at 1 May 2014	218	6,006	-	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	213	6,006	139	10,637	16,995
Profit for the year	**-**	**-**	**-**	**10,336**	**10,336**
Other comprehensive income/(expense)	**(7)**	**-**	**-**	**1**	**(6)**
Equity settled transactions	**-**	**-**	**644**	**-**	**644**
Share issue	**8**	**-**	**-**	**-**	**8**
Dividends	**-**	**-**	**-**	**(5,200)**	**(5,200)**
Balance at 30 April 2016	**214**	**6,006**	**783**	**15,774**	**22,777**

The accompanying notes on pages 92 to 131 form part of these Financial Statements.

Group Statement of Cash Flows

For the year ended 30 April

	Note	2016 Group £'000	2015 Group £'000
Profit before tax from operating activities		**13,122**	9,485
Adjustments to reconcile profit before tax to net cash flows:			
- Depreciation and impairment of property, plant and equipment	6	**4,580**	3,358
- Amortisation and impairment of intangible assets	6	**466**	292
- Gain on disposal of property, plant and equipment	6	**(37)**	(38)
- IPO transaction costs charged	6	**-**	671
- IPO transaction costs paid		**-**	(2,065)
- Exchange differences		**(82)**	118
- Finance costs	8 & 9	**1,409**	1,379
- Movement in derivative financial instruments	6	**(60)**	(98)
- Amortisation of grants	6	**(1)**	(1)
- Share based payments charge	22	**454**	124
Working capital adjustments:			
- (Increase)/decrease in trade and other receivables and prepayments		**(6,372)**	(3,073)
- (Increase)/decrease in inventories		**(3,677)**	(2,270)
- Increase/(decrease) in trade and other payables		**10,694**	4,716
Operating activities:			
- Cash generated from operations		**20,496**	12,598
- Interest received		**4**	9
- Interest paid		**(1,362)**	(1,248)
- Income tax paid		**(2,063)**	(1,728)
Net cash flows from operating activities		**17,075**	9,631
Investing activities:			
- Purchase of property, plant and equipment		**(5,383)**	(197)
- Proceeds from sale of property, plant & equipment		**238**	292
- Purchase of intangible assets		**(546)**	(87)
- Acquisition of subsidiary undertaking net of cash acquired	27	**(2,212)**	(3,699)
Net cash flows from investing activities		**(7,903)**	(3,691)

Group Statement of Cash Flows

For the year ended 30 April (continued)

	Note	**2016 Group £'000**	2015 Group £'000
Financing activities:			
- Drawdown of bank loans		**6,442**	12,762
- Debt issue costs paid		**(232)**	(370)
- Finance leases advanced		**207**	91
- Shares issued	21	**8**	-
- Dividends paid	7	**(5,200)**	(1,935)
- Repayment of bank loans		**(10,141)**	(2,920)
- Repayment of capital on finance leases		**(3,212)**	(2,976)
- Net (repayment to)/advance from former parent company		**-**	(14,181)
- Receipt in respect of derivative financial instrument		**-**	168
Net cash flows from financing activities		**(12,128)**	(9,361)
Net (decrease)/increase in cash and cash equivalents		**(2,956)**	(3,421)
Cash and cash equivalents at start of year		**1,854**	5,275
Cash and cash equivalents at end of year	17	**(1,102)**	1,854

The accompanying notes on pages 92 to 131 form part of these Financial Statements.

Notes to the Group Financial Statements

1. General information

The Group Financial Statements for the year ended 30 April 2016 were authorised for issue by the Board of Directors on 1 August 2016 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 2.3 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 27)
- 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 judgements, 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 2016.

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 40.

Note 25 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 2016 are included in note 19 of the Group Financial Statements.

The Group Statement of Financial Position shows total current assets of £66,819,000 and total current liabilities of £80,602,000. Net current liabilities at 30 April 2016 were therefore £13,783,000 (2015: £10,839,000). At the year end, the Group had a committed Revolving Credit Facility of £19,744,000 of which £5,500,000 was drawn and an overdraft facility of £8,000,000, of which £1,817,000 was drawn. 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.

Notes to the Group Financial Statements
continued

2.2. Going concern (continued)
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. Basis of consolidation
(a) Group reorganisation and 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, whereby the Company acquired certain fellow subsidiaries from Clipper Group Holdings Limited and the remaining 25% ownership interest of the Group's German operations from the minority shareholders. 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.

IFRS 3 states that it does not apply to a combination of entities or businesses under common control. Accordingly, the consolidated 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 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 £6,006,000 after the acquisition of the fellow subsidiaries from Clipper Group Holdings Limited as part of the group reorganisation.

(b) Consolidations
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 April 2016. 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; and

- 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; and

- 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

Notes to the Group Financial Statements

continued

2.3. Basis of consolidation (continued)

(b) Consolidations (continued)

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.

2.4. 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.

2.5. 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.

(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.

2.6. 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.

2.7. 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

Notes to the Group Financial Statements

continued

2.7. Intangible assets (continued)

(a) Goodwill (continued)

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.

(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).

2.8. 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.

2.9. 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 2016 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

Notes to the Group Financial Statements

continued

2.9. Financial assets (continued)

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.

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 2.12.

2.10. 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.

2.11. 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.

2.12. 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 uncollectable, 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.

2.13. 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.

2.14. Trade payables

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

2.15. 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.

2.16. 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.

Notes to the Group Financial Statements

continued

2.17. 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.

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.

2.18. 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 income statement 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.

2.19. 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.

2.20. 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

Notes to the Group Financial Statements
continued

2.20. Revenue recognition (continued)
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:

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. Invoicing varies by contract, but is typically either in line with work performed or initially on a budgeted volume basis with later adjustment to reflect actual activity. Calculation of accrued and deferred income is therefore necessary at period ends, with client billing arrangements not always coinciding with the Group's reporting periods. Judgement is required when determining the appropriate timing and amount of revenue that can be recognised, due to the different contractual arrangements in place.

c) Repair and maintenance contracts
Revenue is recognised over the life of the contract in proportion to the costs of providing the services.

2.21. 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.

2.22. 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.

2.23. 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.

2.24. 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.

2.25. 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.

2.26. 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.

Notes to the Group Financial Statements
continued

2.26. Critical accounting estimates and assumptions (continued)

(a) Revenue recognition
Judgement is required when determining the appropriate timing and amount of revenue to be recognised in the value-added logistics segment. This is due to the various contractual arrangements in place, each with bespoke terms which can lead to different revenue recognition requirements.

(b) 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.

(c) 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.

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.

2.27. 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:

Title	Effective date (annual periods beginning on or after)
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 2018
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
IFRS 16 Leases	1 January 2019
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.

Adoption of IFRS 16 is likely to have a material impact on the Group's non-current assets and borrowings. It is not yet practical to provide a reasonable estimate of the effect until a detailed review has been completed. 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 IAS 19 and those arising from the annual improvements to IFRSs 2010-2012 & 2011-2013 cycles 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:

	2016 Group £'000	2015 Group £'000
E-fulfilment & returns management services	**97,598**	60,563
Non e-fulfilment logistics	**108,390**	102,155
Value-added logistics services	**205,988**	162,718
Commercial vehicles	**85,642**	73,561
Inter-segment sales	**(1,305)**	(1,501)
Revenue from external customers	**290,325**	234,778

Geographical information - revenue from external customers:

	2016 Group £'000	2015 Group £'000
United Kingdom	**264,219**	218,997
Germany	**14,234**	14,167
Rest of Europe	**11,872**	1,614
Revenue from external customers	**290,325**	234,778

Geography is determined by the location of the end customer

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; and
- 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;
- Non e-fulfilment logistics; and
- 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.

These three separate business activities are aggregated into one reportable segment, having similar economic characteristics in terms of profitability and costs, customers and operating environment.

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.

Notes to the Group Financial Statements
continued

4. Segment information (continued)
The following tables present profit information for continuing operations regarding the Group's business segments for the two years ended 30 April 2016:

Operating profit before non-recurring items:

	2016 Group £'000	2015 Group £'000
E-fulfilment & returns management services	**8,135**	5,512
Non e-fulfilment logistics	**10,711**	10,062
Central logistics overheads	**(4,718)**	(4,038)
Value-added logistics services	**14,128**	11,536
Commercial vehicles	**2,263**	1,874
Head office costs – continuing	**(1,860)**	(1,405)
Group operating profit before non-recurring items	**14,531**	12,005

Exceptional and discontinuing costs:

	2016 Group £'000	2015 Group £'000
E-fulfilment & returns management services	-	(192)
Non e-fulfilment logistics	-	-
Central logistics overheads	-	-
Value-added logistics services	-	(192)
Commercial vehicles	-	-
Segment total exceptional items	-	(192)
IPO costs[1]	-	(671)
Head office costs – discontinuing[2]	-	(278)
Group total exceptional and discontinuing costs	-	(1,141)

Notes to the Group Financial Statements
continued

4. Segment information (continued)

Operating profit and profit before income tax:

	2016 Group £'000	2015 Group £'000
Operating profit:		
E-fulfilment & returns management services	**8,135**	5,320
Non e-fulfilment logistics	**10,711**	10,062
Central logistics overheads	**(4,718)**	(4,038)
Value-added logistics services	**14,128**	11,344
Commercial vehicles	**2,263**	1,874
IPO costs[1]	**-**	(671)
Head office costs[2]	**(1,860)**	(1,683)
Group operating profit	**14,531**	10,864
Finance costs	**(1,413)**	(1,388)
Finance income	**4**	9
Profit before income tax	**13,122**	9,485

[1] *Professional fees and other costs paid in relation to the Initial Public Offering. The majority of IPO costs were incurred in the year ended 30 April 2014.*

[2] *Head office costs in previous years included 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:

At 30 April 2016:	**Segment assets £'000**	**Segment liabilities £'000**
Value-added logistics services	**73,858**	**(39,288)**
Commercial vehicles	**42,672**	**(33,773)**
Segment assets/(liabilities)	**116,530**	**(73,061)**
Unallocated assets/(liabilities):		
- Cash and cash equivalents	**715**	**(1,817)**
- Financial liabilities	**-**	**(17,677)**
- Deferred tax	**-**	**(202)**
- Income tax assets/(liabilities)	**36**	**(1,747)**
Total assets/(liabilities)	**117,281**	**(94,504)**

At 30 April 2015:	Segment assets £'000	Segment liabilities £'000
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)

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:

	2016 Group £'000	2015 Group £'000
Value-added logistics services	**15,500**	7,297
Commercial vehicles	**661**	502
Total	**16,161**	7,799

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

Depreciation:

	2016 Group £'000	2015 Group £'000
Value-added logistics services	**3,883**	2,694
Commercial vehicles	**697**	664
Total	**4,580**	3,358

Amortisation:

	2016 Group £'000	2015 Group £'000
Value-added logistics services	**447**	266
Commercial vehicles	**19**	26
Total	**466**	292

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

	2016 Group £'000	2015 Group £'000
United Kingdom	**46,194**	36,772
Germany	**4,268**	2,662
Total	**50,462**	39,434

Notes to the Group Financial Statements

continued

5. Staff costs

	2016 Group £'000	2015 Group £'000
Wages and salaries	**72,662**	59,734
Social security costs	**6,766**	5,492
Pension costs for the defined contribution scheme	**1,371**	1,189
Share based payments	**454**	124
Total	**81,253**	66,539

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

	2016 Group Number	2015 Group Number
Warehousing	**2,097**	1,789
Distribution	**406**	387
Service and maintenance	**387**	346
Administration	**490**	442
Total	**3,380**	2,964

Key management compensation (including Executive Directors):

	2016 Group £'000	2015 Group £'000
Wages and salaries	**2,589**	2,695
Social security costs	**378**	351
Pension costs for the defined contribution scheme	**398**	357
Share based payments	**381**	93
Total	**3,746**	3,496

Notes to the Group Financial Statements
continued

5. Staff costs (continued)

Directors' emoluments:

	2016 Group £'000	2015 Group £'000
Aggregate emoluments excluding share based payments on unvested awards	**1,259**	1,356
Pension costs for the defined contribution scheme	**86**	73
Total	**1,345**	1,429

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

	2016 Group Number	2015 Group Number
Defined contribution plans	**3**	4

More detail is set out in the Directors' Remuneration Report on pages 58 to 72.

Notes to the Group Financial Statements
continued

6. Group operating profit

This is stated after charging/(crediting):

	2016 Group £'000	2015 Group £'000
Depreciation of property, plant and equipment - owned assets	**2,484**	2,260
Depreciation of property, plant and equipment - leased assets	**2,096**	1,098
Amortisation of intangible assets (included within administration & other expenses)	**466**	292
Total depreciation and amortisation expense	**5,046**	3,650
Operating lease rentals:		
- Vehicles, plant and equipment	**7,808**	6,936
- Land and buildings	**15,474**	13,062
Auditor's remuneration:		
Ernst & Young LLP:		
- Group audit fees	**30**	144
- Corporate finance services	**-**	47
KPMG LLP:		
- Group audit fees	**125**	-
- Other services	**-**	-
Total auditor's remuneration:		
- Audit of the Group Financial Statements	**60**	51
- Audit of the subsidiaries	**95**	93
- Non-audit fees	**-**	47
Total fees paid to the Group's auditors	**155**	191
Exceptional items:		
- IPO transaction costs	**-**	671
- Fees & other costs in relation to the acquisition of subsidiaries	**-**	192
Total exceptional items	**-**	863
Other net gains:		
- Profit on sale of property, plant and equipment	**37**	38
- Dealership contributions	**165**	227
- Fair value adjustment to derivative financial instruments	**60**	98
- Amortisation of grants	**1**	1
Total net gains	**263**	364

Notes to the Group Financial Statements
continued

7. Dividends

	2016 Group £'000	2015 Group £'000
Dividends declared and paid by the Company during the year to former parent company	**-**	335
Final dividend for the prior year of 3.2 pence (2015: nil) per share	**3,200**	-
Interim dividend for the year of 2.0 pence (2015:1.6 pence) per share	**2,000**	1,600
Total dividends paid	**5,200**	1,935
Proposed final dividend for the year ended 30 April 2016 of 4.0 pence (2015: 3.2 pence) per share	**4,000**	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 23 September 2016. The payment of this dividend will not have any tax consequences for the Group.

8. Finance costs

	2016 Group £'000	2015 Group £'000
On bank loans and overdrafts	**533**	720
On hire purchase agreements	**394**	308
Amortisation of debt issue costs	**78**	64
Commercial vehicle stocking interest	**370**	270
Other interest payable	**38**	26
Total interest expense for financial liabilities measured at amortised cost	**1,413**	1,388

9. Finance income

	2016 Group £'000	2015 Group £'000
Bank interest	**3**	7
Other interest	**1**	-
Amounts receivable from former parent company	**-**	2
Total interest income for financial assets measured at amortised cost	**4**	9

Notes to the Group Financial Statements
continued

10. Income tax expense

(a) Tax charged in the income statement:

	2016 Group £'000	2015 Group £'000
Current income tax:		
UK & foreign corporation tax	**3,066**	2,220
Amounts under/(over) provided in previous years	**(28)**	(74)
Total income tax on continuing operations	**3,038**	2,146
Deferred tax:		
Origination and reversal of temporary differences	**(231)**	(47)
Amounts under/(over) provided in previous years	**21**	62
Impact of change in tax laws and rates	**(42)**	-
Total deferred tax	**(252)**	15
Tax expense in the income statement on continuing operations	**2,786**	2,161

(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:

	2016 Group £'000	2015 Group £'000
Profit before taxation from continuing operations	**13,122**	9,485
Standard rate of corporation tax in UK	**20.00%**	20.92%
Tax on profit on ordinary activities at standard rate	**2,624**	1,984
Expenses not allowable for tax purposes	**169**	248
Tax under/(over) provided in previous years	**(7)**	(12)
Difference in tax rates overseas	**42**	45
Utilisation of previously unrecognised tax losses	**-**	(104)
Deferred tax rate difference	**(42)**	-
Total tax expense reported in the income statement	**2,786**	2,161

Notes to the Group Financial Statements
continued

10. Income tax expense (continued)

(d) Deferred tax in the income statement:

	2016 Group £'000	2015 Group £'000
Deferred tax on accelerated capital allowances	**(123)**	(31)
Deferred tax on other temporary differences	**(129)**	46
Total	**(252)**	15

The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015. Legislation to reduce the rate to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020 was substantively enacted at 30 April 2016. Legislation to further reduce these rates (to 18% and 17% respectively) was progressing, but not substantively enacted at 30 April 2016. A rate of 18% (2015: 20%) has been applied in the measurement of the Group's deferred tax assets and liabilities in the year.

(e) Deferred tax in the statement of financial position:

	2016 Group £'000	2015 Group £'000
Deferred tax liabilities:		
Accelerated capital allowances	**(356)**	(479)
Other timing differences	**(213)**	(218)
Deferred tax asset:		
Share based payments	**309**	40
Provisions & other timing differences	**58**	15
Net deferred tax liability	**(202)**	(642)

(f) Deferred tax movement:

	Group £'000
At 1 May 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)
Credited to income statement	**252**
Credited to share based payment reserve	**190**
Foreign currency adjustment	**(2)**
At 30 April 2016	**(202)**

Notes to the Group Financial Statements
continued

11. 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:

	2016 Group £'000	2015 Group £'000
Profit attributable to ordinary equity holders of the Company	**10,336**	7,324

	2016 Group	2015 Group
Basic weighted average number of shares (thousands)	**100,000**	100,000
Basic earnings per share	**10.3p**	7.3p
Diluted weighted average number of shares (thousands)	**100,823**	100,052
Diluted earnings per share	**10.3p**	7.3p

Notes to the Group Financial Statements
continued

11. Earnings per share (continued)

Adjusted earnings per share
As set out in note 4, during the year ended 30 April 2015 there were a number of non-recurring costs. Consequently, the basic measure of earnings per share is distorted by this.

Adjusted earnings per share:

	2016 Group £'000	2015 Group £'000
Profit attributable to ordinary equity holders of the Company	**10,336**	7,324
Discontinuing costs	**-**	278
Exceptional costs	**-**	863
Tax effect	**-**	(102)
Adjusted earnings	**10,336**	8,363

	2016 Group	2015 Group
Basic weighted average number of shares (thousands)	**100,000**	100,000
Adjusted basic earnings per share	**10.3p**	8.4p

Notes to the Group Financial Statements

continued

12. Property, plant and equipment

	Leasehold property Group £'000	Motor vehicles Group £'000	Plant, machinery, fixtures & fittings Group £'000	Total Group £'000
Cost:				
At 1 May 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
Additions	**391**	**1,875**	**13,349**	**15,615**
Disposals	**(16)**	**(680)**	**(259)**	**(955)**
Foreign currency adjustment	**5**	**68**	**209**	**282**
At 30 April 2016	**4,231**	**5,099**	**39,523**	**48,853**
Accumulated depreciation:				
At 1 May 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
Charge for the year	**313**	**784**	**3,483**	**4,580**
Disposals	**(16)**	**(488)**	**(250)**	**(754)**
Foreign currency adjustment	**5**	**34**	**128**	**167**
At 30 April 2016	**2,061**	**2,295**	**18,933**	**23,289**
Net book value:				
At 1 May 2014	2,302	2,012	11,529	15,843
At 30 April 2015	2,092	1,871	10,652	14,615
At 30 April 2016	**2,170**	**2,804**	**20,590**	**25,564**

Included within property, plant and equipment are amounts held under finance lease contracts. At 30 April 2016 the net book value of these assets was £10,638,000 (30 April 2015: £5,231,000). Total additions include £8,172,000 (2015: £2,070,000) under finance lease contracts.

Additions to plant, machinery, fixtures & fittings include £2,823,000 (2015: £nil) in respect of assets in the course of construction.

Notes to the Group Financial Statements
continued

13. Intangible assets

	Goodwill Group £'000	Contracts and licenses Group £'000	Computer software Group £'000	Total Group £'000
Cost:				
At 1 May 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
Additions	**-**	**98**	**448**	**546**
Disposals	**-**	**-**	**-**	**-**
Foreign currency adjustment	**-**	**-**	**5**	**5**
At 30 April 2016	**23,252**	**2,031**	**1,967**	**27,250**
Accumulated amortisation:				
At 1 May 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
Charge for the year	**-**	**187**	**279**	**466**
Disposals	**-**	**-**	**-**	**-**
Foreign currency adjustment	**-**	**1**	**5**	**6**
At 30 April 2016	**-**	**974**	**1,378**	**2,352**
Net book value:				
At 1 May 2014	19,018	-	549	19,567
At 30 April 2015	23,252	1,147	420	24,819
At 30 April 2016	**23,252**	**1,057**	**589**	**24,898**

The average remaining useful life of contracts & licences at 30 April 2016 is 6.5 years (2015: 7.6 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:

	2016 Group £'000	2015 Group £'000
Value-added logistics services excluding Servicecare group	**13,092**	13,092
Servicecare group	**4,234**	4,234
Commercial vehicles	**5,926**	5,926
Total	**23,252**	23,252

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 three years ending 30 April 2019.

The business plans for the value-added logistics services segment take into account the annualised impact of contract wins in the year ended 30 April 2016 as well as confirmed new and ceasing contracts. The key judgement is the assumed new contract wins during the business plan period, which has been based on historical experience.

Subsequent cash flows are extrapolated using an estimated long term growth rate of 2.5% (2015: 2.5%) to 2026 (2015: 2025). The cash flows have then been discounted using a pre-tax risk adjusted discount rate of between 9 and 11% (2015: 10%). The forecasts of foreign operations are translated at the exchange rate ruling at the year end.

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

	2016 Group £'000	2015 Group £'000
Component parts and consumable stores	**4,319**	4,063
Commercial vehicles	**3,768**	2,993
Commercial vehicles on consignment	**18,165**	14,621
Total inventories net of provision for obsolescence	**26,252**	21,677

See below for the movements in the provision for obsolescence:

	Group £'000
At 1 May 2014	132
Credited for the year	(9)
Utilised	(106)
At 30 April 2015	17
Charged for the year	**39**
Utilised	**(47)**
At 30 April 2016	**9**

The cost of inventories recognised as an expense amounted to £82,398,000 (2015:£ 69,720,000). Included within commercial vehicles is £930,000 (2015: £1,141,000) relating to assets held under hire purchase agreements.

Notes to the Group Financial Statements
continued

16. Trade and other receivables

	2016 Group £'000	2015 Group £'000
Trade receivables	**19,316**	17,562
Less: provision for impairment of receivables	**(328)**	(256)
Trade receivables - net	**18,988**	17,306
Other receivables	**2,971**	3,494
Prepayments and accrued income	**17,857**	12,643
Total trade and other receivables	**39,816**	33,443

See note 25 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 2014	349
Charged for the year	34
Utilised	(127)
At 30 April 2015	256
Charged for the year	**124**
Foreign currency adjustment	**2**
Utilised	**(54)**
At 30 April 2016	**328**

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 believes 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 20 days (2015: 23 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		
	£'000	30-60 days £'000	60-90 days £'000	> 90 days £'000
30 April 2016	**17,216**	**1,006**	**231**	535
30 April 2015	16,126	764	149	267

17. Cash and cash equivalents

	2016 Group £'000	2015 Group £'000
Cash and cash equivalents	**715**	1,854
Bank overdraft	**(1,817)**	-
Total cash and cash equivalents	**(1,102)**	1,854

18. Trade and other payables

	2016 Group £'000	2015 Group £'000
Trade creditors	**25,984**	25,272
Consignment inventory payables	**22,859**	14,176
Other taxes and social security	**3,364**	4,507
Other creditors	**4,338**	6,096
Accruals and deferred income	**15,638**	11,657
Total trade and other payables	**72,183**	61,708

Notes to the Group Financial Statements
continued

19. Financial liabilities: borrowings

	2016 Group £'000	2015 Group £'000
Non-current:		
Bank loans	**5,113**	7,291
Obligations under finance leases or hire purchase agreements	**7,818**	2,935
Total non-current	**12,931**	10,226
Current:		
Bank overdrafts	**1,817**	-
Bank loans	**944**	2,604
Obligations under finance leases or hire purchase agreements	**3,792**	2,592
Total current	**6,553**	5,196
Total borrowings	**19,484**	15,422
Less cash and cash equivalents	**715**	1,854
Net debt	**18,769**	13,568

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:

	2016 Group £'000	2015 Group £'000
In one year or less	**944**	2,604
Between one and five years	**5,113**	7,291
After five years	**-**	-
Total bank loans	**6,057**	9,895

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

The Group's principal bank facilities were increased to £30,000,000 and rescheduled in January 2016. The facilities now consist of:

- a Revolving Credit Facility of £19,744,000 repayable in January 2021; interest rate 1.75% above LIBOR. The amount drawn at 30 April 2016 was £5,500,000;

- a committed overdraft of £8,000,000. The amount drawn at 30 April 2016 was £1,817,000; and

- bonds and guarantees of £2,256,000.

In addition to the Revolving Credit Facility above, other items included within bank loans at 30 April 2016 are as follows:

- other bank loans - £179,000 repayable in monthly or quarterly instalments over periods between 4 and 38 months; interest rates fixed at between 0% and 4.80%;

- pre-inception capital funding of £839,000; finance leases of 3-5 years will be incepted in the year ending 30 April 2017 when the relevant capital projects are complete; and

- unamortised debt issue costs of £461,000 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:

	2016 Group £'000	2015 Group £'000
Fixed rate leases:		
Minimum lease payments:		
In one year or less	**3,241**	1,561
Between one and five years	**7,244**	2,112
After five years	**-**	-
	10,485	3,673
Interest:		
In one year or less	**(366)**	(151)
Between one and five years	**(483)**	(105)
After five years	**-**	-
	(849)	(256)
Principal of fixed rate leases:		
In one year or less	**2,875**	1,410
Between one and five years	**6,761**	2,007
After five years	**-**	-
	9,636	3,417
Variable rate leases:		
In one year or less	**917**	1,182
Between one and five years	**1,057**	928
After five years	**-**	-
	1,974	2,110
Total	**11,610**	5,527

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 4.0 (2015: 3.5) years. At 30 April 2016 £10,878,000 (2015 £5,234,000) of the Group total of such obligations is denominated in Pounds Sterling and the remainder is denominated in Euros. The interest on the variable rate leases is based on a margin above Bank Base Rate 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 Group £'000	Uninsured losses Group £'000	Dilapidations Group £'000	Total Group £'000
At 1 May 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
Utilised	**(92)**	**(60)**	**(92)**	**(244)**
Charged in year	**30**	**60**	**192**	**282**
At 30 April 2016	**172**	**-**	**706**	**878**

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

	2016 Group £'000	2015 Group £'000
Current	**109**	108
Non-current	**769**	732
Total	**878**	840

Onerous contracts
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. Two key sites have leases that expire 21 and 12 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

	2016 Company £'000	2015 Company £'000
Allotted, called up and fully paid: 100,005,341 (2015: 100,000,000) ordinary shares of 0.05p each	**50**	50

During the year the Company issued 5,341 ordinary shares at a price of 140.4p per share to satisfy share options. See note 22 below.

22. Share based payments

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 58 to 72.

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)

Option movements and weighted average exercise prices ("WAEP") during the year were as follows:

Date	PSP Number	WAEP	Sharesave Number	WAEP
Outstanding 1 May 2014	-	-	-	-
Granted during the year	845,895	nil	1.352,846	140.40p
Forfeited during the year	-	-	-	-
Outstanding 30 April 2015	845,895	nil	1,352,846	140.40p
Granted during the year	**519,551**	**nil**	**299,609**	**239.34p**
Forfeited during the year	**-**	**-**	**(127,245)**	**148.70p**
Exercised during the year	**-**	**-**	**(5,341)**	**140.40p**
Outstanding 30 April 2016	**1,365,446**	**nil**	**1,519,869**	**159.21p**

At 30 April 2016, 6,671 (2015: nil) 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:

	2016
Share price at: 14 January 2016	301.00p
9 February 2016	267.25p
29 March 2016	278.00p
Expected life of option	3.5 years
Volatility	35%
Dividend yield	1.73% - 1.95%

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 by applying dividends paid in the preceding 12 months 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 2016 relating to employee share based payment plans was £454,000 (2015: £124,000). The fair value of share options at 30 April 2016 to be amortised in future years was £1,958,000 (2015: £1,188,000).

All share based payments in both years are equity settled.

Notes to the Group Financial Statements
continued

23. Commitments and contingencies

Operating lease commitments – land and buildings:

	2016 Group £'000	2015 Group £'000
Less than one year	**14,981**	11,391
Between one and five years	**60,549**	43,269
More than five years	**83,541**	59,327
Total minimum lease payments	**159,071**	113,987

Operating lease commitments – vehicles, plant and equipment:

	2016 Group £'000	2015 Group £'000
Less than one year	**4,697**	2,364
Between one and five years	**9,148**	3,503
More than five years	**99**	84
Total minimum lease payments	**13,944**	5,951

24. Capital commitments

	2016 Group £'000	2015 Group £'000
Authorised and contracted for	**9,467**	797
Authorised, but not contracted for	**7,279**	8,569
	16,746	9,366

Notes to the Group Financial Statements
continued

25. 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 2016 there were no significant concentrations of credit risk (2015: £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 2016 is £900,000 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 2016 was a loss of £10,000.

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 (2015: 50 points) on that portion of borrowings affected, would be to reduce the Group's profit before tax by £99,000 (2015: £77,000).

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.

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.

Notes to the Group Financial Statements

continued

25. Financial instruments and financial risk management objectives and policies (continued)

	2016 Group £'000	2015 Group £'000
Adjusted EBIT	**14,531**	12,005
Finance costs (net)	**1,409**	1,379
Interest cover	**10.3**	8.7

	2016 Group £'000	2015 Group £'000
Adjusted EBIT	**14,531**	12,005
Depreciation and impairment of property, plant and equipment	**4,580**	3,358
Amortisation and impairment of intangible assets	**466**	292
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**19,577**	15,655
Net debt (note 19)	**18,769**	13,568
Net debt/EBITDA	**0.96**	0.87

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.

Notes to the Group Financial Statements

continued

25. Financial instruments and financial risk management objectives and policies (continued)

Maturity of financial liabilities:

	Due within one year £'000	Due between one and two years £'000	Due between two and five years £'000	Total £'000
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
30 April 2016				
Fixed rate borrowings	**2,980**	**2,457**	**5,279**	**10,716**
Floating rate borrowings	**3,573**	**674**	**4,982**	**9,229**
Total borrowings	**6,553**	**3,131**	**10,261**	**19,945**
Trade and other payables	**70,388**	**-**	**-**	**70,388**
Total financial liabilities	**76,941**	**3,131**	**10,261**	**90,333**

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.

	2016 Book value £'000	**2016 Fair value £'000**	2015 Book value £'000	2015 Fair value £'000
Current financial assets:				
Cash and cash equivalents	**715**	**715**	1,854	1,854
Trade and other receivables	**39,816**	**39,816**	33,443	33,443
Liabilities:				
Bank overdraft	**(1,817)**	**(1,817)**	-	-
Short term borrowings	**(4,736)**	**(4,736)**	(5,196)	(5,196)
Trade and other payables	**(72,183)**	**(72,183)**	(61,708)	(61,708)
Derivative financial instruments	**(10)**	**(10)**	(70)	(70)
Long term borrowings	**(12,931)**	**(12,588)**	(10,226)	(10,106)

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

26. Related party disclosures

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 Limited, 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 Group rents an aircraft from South Acre Aviation Limited, a company owned by Steve Parkin. Charges are on an arm's length basis.

During the prior 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.

Key management compensation is disclosed in note 5.

There were no balances owing to or from these related parties at 30 April 2016 or 30 April 2015. The dividends paid to the former parent company can be found in note 7. Interest receivable from the former parent company can be found in note 9.

	2016 Group £'000	2015 Group £'000
Items charged to the income statement:		
Roydhouse Properties Limited – rent payable	**885**	877
Knaresborough Real Estate Limited – rent payable	**298**	157
Guiseley Association Football Club – advertising and sponsorship	**50**	25
South Acre Aviation Limited – aircraft rental costs	**19**	7
Horse costs	**-**	56

Notes to the Group Financial Statements
continued

27. Business combinations

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 on completion	6,475
Deferred consideration paid in the year ended 30 April 2016	2,000
Additional consideration paid following receipt of an equivalent tax refund	212
Total consideration payable	8,687

Analysis of cash flows on acquisition:

	£'000
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 prior year	3,699

Notes to the Group Financial Statements
continued

27. Business combinations (continued)

Servicecare Support Services Limited (continued)

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.

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.

Company Financial Statements for the year ended 30 April 2016

Company Statement of Financial Position

At 30 April

	Note	2016 Company £'000	2015 Company £'000
Assets:			
Non-current assets			
Property, plant and equipment	D	**20,279**	10,554
Investment in subsidiaries	E	**19,973**	19,973
Goodwill		**5,712**	5,770
Other intangible assets		**414**	322
Intangible assets	F	**6,126**	6,092
Total non-current assets		**46,378**	36,619
Current assets			
Inventories	G	**500**	463
Trade and other receivables	H	**27,518**	19,030
Current income tax assets		**-**	-
Cash and cash equivalents	J	**212**	52
Total current assets		**28,230**	19,545
Total assets		**74,608**	56,164
Equity and liabilities:			
Current liabilities			
Trade and other payables	I	**37,429**	31,854
Financial liabilities: borrowings	J	**11,854**	6,631
Derivative financial instruments	M	**10**	70
Short term provisions	N	**26**	25
Current income tax liabilities		**1,118**	208
Total current liabilities		**50,437**	38,788
Non-current liabilities			
Borrowings	J	**11,292**	8,845
Long term provisions	N	**616**	531
Deferred tax liabilities	O	**55**	420
Total non-current liabilities		**11,963**	9,796
Total liabilities		**62,400**	48,584
Equity shareholders' funds			
Share capital	P	**50**	50
Share premium		**56**	48
Currency translation reserve		**25**	-
Other reserve		**851**	851
Share based payment reserve		**783**	110
Retained earnings		**10,443**	6,521
Total equity attributable to the owners of the Company		**12,208**	7,580
Total equity and liabilities		**74,608**	56,164

Approved by the Board on 1 August 2016 and signed on its behalf by:

D A Hodkin – Chief Financial Officer
Company No. 03042024

Company Statement of Changes in Equity

For the year ended 30 April

	Share capital Company £'000	Share premium Company £'000	Currency translation reserve Company £'000	Other reserve Company £'000	Carried forward Company £'000
Balance at 1 May 2014	50	48	-	851	949
Profit for the year	-	-	-	-	-
Other comprehensive income/(expense)	-	-	-	-	-
Equity settled transactions	-	-	-	-	-
Dividends	-	-	-	-	-
Balance at 30 April 2015	50	48	-	851	949
Profit for the year	-	-	-	-	-
Other comprehensive income/(expense)	-	-	25	-	25
Equity settled transactions	-	-	-	-	-
Share issue	-	8	-	-	8
Dividends	-	-	-	-	-
Balance at 30 April 2016	**50**	**56**	**25**	**851**	**982**

	Brought forward Company £'000	Share based payment reserve Company £'000	Retained earnings Company £'000	Total Company £'000
Balance at 1 May 2014	949	-	3,207	4,156
Profit for the year	-	-	5,249	5,249
Other comprehensive income/(expense)	-	-	-	-
Equity settled transactions	-	110	-	110
Dividends	-	-	(1,935)	(1,935)
Balance at 30 April 2015	949	110	6,521	7,580
Profit for the year	-	-	9,122	9,122
Other comprehensive income/(expense)	25	-	-	25
Equity settled transactions	-	673	-	673
Share issue	8	-	-	8
Dividends	-	-	(5,200)	(5,200)
Balance at 30 April 2016	**982**	**783**	**10,443**	**12,208**

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 2016 were authorised for issue by the Board of Directors on 1 August 2016 and the Company Statement of Financial Position 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.

The Financial Statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The 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 and other comprehensive income are shown in the Statement of Changes in Equity.

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 2016. 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

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. Transition tables showing all material adjustments are disclosed in note U.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;

(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations;

(c) the requirements of IFRS 7 Financial Instruments: Disclosures;

(d) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

(e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

- i. paragraph 79(a)(iv) of IAS 1;
- ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- iii. paragraph 118(e) of IAS 38 Intangible Assets;
- iv. paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- v. paragraph 50 of IAS 41 Agriculture.

(f) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;

(g) the requirements of IAS 7 Statement of Cash Flows;

(h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(i) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

(j) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

B.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 Company and 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 40.

Note 25 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.

Notes to the Company Financial Statements

continued

B.2. Going concern (continued)

The Company Statement of Financial Position at 30 April 2016 shows current assets of £28,230,000 (2015: £19,545,000) and current liabilities of £50,437,000 (2015: £38,788,000). Net current liabilities are therefore £22,207,000 (2015: £19,243,000). Following the renegotiation of the bank facilities in January 2016 the Group has access to a five year, non-amortising, Revolving Credit Facility of £19,744,000 and an overdraft facility of £8,000,000 of which £5,500,000 and £1,817,000 were drawn down at 30 April 2016 (see note 19 to the Group Financial Statements).

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.

B.3. 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 Company 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.

B.4. Investments in subsidiary undertakings

Non-current investments are shown at cost less provision for impairment.

B.5. 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 tested annually for impairment and carried at cost less accumulated impairment losses. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the Financial Statements of this departure.

(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 Company, and that will probably generate economic benefits exceeding costs beyond one year, are

Notes to the Company Financial Statements
continued

B.5. Intangible assets (continued)

(c) Computer software (continued)

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).

B.6. 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 Company 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.

B.7. Inventories - component parts and consumable stores

Inventories 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.8. 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 Company 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 uncollectable, 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.

B.9. 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 Company Statement of Financial Position.

B.10. Trade payables

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

B.11. 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

B.12. 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.

Notes to the Company Financial Statements

continued

B.12. Income tax (continued)

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.

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 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 Company to make a single net payment.

B.13. Employee benefits

(a) Pension obligations

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

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

(b) Post-retirement benefits

The Company provides no other post-retirement benefits to its employees.

(c) Profit-sharing and bonus plans

The Company 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 Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) 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 income statement 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. The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are charged to the employing entity. Amounts recharged by the Company are recognised as an intra-Group receivable with a corresponding credit to equity.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and where appropriate, share premium.

B.14. Provisions

Provisions for items such as dilapidations and legal claims are recognised when: the Company 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.

B.15. Foreign currency translation

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 income statement.

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.

Notes to the Company Financial Statements
continued

B.15. Foreign currency translation (continued)
The Company does not apply hedge accounting of foreign exchange risks in its Company Financial Statements.

B.16. 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 Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company 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 Company'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 when the service is rendered. Invoicing varies by contract, but is typically either in line with work performed or initially on a budgeted volume basis with later adjustment to reflect actual activity. Calculation of accrued and deferred income is therefore necessary at period ends, with client billing arrangements not always coinciding with the Company's reporting periods. Judgement is required when determining the appropriate timing and amount of revenue that can be recognised, due to the different contractual arrangements in place.

B.17. Intra-Group guarantees
Where the Company enters into contracts to guarantee the indebtedness of other companies within the Group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

B.18. Judgements and key sources of estimation uncertainty
The preparation of the financial information under FRS 101 requires management to make judgements, estimates and assumptions concerning the future. 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. 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) Revenue recognition
Judgement is required when determining the appropriate timing and amount of revenue that can be recognised, due to the various contractual arrangements in place, each with bespoke terms which can lead to different revenue recognition requirements.

(b) Estimated impairment of goodwill
The Company 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.

C. Auditor's remuneration
Remuneration payable to the Company's auditor is shown in note 6 to the Group Financial Statements.

Notes to the Company Financial Statements
continued

D. Property, plant and equipment

	Leasehold property Company £'000	Motor vehicles Company £'000	Plant, machinery, fixtures & fittings Company £'000	Total Company £'000
Cost:				
At 1 May 2014	2,630	1,324	22,295	26,249
Additions	25	178	734	937
Disposals	(106)	(188)	(506)	(800)
At 30 April 2015	2,549	1,314	22,523	26,386
Additions	**261**	**268**	**12,445**	**12,974**
Disposals	**(16)**	**(213)**	**(146)**	**(375)**
At 30 April 2016	**2,794**	**1,369**	**34,822**	**38,985**
Accumulated depreciation:				
At 1 May 2014	899	1,030	12,706	14,635
Charge for the year	195	125	1,630	1,950
Disposals	(106)	(170)	(477)	(753)
At 30 April 2015	988	985	13,859	15,832
Charge for the year	**194**	**152**	**2,860**	**3,206**
Disposals	**(16)**	**(170)**	**(146)**	**(332)**
At 30 April 2016	**1,166**	**967**	**16,573**	**18,706**
Net book value:				
At 1 May 2014	1,731	294	9,589	11,614
At 30 April 2015	1,561	329	8,664	10,554
At 30 April 2016	**1,628**	**402**	**18,249**	**20,279**

Included within property, plant and equipment are amounts held under finance lease contracts. At 30 April 2016 the net book value of these assets was £8,948,000 (2015:£3,447,000). The depreciation charged to the accounts in the year in respect of such assets amounted to £1,647,000 (2015: £606,000).

Additions to plant, machinery, fixtures & fittings include £2,823,000 (2015: £nil) in respect of assets in the course of construction.

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 and 30 April 2016	20,188
Provision for impairment:	
At 1 May 2014, 30 April 2015 and 30 April 2016	215
Net book value:	
At 1 May 2014	11,286
At 30 April 2015	19,973
At 30 April 2016	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 27 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 Company £'000	Contracts and licenses Company £'000	Computer software Company £'000	Total Company £'000
Cost:				
At 1 May 2014	8,312	723	1,381	10,416
Additions	-	-	24	24
Disposals	-	-	(85)	(85)
At 30 April 2015	8,312	723	1,320	10,355
Additions	-	-	**287**	**287**
Disposals	-	-	-	-
At 30 April 2016	**8,312**	**723**	**1,607**	**10,642**
Accumulated amortisation or impairment:				
At 1 May 2014	2,535	723	897	4,155
Charge for year/impairment	7	-	186	193
Disposals	-	-	(85)	(85)
At 30 April 2015	2,542	723	998	4,263
Charge for year/impairment	**58**	**-**	**195**	**253**
Disposals	**-**	**-**	**-**	**-**
At 30 April 2016	**2,600**	**723**	**1,193**	**4,516**
Net book value:				
At 1 May 2014	5,777	-	484	6,261
At 30 April 2015	5,770	-	322	6,092
At 30 April 2016	**5,712**	**-**	**414**	**6,126**

Notes to the Company Financial Statements
continued

G. Inventories

	2016 Company £'000	2015 Company £'000
Component parts and consumable stores	**500**	463

H. Trade and other receivables

	2016 Company £'000	2015 Company £'000
Amounts falling due within one year:		
Trade receivables	**9,490**	6,303
Other receivables	**117**	100
Prepayments and accrued income	**15,986**	10,885
Amounts owed by fellow Group companies	**48**	1,742
	25,641	19,030
Amounts falling due after more than one year:		
Amounts owed by fellow Group companies	**1,877**	-
	27,518	19,030

I. Trade and other payables

	2016 Company £'000	2015 Company £'000
Trade payables	**16,379**	14,021
Other taxes and social security	**2,506**	3,661
Other payables	**1,405**	3,475
Accruals and deferred income	**13,490**	8,831
Amounts owed to fellow Group companies	**3,649**	1,866
	37,429	31,854

Notes to the Company Financial Statements

continued

J. Financial liabilities: borrowings

	2016 Company £'000	2015 Company £'000
Non-current:		
Bank loans	**5,060**	7,199
Obligations under finance leases or hire purchase agreements	**6,232**	1,646
Total non-current	**11,292**	8,845
Current:		
Bank overdrafts	**8,510**	2,903
Bank loans	**896**	2,533
Obligations under finance leases or hire purchase agreements	**2,448**	1,195
Total current	**11,854**	6,631
Total borrowings	**23,146**	15,476
Less cash and cash equivalents	**212**	52
Net debt	**22,934**	15,424

Bank loans and overdrafts are secured by a charge over the Group's assets. The Company's overdraft is offset by cash balances in subsidiary companies. The net Group overdraft at 30 April 2016 is £1,817,000 (2015: £nil).
Obligations under finance leases or hire purchase agreements are secured by related assets.

K. Bank loans

Bank loans repayable, included within borrowings are analysed as follows:

	2016 Company £'000	2015 Company £'000
In one year or less	**896**	2,533
Between one and five years	**5,060**	7,199
After five years	**-**	-
	5,956	9,732

See note 19 to the Group Financial Statements for the principal features of the 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 property, plant and equipment. Future minimum amounts repayable are shown below:

	2016 Company £'000	2015 Company £'000
Fixed rate leases:		
Minimum lease payments:		
In one year or less	**2,775**	1,322
Between one and five years	**6,686**	1,721
	9,461	3,043
Interest:		
In one year or less	**(327)**	(127)
Between one and five years	**(454)**	(75)
	(781)	(202)
Principal of fixed rate leases:		
In one year or less	**2,448**	1,195
Between one and five years	**6,232**	1,646
	8,680	2,841
Variable rate leases:	**-**	-
Total	**8,680**	2,841

M. Derivative financial instruments

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 2016 is £900,000 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 2016 was a loss of £10,000 (2015: £70,000).

Notes to the Company Financial Statements

continued

N. Provisions

	2016 Company £'000	2015 Company £'000
At 1 May 2015	**556**	534
Utilised	**(151)**	(81)
(Credited)/charged in year	**237**	103
At 30 April 2016	**642**	556

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

	2016 Company £'000	2015 Company £'000
Current	**26**	25
Non-current	**616**	531
Total	**642**	556

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 21 and 12 years from the balance sheet date. All other leases expire in 10 years or less.

O. Deferred tax

Deferred tax balances in the Statement of Financial Position are as follows:

	2016 Company £'000	2015 Company £'000
Deferred tax liability:		
Accelerated capital allowances	**(397)**	(464)
Deferred tax asset:		
Share based payment	**300**	22
Provisions & other timing differences	**42**	22
Net deferred tax liability	**(55)**	(420)

Notes to the Company Financial Statements

continued

O. Deferred tax (continued)

The movement in deferred tax balances is as follows:

	2016 Company £'000	2015 Company £'000
At 1 May 2015	**(420)**	(455)
Credited/(charged) in year	**160**	35
Credited to share based payment reserve	**205**	-
At 30 April 2016	**(55)**	(420)

The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015. Legislation to reduce the rate to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020 was substantively enacted at 30 April 2016. Legislation to further reduce these rates (to 18% and 17% respectively) was progressing, but not substantively enacted at 30 April 2016. A rate of 18% (2015: 20%) has been applied in the measurement of the Company's deferred tax assets and liabilities in the year.

P. Share capital

	2016 Company £'000	2015 Company £'000
Allotted, called up and fully paid:		
100,005,341 (2015: 100,000,000) ordinary shares of 0.05p each	**50**	50

During the year the Company issued 5,341 ordinary shares at a price of 140.4p per share to satisfy share options. See note 22 to the Group Financial Statements.

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 income statement for equity settled transactions in the year ended 30 April 2016 was £417,000 (2015: £110,000).

Notes to the Company Financial Statements
continued

R. Commitments and contingencies

Operating lease commitments – land and buildings:

	2016 Company £'000	2015 Company £'000
Within one year	**12,457**	9,258
Between one and five years	**52,343**	35,880
After more than five years	**79,732**	54,262
	144,532	99,400

Operating lease commitments – vehicles, plant and equipment:

	2016 Company £'000	2015 Company £'000
Within one year	**3,867**	1,915
Between one and five years	**8,769**	3,147
After more than five years	**99**	84
	12,735	5,146

S. Capital commitments

	2016 Company £'000	2015 Company £'000
Authorised and contracted for	**9,467**	797
Authorised, but not contracted for	**7,279**	8,569
	16,746	9,366

Notes to the Company Financial Statements
continued

T. Related party disclosures

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 Group rents an aircraft from South Acre Aviation Limited, a company owned by Steve Parkin. Charges are on an arm's length basis.

During the prior 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.

The dividends paid to the former parent company can be found in note 7 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 2016 or 30 April 2015.

	2016 Company £'000	2015 Company £'000
Items charged to the income statement:		
Roydhouse Properties Limited – rent payable	**885**	877
Guiseley Association Football Club – advertising and sponsorship	**50**	25
South Acre Aviation Limited – aircraft rental costs	**19**	7
Horse costs	**-**	56

Notes to the Company Financial Statements

continued

U. Transition to FRS 101

Following the publication of FRS 100 'Application of Financial Reporting Requirements' by the Financial Reporting Council, Clipper Logistics plc was required to change its accounting framework for its entity financial statements, for its financial year ended 30 April 2016.

For all periods up to and including the year ended 30 April 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 30 April 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 May 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 May 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 May 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 30 April 2015.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

Notes to the Company Financial Statements
continued

U. Transition to FRS 101 (continued)

Reconciliation of equity at 1 May 2014:

	Note	Previous UK GAAP Company £'000	Re-classifications/ Re-measurements Company £'000	FRS 101 Company £'000
Fixed assets				
Tangible assets/Property, plant and equipment	U.1	12,026	(412)	11,614
Investment in subsidiaries		11,286	-	11,286
Intangible assets	U.2	5,778	484	6,262
Total fixed/non-current assets		**29,090**	**72**	**29,162**
Current assets				
Stock/Inventories		543	-	543
Debtors/Trade and other receivables		16,743	(121)	16,622
Current income tax assets		-	121	121
Cash at bank and in hand		3,302	-	3,302
Total current assets		**20,588**	**-**	**20,588**
Creditors: amounts falling due within one year		42,240	(42,240)	-
Trade and other payables		-	40,842	40,842
Financial liabilities: borrowings		-	1,335	1,335
Short term provisions		-	63	63
Net current liabilities		**(21,652)**	**-**	**(21,652)**
Total assets less current liabilities		7,438	72	7,510
Creditors: amounts falling due after more than one year		2,438	(2,438)	-
Non-current borrowings		-	2,438	2,438
Provisions for liabilities/Long term provisions	U.3	902	(431)	471
Deferred tax liabilities		-	445	445
Net assets		**4,098**	**58**	**4,156**
Equity shareholders' funds				
Share capital		50	-	50
Share premium		48	-	48
Other reserve		851	-	851
Share based payment reserve		-	-	-
Profit and loss account/Retained earnings	U.4	3,149	58	3,207
Total equity		**4,098**	**58**	**4,156**

Notes to the Company Financial Statements

continued

U. Transition to FRS 101 (continued)

Reconciliation of equity at 30 April 2015:

	Note	Previous UK GAAP Company £'000	Re-classifications/ Re-measurements Company £'000	FRS 101 Company £'000
Fixed assets				
Tangible assets/Property, plant and equipment	U.1	10,734	(180)	10,554
Investment in subsidiaries		19,973	-	19,973
Intangible assets	U.2	5,362	730	6,092
Total fixed/non-current assets		**36,069**	**550**	**36,619**
Current assets				
Stock/Inventories		463	-	463
Debtors/Trade and other receivables		19,030	-	19,030
Cash at bank and in hand		52	-	52
Total current assets		**19,545**	**-**	**19,545**
Creditors: amounts falling due within one year		38,788	(38,788)	-
Trade and other payables		-	31,854	31,854
Financial liabilities: borrowings		-	6,631	6,631
Derivative financial instruments		-	70	70
Short term provisions		-	25	25
Current income tax liabilities		-	208	208
Net current liabilities		**(19,243)**	**-**	**(19,243)**
Total assets less current liabilities		16,826	550	17,376
Creditors: amounts falling due after more than one year		8,845	(8,845)	-
Non-current borrowings		-	8,845	8,845
Provisions for liabilities/Long term provisions	U.3	923	(392)	531
Deferred tax liabilities		-	420	420
Net assets		**7,058**	**522**	**7,580**
Equity shareholders' funds				
Share capital		50	-	50
Share premium		48	-	48
Other reserve		851	-	851
Share based payment reserve		110	-	110
Profit and loss account/Retained earnings	U.4	5,999	522	6,521
Total equity		**7,058**	**522**	**7,580**

Notes to the Company Financial Statements
continued

U.1. Tangible fixed assets/Property, plant and equipment

	30 April 2015 Company £'000	1 May 2014 Company £'000
(a) The Company has reviewed the useful life and residual value of plant, machinery, fixtures & fittings, resulting in adjustment of accumulated depreciation as follows:		
Brought forward	72	-
Charge for the year	70	72
Carried forward	142	72
(b) Re-classification of computer software to intangible assets	(322)	(484)
Net re-classification/re-measurement	(180)	(412)

U.2. Intangible assets

	30 April 2015 Company £'000	1 May 2014 Company £'000
(a) Previously under UK GAAP, purchased goodwill was amortised over its useful life, estimated at 20 years. Under FRS101 goodwill is reviewed annually for any impairment. The review concluded that there was no impairment and so amounts previously charged have been adjusted as follows:		
Brought forward	-	-
Charge for the year	408	-
Carried forward	408	-
(b) Re-classification of computer software to intangible assets	322	484
Net re-classification/re-measurement	730	484

Notes to the Company Financial Statements

continued

U.3. Provisions for liabilities

	30 April 2015 Company £'000	1 May 2014 Company £'000
Deferred taxation		
Under previous UK GAAP	392	431
Arising on adjustments above	28	14
Under FRS 101	420	445

U.4. Profit and loss account/Retained earnings

	30 April 2015 Company £'000	1 May 2014 Company £'000
Under previous UK GAAP	5,999	3,149
Tangible fixed assets	142	72
Intangible asset amortisation	408	-
Deferred taxation	(28)	(14)
Under FRS 101	6,521	3,207

Directors, Secretary, Registered & Head Office and Advisors

Directors:	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 Stephen Robertson, Independent Non-Executive Director Mike Russell, Independent Non-Executive Director Ron Series, Independent Non-Executive Director
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:	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Legal advisors:	Squire Patton Boggs (UK) LLP 2 Park Lane Leeds LS3 1ES Pinsent Masons LLP 1 Park Row Leeds LS1 5AB
Auditor:	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Registrars:	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA
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