Annual Report
and Accounts 2017

By the time you read this

everything will have moved on…

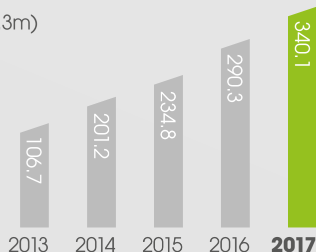
Highlights of the Year

Group revenue

£340.1m

(2016: £290.3m)

+17.2%

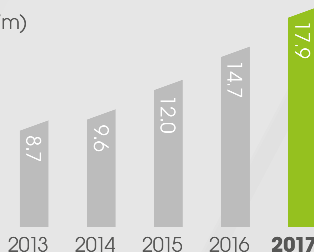


Group EBIT*

£17.9m

(2016: £14.7m)

+21.8%



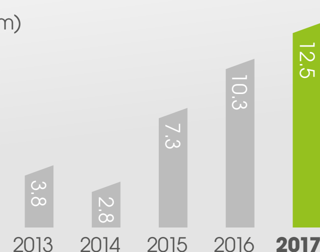
* Group EBIT is defined as operating profit, including the Group's share of operating profit in equity-accounted investees, before amortisation of intangible assets arising on consolidation and any exceptional or non-recurring items.

Group profit after tax

£12.5m

(2016: 10.3m)

+20.6%

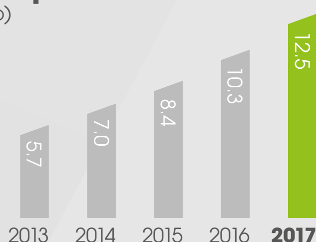


Adjusted earnings per share*

12.5p

(2016: 10.3p)

+20.5%



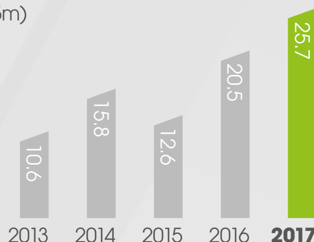
* Earnings per share in 2013, 2014 & 2015 were adjusted for the effect of certain non-recurring items

Cash generated from operations

£25.7m

(2016: £20.5m)

+25.2%

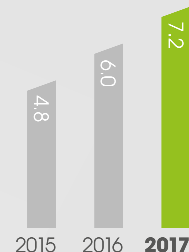


Dividend per share

7.2p

(2016: 6.0p)

+20.0%



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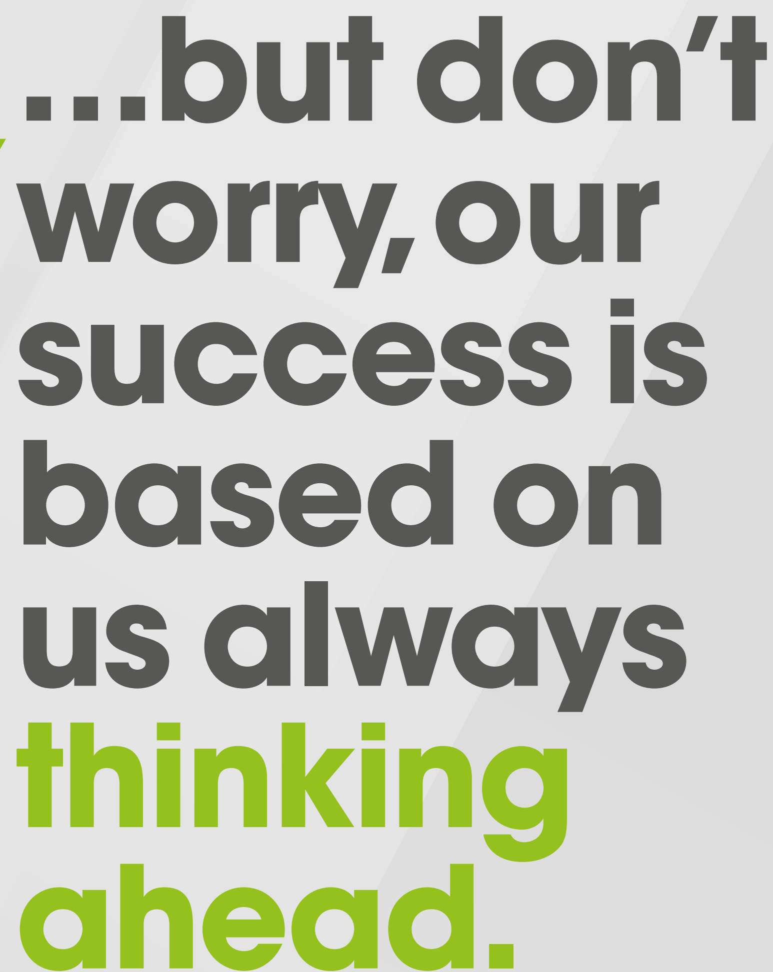


Consumer expectations are growing, financial pressures are slowing demand and competition is increasing. All these factors combine to give consumers more choice and to make the retail sector more competitive and complicated than ever before.

We understand just how business-critical logistics is. That’s why we’re constantly challenging conventions to improve clients’ business performance and help them meet the changing dynamics of retail with cutting-edge logistics management solutions.

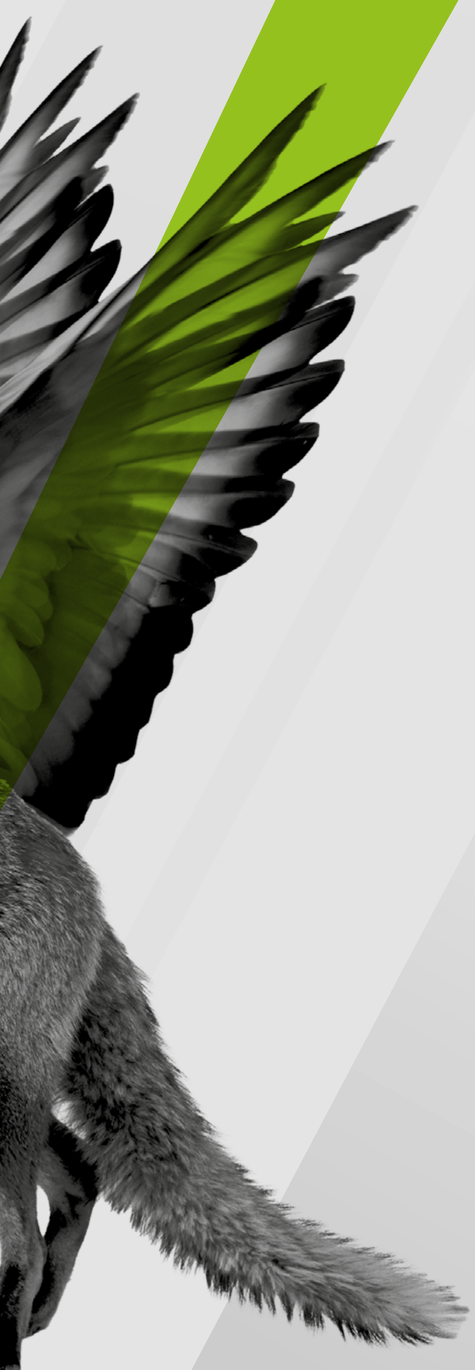
Next day delivery is a real challenge...

Over the past couple of years, there has been a market shift towards "Click and Collect". Many retailers report that over 60% of their online orders are collected by consumers, rather than home delivered.

...but our **Click and Collect** systems enable retailers to deliver outstanding customer service.

In fashion today, returns are business critical...

Returns are a real and growing challenge. Overall online return rates are between 25% and 40% in fashion and footwear.



...but with Boomerang, retailers get what they need, where they need it and when they need it.

We have taken on the growing problem of returns management with an agile and cost-effective solution – Boomerang. Whether it's fashion retail, high-value or general merchandise, Boomerang takes cost, complexity and risk out of your reverse logistics process.

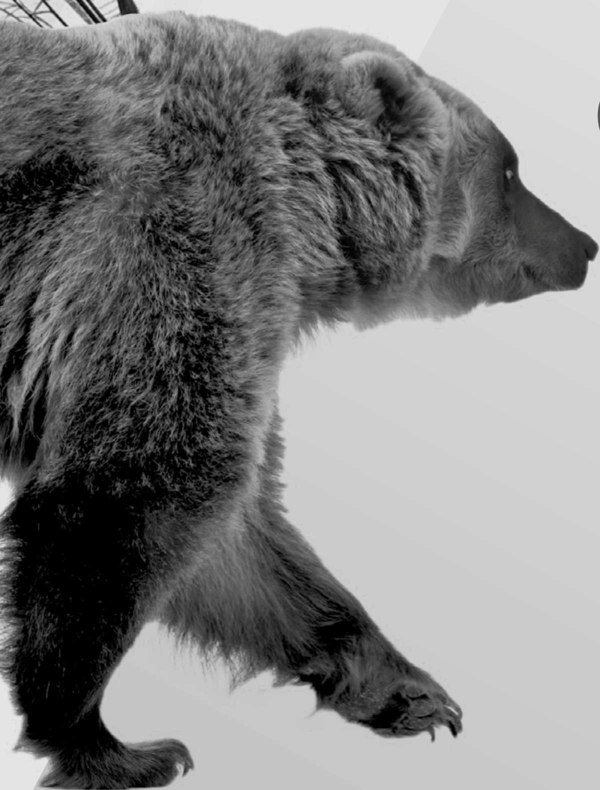
It enables our customers to grow and trade more competitively.

Our work with companies such as ASOS, SuperGroup and John Lewis, demonstrates a high level of expertise in managing the returns process smoothly and efficiently.

For our customers, reputation is everything...

Retailers need to stay ahead of their competition. Our in-house experts deliver customer-specific solutions relevant to each retailer's needs. Our multi-user sites give smaller retailers scale, providing access to resources and market-leading project expertise which would otherwise be out of their reach.

...but we have the size and ability to tackle any project, and the speed and agility to act quickly.



Understanding Clipper

Whoosh! That was the sound of now passing by.

The speed of change is phenomenal
In e-fulfilment & returns management services, the logistics requirements of retailers have changed dramatically:

- 22% of non-food retail sales now take place online in the UK (source: ONS).
- Effective management of returns is crucial to protecting a retailer's brand.
- In clothing and footwear, between 25% and 40% of products sold online are returned (various sources).
- Click and Collect: over the last three years, the proportion of online orders collected in-store has increased from 10% to over 65% for many retailers (various sources).

Legislative, economic, competitive and other influences mean that our customers need a retail-focused logistics provider to enable them to continually adapt and evolve to address these challenges. We have the credibility and are acknowledged as a thought leader in the sector.

We're large and able
We're experts in retail and high-value logistics. We have the facilities, the processes, the experience, the fleet, and, most importantly, the people to deliver on contracts of all sizes, and we see the bigger picture without neglecting the day-to-day detail.

We're fast and agile
We have a flexible, 'flat' organisational structure that gives customers direct access to our senior team. We have experts in warehouse design, system design and testing, project management and implementation, and the operational management to ensure rapid delivery of effective solutions.

We're big and small
Our bespoke approach sees us work with market leaders, small to medium-sized enterprises (SMEs), start-ups and the UK's fastest emerging brands – and we deliver the same flexibility and exceptional service to every client regardless of their size.

The Group operates from 44 locations comprising over 8.3 million square feet. It now has over 3,900 employees, excluding agency staff.

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 meaningfully allocable to the above business activities, including directorate, advertising and promotion, accounting, IT and the solutions development team; and
- Commercial vehicles.

Whilst not a segment in its own right, the Group 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.

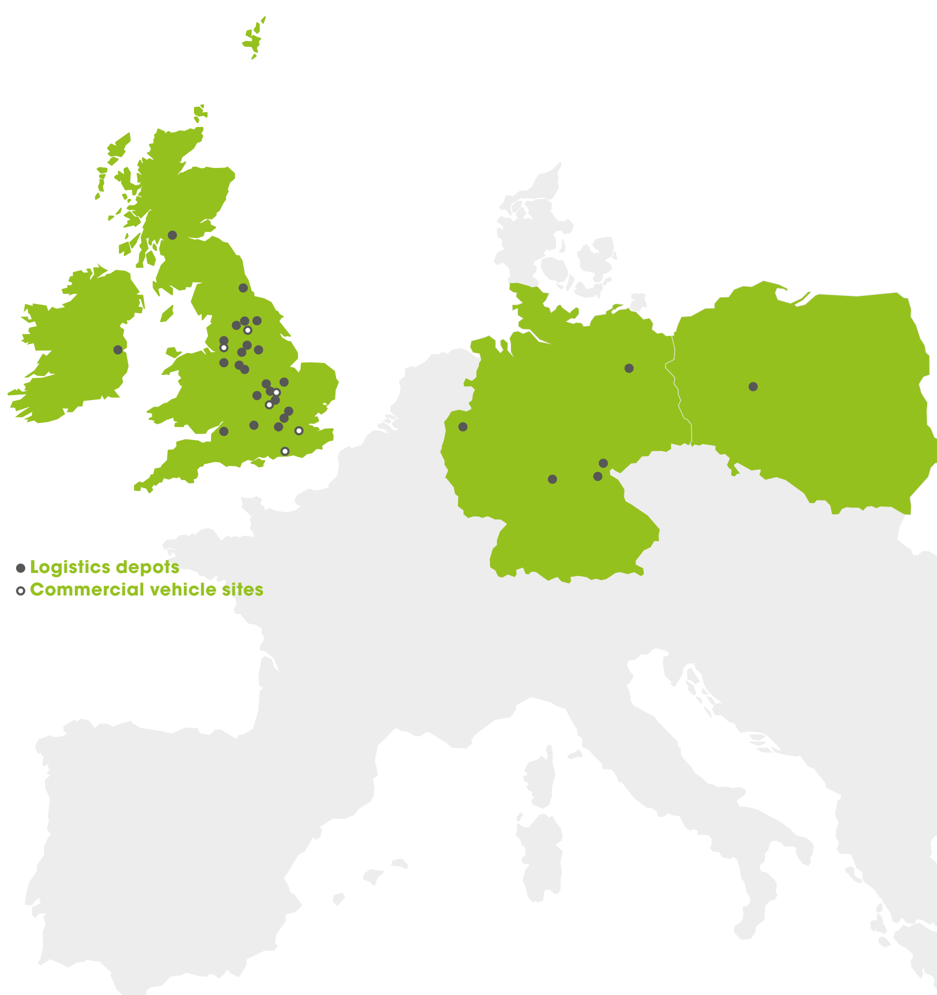
Segment and business activity details
E-fulfilment & returns management services
This business activity includes the receipt, warehousing, value-add processing, stock management, picking, packing and despatch of products on behalf of customers to support their online trading activities, as well as a 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 owns the Boomerang brand, under which returns of products are managed on behalf of retailers.

During the 2017 financial year, Clipper entered into a joint venture with John Lewis, Clicklink Logistics Limited, ("**Clicklink**"), which operates a shared-user, retailer-focused Click and Collect solution to capitalise on rapid transition to in-store collections.

Clipper anticipates rapid growth in this segment, reflecting continuing migration to online retailing due to the structural changes taking place in the retail sector. It is expected that the proportion of non-food retail sales taking place online will grow from 22% currently to 33% by 2022 (source: PwC).

The results of Servicecare are included in the e-fulfilment & returns management category.



We operate from 44 locations comprising over 8.3 million square feet.

Non e-fulfilment logistics
This business activity includes 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 stage.

Within this category, Clipper handles high value products, including tobacco, alcohol and designer clothing. Clipper 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.

Our investment case

1 Sector focus
- Clipper is focused on the provision of value-added logistics services to retailers.
- By being thought leaders in the sector, we identify trends and opportunities ahead of the curve and develop products and services to address them.
- We also have a consistently profitable and complementary commercial vehicles business.

2 Highly attractive presence in online retail
- Structural growth market: in non-food retail, the penetration of online is expected to grow from its current level of 22% of total sales to 33% by 2022.
- We are leaders in this sector, providing e-fulfilment solutions, specialised returns management services through our Boomerang brand, which has been enhanced with the acquisitions of Servicecare and, after the financial year-end, RepairTech (see note 29 to the Group Financial Statements).
- Our Clicklink Click and Collect joint venture provides a service dedicated to the needs of retailers.

3 Attractive business model
- Value-added consultancy model with strategic level relationships.
- High level of long-term, open book/ minimum volume guarantee contracts in UK logistics.
- Highly visible profit and cashflows.
- High levels of cash conversion.
- Capital expenditure predominantly on behalf of major open book customers, with corresponding obligation to repay Clipper over the term of the contract.
- Complementary commercial vehicles business is consistently profitable and cash generative.

4 Clear growth strategy
- Organic growth in all sectors, but especially e-commerce related activities.
- European expansion.
- Extension of Boomerang through the addition of RepairTech.
- Introduction of Click and Collect through Clicklink.
- Continued research for value-adding, earnings-accretive acquisition opportunities.

5 Strong financial profile
- Attractive working capital profile.
- Operating profit growth coupled with high cash conversion.
- Sustainable dividend policy at circa 60% of after-tax profits.

Chairman's Statement

As Chairman of Clipper Logistics plc, I am pleased to present our 2017 financial results following the third anniversary of our listing on the Main Market of the London Stock Exchange in June 2014.

Steve Parkin
Executive Chairman

Our third year as a listed company has seen a continuation of our historical track record of achieving significant organic growth. Our focus on delivering cost-effective, innovative solutions to our blue-chip client base, predominantly in the retail sector, and our continued investment in quality people to implement sector-leading projects, mean that we are confident in our ability to continue this momentum.

The Group has achieved a strong financial performance for the year under review, and has seen significant new contracts commence with high profile retailers, including those with Halfords and Links of London. In addition, our commercial vehicles division continues to perform very well.

We have formalised our joint venture with John Lewis, for the provision of a dedicated Click and Collect service focused on addressing the specific requirements of retailers. The joint venture entity, Clicklink Logistics Limited, is owned on a 50/50 basis by John Lewis and Clipper, and during the year Clicklink has extended its service coverage to the entire Waitrose estate. We are extending the service to other retailers on a shared-user platform, and initial indications of uptake are encouraging.

Following the end of the financial year, we announced the acquisition of Tesam Distribution Limited (in May 2017), and the acquisition of RepairTech Limited (in June 2017). Both these acquisitions are expected to be immediately earnings-enhancing, and demonstrate our ability to target acquisitions which extend the breadth of both our customer base and our service offering, and enhance returns to our shareholders. I would like to take this opportunity to welcome the colleagues and management teams of both businesses to the Group.

Our goal remains the identification of key trends in the sectors we serve, and the development of new services, processes and solutions that address the challenges faced by our customers. Our unrivalled understanding of the dynamics of the whole retail sector, and in particular e-retail and multi and omni-channel retailing, provides the Group with exceptionally strong strategic positioning for the future.

// We develop new services, processes and solutions that address the challenges faced by our customers. //

Group revenue

£340.1m

+17.2%

Group EBIT*

£17.9m

+21.8%

* Group EBIT is defined as operating profit, including the Group's share of operating profit in equity-accounted investees, before amortisation of intangible assets arising on consolidation and any exceptional or non-recurring items.

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

Group results

Group revenues increased by 17.2% to £340.1 million for the year to 30 April 2017 (2016: £290.3 million) and Group EBIT increased by 21.8% to £17.9 million (2016: £14.7 million).

Diluted earnings per share were 12.3 pence for the year to 30 April 2017 (2016: 10.3 pence), an increase of 19.4%.

Basic earnings per share were 12.5 pence (2016: 10.3 pence), an increase of 20.5%.

Net debt was £25.1 million at the year end (2016: £18.8 million), 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). Net debt is defined as borrowings, less cash, cash equivalents and non-current financial assets (see note 20 to the Financial Statements).

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.

Sean Fahey has decided to retire from the Group and stepped down as a director with effect from 28 April 2017. I would particularly like to thank Sean for his significant contribution to the growth of the Group over the last 25 years.

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 me, the Company benefits from the combined experience of its Non-Executive Directors: Ron Series (appointed Senior Independent Non-Executive Director in July 2017), Stephen Robertson and Mike Russell.

Paul Hampden Smith was Senior Independent Non-Executive Director during the year ended 30 April 2017, but stood down on 12 July 2017.

Dividends

The Board is recommending a final dividend of 4.8 pence per share, making a total dividend in respect of the year ended 30 April 2017 of 7.2 pence per share (2016: 6.0 pence), an increase of 20.0%.

The proposed final dividend, if approved by shareholders, will be paid on 29 September 2017 to shareholders on the register at the close of business on 8 September 2017.

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 further 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 achieve further growth, both in the UK and internationally.

In addition, the acquisitions of Tesam Distribution Limited and RepairTech Limited after the end of the financial year are expected to be immediately earnings-enhancing in the year to 30 April 2018.

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

Steve Parkin
Executive Chairman

Our Markets

The Group serves markets in the UK – where 89% of Group revenue is generated – and in mainland Europe, primarily Germany.

UK retail

62% of Group revenue is derived from activities in the UK retail market. Within this market, we operate across e-commerce and non e-commerce, in warehousing and transport and primarily in fashion and general merchandise.

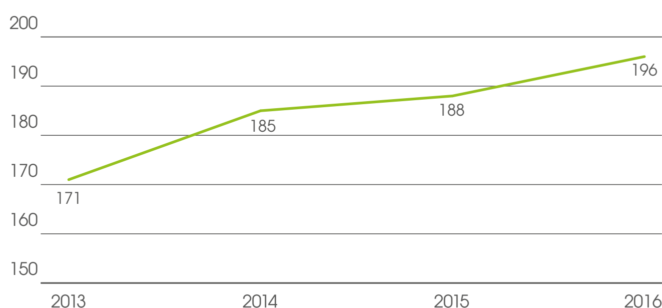
Size and growth of market

The UK retail market (excluding food and automotive fuel) was worth £196.4 billion in 2016, having grown from £187.7 billion in 2015, growth of 4.6% (source: ONS). Within this, whilst traditional bricks and mortar retail stores still account for the majority of retail sales in the UK, internet sales are growing at a much faster rate.

According to IMRG, the UK's total e-commerce market (which includes food and travel) has grown from £0.8 billion in 2000 to £114 billion in 2015 and £133 billion in 2016 (17% annual growth), with a further 14% growth forecast in 2017. The Group's strength in e-commerce sees us well positioned to take advantage of this market growth.

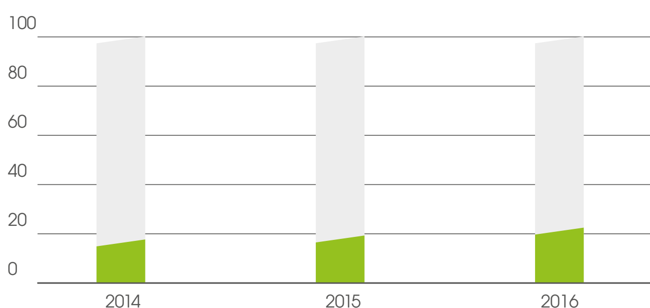
1 Logistics	73%	2 Commercial vehicles	27%
A UK retail	85%	C UK sales	65%
B Other EU logistics	15%	D UK aftersales	35%

UK retail market – size (£bn)



Source: ONS

UK retail market – share (% share of retail)



Source: ONS

Recent market trends

Over the past year, the UK retail market has seen various developments, each bringing its own logistical challenges to retailers. Those retailers who fail to adapt or who fail to adapt quickly can soon find themselves left behind.

Consumer behaviour is continuing to drive many of the market trends:

— A continuation of the trend towards omni-channel with consumers often switching between online and in-store channels to purchase and return goods. To illustrate the scale of the challenge, 30% of multichannel women's fashion purchases are currently returned (source: Clear Returns). Moreover, a recent KPMG survey observed that 34% of respondents who purchased online opted to return these goods in-store. These statistics highlights the need for retailers to ensure all of their reverse logistics channels:
   i. function seamlessly in order to protect customer experience. The Connected Consumer Report by MuleSoft concludes that 61% of consumers would change their retailer due to a disconnected shopping 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. As well as an efficient returns service, a free returns service is also vital. A free returns service was once regarded as a bonus by consumers but is now simply regarded as standard; and
   ii. efficiently feed back into their primary Warehouse Management Systems. Improved efficiency reduces the amount of working capital tied up and protects against margin dilution, particularly when returned Black Friday stock can be back on sale at full price ready for the Christmas peak. Clear Returns estimated that a fifth of Black Friday 2016 purchases would be returned, and that £978 million of retailers' stock is tied up in the returns cycle every day during this period.

— Purchases made on a mobile device (tablets and smartphones) increased by 28.5% year-on-year in 2016. Within "mobile", purchases made on a smartphone are up 79.1% whilst those made on a tablet are up 6.8%, with smartphones peaking at 54% share of mobile at the end of 2016, the highest ever share (sources: all IMRG). This increased mobility means consumers have total control over when in the day to complete a purchase and we have seen a change in online temporal buying patterns as a result; 8pm-9pm is now the most popular hour of the day for online purchases (source: KPMG, Retail Survey 2017). This means that even later picking and packing cut-off times are needed in the warehouse for retailers to be able to deliver against their customers' expectation for next day delivery and collection. Consumers' desire for next day is also increasing, with August 2016 seeing the "next day" delivery option exceeding the "economy" option for the first time (source: IMRG).

There have been several retailer-driven changes too, including:

— improved Click and Collect offerings. Of UK Click and Collect users, 43 per cent experienced a service issue in the year to April 2017, down from 45 per cent in 2016 and 47 per cent in 2015 (source: YouGov poll). It is vital that retailers continue to make improvements in this area since Click and Collect drives footfall into store; in the same poll, 23% of users stated they had made an additional purchase in-store when picking up a Click and Collect order. Indeed, retailers have redesigned store layouts not only to tempt Click and Collect customers with in-store offers on their journey through the store, but by locating changing rooms by the Click and Collect collection points in an attempt to try to reduce the incidence (and therefore the cost) of returns;

— retailers introducing minimum order thresholds in order to mitigate the impact of the increasing logistical costs of an ever more complex omni-channel market. Indeed, 62% of CEOs plan to raise minimum order thresholds in 2017. Consumers have, in the main, responded favourably to this, with 75% of UK adults willing to exceed a minimum order value to qualify for free delivery (sources: all JDA/PwC); and

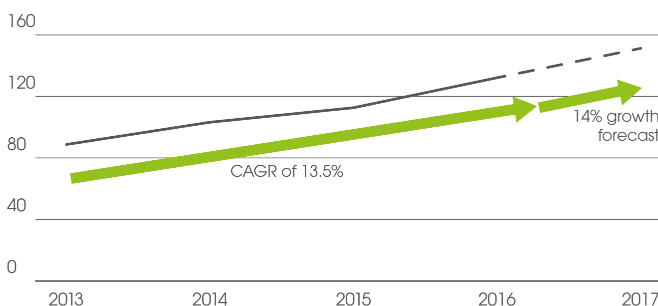
— retailers following the lead of the discounters in buying-in months in advance of the Black Friday promotional period and only discounting these specific bought-in lines, in order to protect against devaluing core brands. The logistical challenges facing the retail market are always at their greatest around peak and this recent change brings yet another complexity.

External factors have also impacted the market, including:

— upward pressure on the costs of labour through a combination of factors: the introduction of the National Living Wage and, shortly before the year end, the Apprenticeship Levy and the squeeze on the availability of Eastern European workers due to Brexit uncertainties; and

— macro-economic factors, in part driven by Brexit and related currency impacts, driving up the cost of imports from the Far East and tightening margins. Conversely, weaker Pounds Sterling has also driven an increase in the number of UK e-commerce orders going overseas (source: IMRG).

UK e-commerce market (£bn)



Source: IMRG

Our Markets continued

Developing market trends

In the immediate future, we expect to see the market continue along its evolutionary path. 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 double digit growth expected in this sector of the market.

We expect consumers to place even greater importance on the returns experience as a key part of their buying decision. Clipper's Boomerang offering is a tried and tested returns offering which consistently exceeds consumers' expectations: it takes, on average, six days for a UK consumer to receive reimbursement when returning via online methods; in the year ended 30 April 2017, Clipper sanctioned the release of 99.3% of refunds within 24 hours of receiving the stock into the warehouse. In addition to the positive customer goodwill this generates, an efficient returns process ensures stock is returned to a saleable state quickly, releasing cash tied up in working capital, and reduces the risk of stock obsolescence. Boomerang can easily be linked with Clicklink, Clipper's Click and Collect joint venture with John Lewis, to create a full '360 degree' supply chain and reverse supply chain process.

From the retailer's point of view too, we believe there is further progress to be made in fully capitalising on reverse logistics opportunities and freeing up working capital. The reverse supply chain working capital cycle needs to be shortened, returned goods need to be reverted to prime condition quickly and readied for sale, and graded stock needs to be identified and liquidated quickly whilst ensuring the brand is not devalued. Clipper's Boomerang, Servicecare, Genesis and Clicklink product offerings can work hand-in-hand to maximise these benefits for retailers.

We expect to see continued investment in automated operations, not only in tracking and stock checking, but also in automated warehousing. The capital outlay required for such automation programmes can often appear to be beyond the reach of smaller retailers. Clipper designs shared-use, modular solutions for these smaller retailers at many of its facilities to make these cutting-edge capital projects much more accessible, whilst protecting the customer's own brand.

Because of the fixed costs associated with setting up a UK-wide, next day Click and Collect network, smaller retailers have historically not been able to offer such a cost-effective solution to their customers. Clipper's award-winning Clicklink service was conceived with John Lewis as a genuine multi-user Click and Collect platform, designed with the retailer front of mind at every stage of the process (e.g. timed delivery slots, "retail ready" cages, full track-and-traceability). We expect both small and large retailers to embrace Click and Collect in the coming years as consumers' preference for this service continues to increase. As the Clicklink network operates seven days a week, it creates the opportunity for retailers to offer into store next-day delivery options for the consumer, thereby maximising sales.

Despite the certainty that 'Brexit' will happen, we have seen little evidence that retailers are ready. Research from Global-e suggests that 51% of retailers expect, not unreasonably in our opinion, that cross-border trading will become more complex when the UK leaves the EU. And despite this acceptance, by February 2017, 68% of British retailers had no Brexit plans in place. Clipper has a range of ancillary services which can assist retailers through this evolving process, including port deconsolidation services, pre-retail activities and customs warehousing.

Commercial vehicles

27% of Group revenues are derived from the UK commercial vehicles market.

Clipper's commercial vehicles business sells and maintains Iveco and Fiat vehicles, principally in certain geographical territories in the UK under the terms of its dealership licences.

Clipper derives the majority of its commercial vehicles revenues from new and used vehicle sales.

Whilst market size figures are not readily available for the specific geographical markets in which we operate, UK-wide new registration figures are readily available, and these provide a useful indicator of market growth and contraction. The market sectors in which the commercial vehicles division operates experienced registrations growth of 1.5% in the calendar year 2016 compared to the prior year, as shown in Table 1.

Since all tractor units sold by Northern Commercials come with a two year repair and maintenance contract as standard, new vehicle registrations also provide a degree of certainty over future aftersales revenue.

In terms of other aftersales activity, again market data is not readily available. However, Table 2 shows how the number of commercial vehicles on UK roads has changed over the most recent two calendar years. Since most commercial vehicles on UK roads are required to be inspected every six weeks under UK law, commercial vehicle activity on the roads provides a useful proxy for the relative size of the aftersales market in the UK.

Table 1

New commercial vehicle registrations	2015	2016	% change
Light commercial vehicles up to 3.5t	371,830	375,687	+1.0%
Rigid	22,976	26,882	+17.0%
Articulated	20,922	19,346	-7.5%
	415,728	**421,915**	**+1.5%**

Source: SMMT

Table 2

Commercial vehicles on UK roads	2015	2016	% change
Vans	3,842,120	4,007,331	+4.3%
Trucks	569,682	581,645	+2.1%
	4,411,802	**4,588,976**	**+4.0%**

Source: SMMT

Other markets

Other EU logistics

We have operated in the logistics industry for a number of years in Germany and we have recently expanded into Poland. Both businesses primarily serve the German market with only limited export activities. Our businesses primarily serve the fashion retail market, although we also provide transport and warehousing services for customers in various other markets. Our recent strategic business development activity has been focused in the e-commerce retail market for a number of reasons: alignment with the UK business; cross-border leveraging of customers; and to capitalise on the higher growth areas of the German market. The German retail e-commerce market is some years behind the UK in terms of size, but we expect the e-commerce trends to largely replicate those of the UK. In Germany, online accounted for an overall share of trade of 14.0% in 2016, up from 12.0% in 2015 and 10.0% in 2014 (source: Twenga). Clipper's infrastructure is well placed to capitalise on this market growth.

It is important to recognise the cultural differences between the geographical markets in which we operate. For example, there are differences in consumer preference between the UK retail and German retail market. A recent Metapack survey reveals two such differences:

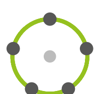
- Click and Collect is popular with 68% of customers in the UK, but with only 32% of customers in Germany.
- German consumers also utilise delivery-to-locker services. This is popular with 31% of German consumers; the popularity of this service in the UK is only 10%.

Differences such as these present logistical challenges to retailers and highlight that it is important that solutions providers such as Clipper do not adopt a "one size fits all" mentality, but instead design solutions which address the specific needs of the retailer, the consumer and the market.

Our Business Model

Clipper delivers a broad range of value-add logistics services tailored to the emerging and future needs of our customers.

Key inputs



Clipper has a strong brand, long-standing customer relationships and an experienced team, which combine to deliver thought leadership and innovation in the logistics sector.

Clipper's focus on the provision of value-add services to retailers at a competitive cost has resulted in a number of long-standing contractual arrangements with major retailers such as Asda, ASOS, John Lewis, Morrisons and SuperGroup.

We work in trusted partnership with our customers to develop and rapidly deploy solutions to the challenges they face. Our team is focused on addressing tomorrow's challenges today and we have strengthened the team during the year to include expertise in warehouse automation.

We seek to efficiently use funds obtained through financing or generated from operations or investments. A high degree of contractual certainty underpins financial predictability and stability.

How we create value

Clipper provides customers with e-commerce fulfilment (including returns) and non e-commerce fulfilment logistics services. We operate open book contract terms for 67% of our customers, giving us a high level of contractual certainty. We also operate closed book contracts for customers, many of whom we have worked with for several years.

In order to ensure retention of customer contracts, we continually draw on our team's expertise to drive innovation in our operations. This enables us to retain our market-leading cost competitive position and continue to strengthen our brand.

Clipper has developed specialist services (e.g. pre-retailing services and reprocessing of garments) to support our customers in their ever-complex supply chains and to ensure that product is ready for sale in the most efficient and cost-effective manner.

As the challenges of the retail landscape change to become more omni-channel focused, developing innovative solutions like Clicklink and Boomerang to support our customers has led to Clipper retaining customers on a long-term basis as well as winning new business every year.

The Clipper Way...

...is how we approach all customer briefs. It translates instinct into action and brings clarity and consistency to the way we work. It's a straightforward, insightful and effective approach, and our people are recognised and rewarded for their ability to apply and demonstrate "The Clipper Way" in every area of our operation.

What makes us different

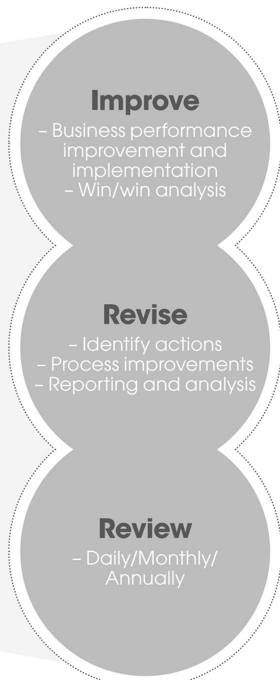
Clipper is not a generalist 3PL; we are a retail solutions provider and we are a thought leader in the retail space.

Clipper understands the need for agility and can support customers in implementing rapid change and start-up operations. Unlike many of our competitors, our customer portfolio comprises both large omni-channel operations as well as shared user sites with smaller retailers. We pride ourselves on being able to operate across the entire retail sector, bringing world class solutions to large and small retailers alike.

We do not believe that 'one size fits all'. Clipper retains its entrepreneurial flair and we work with customers to find innovative and fit-for-purpose solutions that help them stay one step ahead of the market, as illustrated by our joint venture with John Lewis. Our people, our breadth of experience in retail and our approach to innovation means that we are a new breed of logistics company, bringing true differentiation to our customers.

In addition, our commercial vehicles division 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.



How the value is shared

Shareholders

High growth market sectors, an attractive business model and a clear growth strategy combine to give operating profit growth and good cash conversion, resulting in dividend distributions of circa 60%.

Employees

Over 3,900 employees have access to attractive career progression in a market-leading logistics business. The Sharesave scheme enables employees to share in the financial success of the business.

Customers

Blue-chip customers in logistics and commercial vehicles can rely on Clipper's established reputation and high levels of service, particularly when they need it most through peak trading periods.

Suppliers

Clipper benefits from its relationships, built over many years, with large and small trusted partners and suppliers. Clipper's diverse supply base de-risks Clipper and its customers from fluctuations in market conditions.

Communities

Clipper's Corporate Social Responsibility agenda benefits local communities by providing employment, opportunities, reinvesting in the local communities through sponsorship and developing green initiatives.

Our business model in action: **ASOS Bridal**

What we did

When ASOS launched their bridal range in 2016, they needed a robust returns solution. Having selected us to be their logistics provider, we began working together to design a bespoke solution, perfectly tailored to the demands of handling delicate, high value products.

The results

Through this returns initiative, Clipper and ASOS have salvaged an average of 68.9% of 'faulty' bridal wear returns over a six-month period (to the end of March 2017).

The fast turnaround of products at the Clipper Selby site means that returned products can be quickly processed, repaired if necessary, returned to the supply inventory and resold.

68.9%

Faulty bridalwear salvaged.

Our Strategy

In order to generate and preserve long-term value for shareholders, Clipper has developed the four key growth strategies detailed below.

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 with particular focus on the e-fulfilment & returns management segment of the retail market.

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

By taking advantage of 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

The full-year benefit was realised from contracts that went live during the previous year with Browns, M&Co, Pep&Co and Ireland's largest retailer.

New contracts went live in the year with John Lewis (pre-retail and returns), Kidly, Flyers, Links of London, Inditex. Secret Sales, Halfords and Pretty Green. New contracts have been secured which will commence in the year to 30 April 2018, including increased services for Halfords.

Further details of the above contract wins can be found in the Operating and Financial Review on pages 30 to 35.

What's next?

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

The successful integration of Servicecare and RepairTech will continue to enable the Group to further enhance its customer proposition and expand the customer base.

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

Clipper's returns management services brand Boomerang saw another successful year with approximately 89% of product successfully returned to prime stock at first pass.

Clipper has 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 the Ancillary Distribution Centre project 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 coming years.

Further details of the above projects can be found in the Operating and Financial Review on pages 30 to 35.

What's next?

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).

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

Continue European expansion

How will this be achieved?
Through development of Clipper's operations in Germany, which 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 locations for potential opportunities.

Performance
The Group continued to benefit from operations in Europe under the Boomerang brand.

We have focused on consolidating the activities of the prior year to create a sound platform for the future. We have appointed a new Managing Director for our mainland European operations in the year. We have commenced two new significant customer operations from Kempen, Germany, and Poznan, Poland.

/ Further details of the above contract wins can be found in the Operating and Financial Review on pages 30 to 35.

What's next?
In the medium term, Clipper will continue to seek opportunities with new and existing customers to provide services in Germany, Poland and Ireland, and will consider other strategic mainland European locations for potential expansion.

Explore acquisition opportunities

How will this be achieved?
By considering further 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
Whilst no acquisitions were undertaken during the year, the Group acquired Tesam Distribution Limited in May 2017 and RepairTech Limited in June 2017. These acquisitions coupled with our planned investment in additional capacity will provide further headroom for the delivery of our strong business pipeline.

What's next
Clipper will continue to explore acquisition opportunities that enhance shareholder value.

Risk Management

The Group has a formal risk identification and management process. This ensures that risks are properly identified, prioritised, evaluated and mitigated, in order that the Group can achieve its strategic objectives and enjoy long-term success.

Risk management process

The Board is ultimately responsible for managing risk across the Group. The Board delegates responsibility for the regular review of the Group's risk management system to the Audit Committee and Senior Management Team ("**SMT**"). Risks are formally reviewed regularly and risk registers are updated throughout the year. The SMT has carried out a robust and detailed assessment of the principal risks facing the Group.

Principal risks are identified through an evaluation of likelihood of occurrence and potential impact. The SMT 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.

The Group adopts the following process

Principal Risks and Uncertainties

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 or delayed 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 works closely with customers, using highly trained and experienced staff, to ensure successful project delivery. All projects are reviewed and evaluated on a weekly basis by the relevant SMT members. Independent brand health reviews are undertaken regularly to monitor customer perception of, and satisfaction with, Clipper.
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 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. Exit interviews are conducted to ensure that learnings from key staff departures can be incorporated into the future retention strategy.

Operational

Risk	Mitigation
Loss of operational delivery The Group may not operate / be able to operate efficiently, thereby harming the Group's relationships with customers. Such a situation could result, for example, from a loss of focus during periods of major project activity or due to the loss of operator licences which are required to run our transport operations.	Dedicated start-up and project teams are used in order to minimise disruption to the operation during periods of major project activity. Contractual KPIs are reviewed regularly to ensure operational effectiveness at all times. We ensure compliance with operator licence requirements through our standard operating procedures and driver policies. These include: periodic driver CPC (certificate of professional competence) training, tachometer audits, random drug testing and regular internal transport audits.
Health and 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 dedicated team of 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.
Employees We rely heavily on agency labour, particularly in peak activity periods. Uncertainties around the free movement of labour ahead of Britain's exit from the European Union could severely compromise the provision of resource available to UK logistics. Additionally, competition for labour in the vicinity of our depots can increase the demands on the local labour pool, reducing the availability of labour and pushing up the cost.	Clipper and its customers are investing in automation to reduce reliance on manual labour. In order to maximise the labour pool, Clipper encourages local links with schools, colleges and communities, has family friendly policies and is supporting industry-led initiatives to encourage wider interest in logistics. Clipper constantly benchmarks wages and benefits against other employers in the local area to ensure remuneration packages remain competitive. Wherever practical, we try to open new sites in areas of lower employment. Any exposure to increased costs is largely mitigated by open book contract mechanisms.
Failure to maintain and enhance customer relationships Failure to maintain and enhance customer relationships or more attractive propositions from our competitors 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 and potential customers. This enables corrective action to be taken quickly in response to customer feedback and ensures that we remain in touch with what our competitors are doing. 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, and how we compare to our competitors. The Group can then take corrective action, if required. Members of the SMT attend and speak at industry events and contribute to various industry publications to ensure we continue to be perceived as a thought leader to the retail market.

Principal Risks and Uncertainties continued

Operational continued

Risk	Mitigation
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.

Legal, financial and compliance

Risk	Mitigation
Legal and regulatory The Group operates in an increasingly regulated market. As the Group continues its expansion (particularly in Europe) exposure to regulatory and legal risk will increase.	The Group employs internal and external experts where appropriate, supported by its Group General Counsel, 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. System penetration testing is undertaken by the Group to check the resilience of its IT systems. 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.
Government policy The introduction of the National Living Wage ("**NLW**") and the Apprenticeship Levy ("**AL**") in the UK have increased the costs of labour in the logistics industry. Failure to recover these cost increases could adversely affect the profitability of the Group.	The Group's greatest exposure to the UK NLW is in UK Logistics where we attract a higher proportion of workers at or near the current NLW level. All of our UK operations are affected by the AL. In UK logistics, 67% of activity (by revenue) is on an open book basis, meaning such upward cost pricing pressures are passed straight through to the customer. Many of our closed book and minimum volume guarantee customer contracts include price escalators for regulatory changes and so these costs can also be passed onto customers. In addition to the cost mitigations mentioned above, in order to address the requirements of the AL we commissioned an internal focus group. Whilst ensuring we complied with AL requirements in April 2017, this focus group has also identified several potential operational and financial upsides of AL for the Group.
Financial liquidity Inadequate cash resources could leave the Group unable to fund its growth plans, thus affecting future financial performance.	The Group continually assesses its funding requirements in the context of its existing operations and growth plans. In the year ended 30 April 2016, the Group entered into modified facilities with its bank to ensure that expected future growth plans can be funded within these increased facilities. The Group will continue to undertake reviews of funding requirements as its growth plans evolve.

Legal, financial and compliance continued

Risk	Mitigation
Insurance risk There may be certain insurable risks for which Clipper is not insured or is underinsured, whether arising from unforeseen gaps in insurance coverage or from conscious decisions to self-insure. Under-insurance could leave the Group with significant financial exposure.	A detailed review of insurance coverage and gaps is undertaken at least once annually with expert guidance provided by our insurance broker. Members of the SMT responsible for insurance remain in regular contact with the insurance broker and regularly attend insurance training courses and seminars. Known gaps in insurance coverage are regularly presented and discussed at subsidiary board and Group Board levels, and additional insurance cover is purchased where appropriate.
Employment liabilities Significant employment liabilities may be inherited on acquisition of new businesses or from poorly-executed Transfer of Undertakings (Protection of Employment) Regulations 2006 ("**TUPE**") processes.	All senior human resources staff are recruited with relevant experience and receive an appropriate level of training on TUPE matters. Each TUPE project is given an internal project lead and project updates are regularly provided to the SMT. External legal advice is sought and expert interims are resourced where necessary. Our acquisition due diligence always includes an element of human resources due diligence, whether conducted by external advisors or by internal staff with an appropriate level of expertise. Acquisition agreements include seller indemnities for such liabilities.
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 2020. 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 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 2020.

Our People

The Group recognises that the execution of its strategy is dependent on the commitment and dedication of its colleagues. The strategic development of our people is paramount to our long-term success.

Clipper directly employs over 3,900 people across Europe. We have comprehensive HR policies in place to protect and promote employee welfare and we are committed to supporting all human rights in our business operations as well as in our relationships with our customers, suppliers and other stakeholders.

Number of employees	>3,900
Number of locations	44

Our approach

We recruit individuals with the talents and results-driven attitude to meet the high standards of performance which our customers expect. Robust recruitment and on-boarding processes ensure that we select the best candidates to join our teams, whilst upholding our principles of respect for all people, equal opportunities and dignity at work.

Employee engagement

To encourage employees to give us their best we strive 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 92).

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

We recognise employee achievements and loyalty, both informally and through schemes such as Employee of the Month 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.

Clipper engagement survey 2017

In 2017, Clipper carried out a Group-wide employee engagement survey. The survey was designed to measure five key drivers:

- Engagement.
- Commitment.
- Employer advocacy.
- Product advocacy.
- Motivation.

We also surveyed employee satisfaction and perception surrounding the following areas:

- Working life.
- Feeling valued.
- Training and development.
- Communication.
- Management capability and performance.
- Company aims and objectives.
- Efficiency and customer service.

We achieved an impressive participation rate of 95%. Valuable feedback was gathered and a benchmark set to inform future talent management.

74% of colleagues said that they would speak highly of Clipper as a place of work, and 94% understood how their work contributes to the success of the Company.

Following the results of the engagement survey a number of Group-wide strategic actions have been agreed:

- Design and deliver a fully-operational Intranet facility to enhance the Company's communications.
- Design and implement a communications strategy.
- Build a leadership and management competency framework.
- Undertake a full re-design of management and leadership development training, developing a comprehensive suite of learning programmes that significantly enhance management and leadership capability.
- Re-design and launch the Group-wide induction programme.
- Design a suite of employee wellness/lifestyle initiatives (i.e. Better Health At Work).

At site level, action plans will be agreed to enable local HR and people strategies to be developed and implemented.

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. We also support relevant professional qualifications across a range of disciplines e.g. operations (CILT), finance (ACCA/CIMA/ICAEW/ICAS), HR (CIPD), and health and safety (IOSH/NEBOSH).

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.

Our People continued

Driver Simulator Training

In 2017, Clipper invested in a fixed simulator and classroom located at our Northampton site, two mobile simulators and a "pop up" classroom in order to train and develop the skills of our delivery drivers.

The advanced simulators teach Clipper drivers how to deal with a range of situations which could not safely be replicated on roads, including tyre blowouts, mechanical issues or adverse weather conditions. We have the ability to create our own scenarios, meaning that our team can be prepared for a range of circumstances, and every driver will receive annual CPC training using the equipment.

Our investment in this state-of-the-art training technology highlights our dedication to providing an effective service for our clients, as well as maintaining the safety and improving the skillset of our employees.

Schools and universities

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

As a founding member of the Novus Trust, we continue to support this initiative aimed at encouraging 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 we re-launched our graduate development programme.

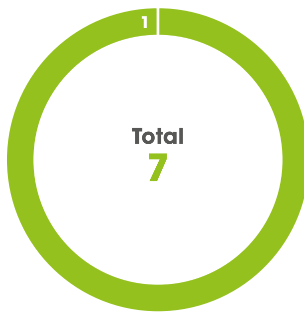
Equal opportunities

The Group is committed to the fair and equal treatment of everyone who works with and for us. Supported by training, policies and our five point code of behaviour we aim to ensure that no employee or worker 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. These principles are included in our staff handbook, induction training and management programmes (including ASPIRE) and their impact is reflected in our truly diverse workforce. We have comprehensive family friendly policies which embrace the challenges of modern-day living and support work/life balance. 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.

Clipper is a member of the Business Disability Forum.

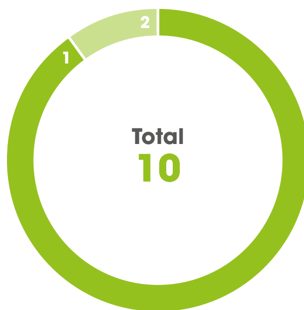
Gender breakdown as at 30 April 2017

Board gender diversity



1 Male (7) 100%

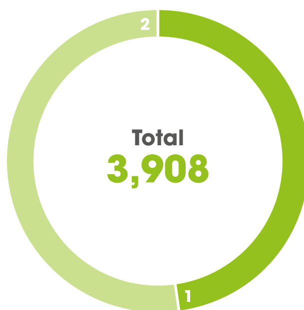
Other senior management* gender diversity



1 Male (9) 90%
2 Female (1) 10%

* 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.

All employees gender diversity



1 Male (1,876) 48%
2 Female (2,032) 52%

People

We recognise that our business will only enjoy continued success with the commitment and dedication of our staff. To ensure that they feel valued and rewarded, we've put the following actions in place:

Employee benefits and rewards

— We provide a competitive level of pay and other benefits relative to job and skill level, including incentive plans with recognition and reward.
— We value our full and part-time people and wherever possible we're happy to agree working patterns that offer a work and family life balance.
— We help our employees benefit from customer and other discount schemes.
— We recognise employee achievements and loyalty, both informally and through schemes such as Employee of the Month, Recruitment Incentive and Long Service Awards.
— We're fully committed to equal opportunity in employment.
— We encourage the use of 'green' transport and operate 'green travel plans' where feasible. We promote car sharing, walking and cycling to work, and provide secure, prioritised and reserved parking facilities. We're also looking at our car policies to encourage the use of newer, lower emission vehicles.

Employee wellbeing

— We seek to maintain a safe, clean and clutter-free working environment across our operations and offices. We carry out in-house health and safety audits and provide checklists for our management teams at all sites.
— We monitor employee turnover and use this as an indication of general employee contentment.
— We work with the Business Disability Forum to ensure all our current and new staff are cared for.
— We engage in initiatives such as the Better Health at Work scheme, aimed at promoting health and well-being programmes through education and awareness.

Employee communications

— We actively encourage communication within the business. We publish an in-house magazine covering site updates, company initiatives and opportunities, and we always welcome feedback to central support departments through all levels of the organisation.
— We have well established monthly employee forums and health and safety committee meetings at each site in order to communicate, involve and engage with employee representatives.
— We organise conferences for our senior people to ensure they're focused and understand their contribution to wider Group objectives.

Employee training

— We operate an in-house NVQ certified training programme (ASPIRE) to develop and support career advancement and, where appropriate, we encourage outside training initiatives and professional development.

Sustainability

The Group's framework of policies and guidelines sets clear standards to ensure that we conduct our business ethically and responsibly.

Emissions per £m revenue

114.7 tonnes carbon dioxide equivalent

-10.5%

Operating in a socially responsible manner is important to us and our stakeholders and is central to our values-based culture.

The environment

We're committed to limiting the impact that our operations have on the environment, and we're doing this in the following ways:

- by adhering to relevant legislation and regulations, working to respected codes of practice, and regularly reviewing and improving how we work;
- by continuing with our carbon management project to reduce energy consumption and emissions of greenhouse gases from our warehouses;
- by investigating fuel use, route planning and optimum vehicle design, and introducing a study of business travel to become more efficient and minimise emissions;
- by considering the best use of raw materials and using recycled/recyclable products where possible.
- by assessing and reducing water usage through efficient technology and awareness;
- by continuing to minimise waste through compacting and material reuse and recycling;
- by promoting environmental awareness at all levels of the business and encouraging appropriate actions by all staff; and
- by liaising with suppliers, customers and contractors to improve environmental management at all levels of the supply chain.

Greenhouse gas ("GHG") emissions

The Group records energy and fuel use for all areas of the business, based on invoices received for diesel fuel, gas oil, 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 fuel, heating oil, and vehicle fuel costs into litres of fuel used.

The kilowatt-hours figures for gas and electricity used, and the figures for 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 2017, 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 fuel used). However, emissions per £ million of revenue fell by 10.5%, 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.

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

Emissions (tonnes CO_2e)	Year to 30 April 2017	Year to 30 April 2016
Scope 1	**27,845**	27,089
Scope 2	**11,161**	10,125
Total emissions	**39,006**	37,214
Emissions per £m of revenue	**114.7**	128.2

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.

Waste recycling

The Group carefully considers which raw materials to use and uses recycled/recyclable products where applicable. Waste is sorted into plastics, paper/cardboard, wood and metal. It is recycled, reused or compacted on site.

Our expanding returns operations sort, re-process, 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 and congested city centres. To further support this initiative, we have invested in three electric 7.5 tonne vehicles.

Corporate Social Responsibility ("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. We actively promote the Ethical Trading Initiative base code and undertake independent auditing of our facilities and labour providers.

Anti-Slavery and Human Trafficking

We are committed to ensuring that there is no slavery or human trafficking in our supply chains or in any part of our business. Our Anti-Slavery and Human Trafficking Policy reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

We believe that, in conjunction with the rigorous policies implemented by our clients and suppliers, we can drive out any aspects of human trafficking and slavery from our supply chains.

Clipper places paramount importance on only working with suppliers who treat their obligations towards modern slavery with the importance that Clipper does. We will not work with any organisation within our supply chain that is unable to demonstrate a corresponding commitment to this, irrespective of whether they are required to do so statutorily or otherwise. Where possible, we build long-standing relationships with our customers and major suppliers, making clear our expectations of business behaviour. Clipper has a Anti-Slavery and Human Trafficking Policy and all suppliers are notified of this and are expected to comply with it.

Clipper educates its employees regarding the types of factors which can indicate whether any worker (permanent or temporary) in Clipper's supply chain may be subject to undue influence. In doing so, Clipper actively encourages employees to report any suspicious activity to the Group Human Resources Director, acting in his capacity as Compliance Manager.

Clipper conducts rigorous checks to verify the identity of each worker and verify their right to work in the United Kingdom. Clipper audits its supplying temporary work agencies against legislative compliance, including compliance with the Modern Slavery Act. It further complies with audits conducted by its customers.

The Board believes that driving out slavery in any form from its supply chains is fundamental to the aims of Clipper and, accordingly, have approved this statement and the modern slavery policy. This statement and the accompanying Anti-Slavery and Human Trafficking policy will be reviewed annually, unless circumstances dictate that it should be reviewed and/or renewed more frequently.

Communities

As a responsible business, we consider ourselves an integral part of the communities in which we operate. Part of this responsibility sees us, where possible, encouraging a positive impact and facilitating local initiatives in the following ways:

- we support a range of charities, including those that maintain natural environments for animals and the safety of local habitats;
- we provide logistical support for relief aid programmes to vulnerable areas;
- we support local communities at site level through management and staff choice, e.g. providing kit to a number of amateur sports teams;
- we strive to be neighbourly wherever we operate;
- we recruit from within local areas and actively promote the business as an employer of choice;
- we encourage and support fundraising by our employees; and
- we'll continue to develop our CSR and environmental management processes to improve and enhance these areas of our business activities.

Operating and Financial Review

Overview of results

The Group continued to make excellent progress in the financial year to 30 April 2017.

Group revenue

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

- the full-year impact of contract wins secured in the previous financial year including: Browns, M&Co, Pep&Co and Ireland's largest retailer, although this is partly offset by the full-year impact of the losses of Claire's Accessories, Atterley Road and Michael Lewis in the previous financial year;
- organic growth and new business activities on existing contracts, including ASOS, John Lewis pre-retail activities, Morrisons, Wilko and Zara, in part driven by the ongoing shift in retail trends towards online trading which continues to bring particularly strong organic growth to e-fulfilment customers;
- the part-year impact of operations commenced during the year to 30 April 2017, including Halfords, Inditex, Links of London, Kidly, Pretty Green, SilkFred, Smiffys and Westwing, and significant changes to the services provided to John Lewis out of the new Ancillary Distribution Centre in Northampton. These are partly offset by the part-year impact of the loss of the Ted Baker contract. The full-year impact of these activities will be realised in the year to 30 April 2018, together with the part-year impacts of contracts either recently commenced or currently in the pipeline and due to go live during the remainder of calendar year 2017 and early calendar year 2018; and
- a significant increase in Click and Collect revenues. In the first half of the year, the geographical coverage of the collaboration with John Lewis increased from circa 33% of Waitrose stores to 100% by August 2016. On 1 November 2016, the Click and Collect activity was transferred to Clicklink Logistics Limited ("**Clicklink**"), a joint venture with John Lewis. The joint venture is equity accounted and the revenue is no longer consolidated into the Group total. However, in the second half of the year, Clipper did provide resources to Clicklink which are recharged and are included in Group revenue. The equity accounting treatment is explained later in this review.

Revenue growth in commercial vehicles was driven by:

- a £5.5 million (10.8%) increase in new vehicle sales. The number of new units sold increased by 12.3% year-on-year, but the average selling price fell slightly by 1.3% due to the mix of vehicles sold; and
- a £0.4 million increase in aftersales revenues, comprising servicing, body shop and parts sales.

Group revenue

Group revenue increased by 17.2% to £340.1 million, with strong growth in all business areas:

Revenue	**Year to 30 April 2017 £m**	Year to 30 April 2016 £m	% Change
E-fulfilment & returns management services	**129.9**	97.6	+33.0%
Non e-fulfilment logistics	**121.9**	108.4	+12.5%
Total value-added logistics services	**251.8**	206.0	+22.2%
Commercial vehicles	**91.5**	85.6	+6.9%
Inter-segment sales	**(3.2)**	(1.3)	
Group revenue	**340.1**	290.3	+17.2%

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

Group EBIT

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

EBIT	**Year to 30 April 2017 £m**	Year to 30 April 2016 £m	% Change
E-fulfilment & returns management services	**10.2**	8.3	+23.4%
Non e-fulfilment logistics	**12.4**	10.7	+15.7%
Central logistics overheads	**(4.8)**	(4.7)	
Total value-added logistics services	**17.8**	14.3	+24.6%
Commercial vehicles	**2.3**	2.3	+3.5%
Head office costs	**(2.2)**	(1.9)	
Group EBIT	**17.9**	14.7	+21.8%

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

> // Clicklink is a truly ground-breaking development which will revolutionise the provision of Click and Collect services to the high street in Britain. //

Steve Parkin
Executive Chairman

Group revenue

£340.1m

+17.2% (2016: £290.3m)

Group EBIT*

£17.9m

+21.8% (2016: £14.7m)

* Group EBIT is defined as operating profit, including the Group's share of operating profit in equity-accounted investees, before amortisation of intangible assets arising on consolidation and any exceptional or non-recurring items.

Group EBIT

EBIT is the primary Key Performance Indicator ("**KPI**") by which the management team assesses corporate performance. EBIT is assessed against Board approved budgets. A further KPI is net debt, which is discussed on page 33.

EBIT margin (%) is not considered by the Directors to be a key metric since 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, EBIT is a more relevant measure of financial performance than EBIT margin (%).

Group EBIT increased by 21.8% to £17.9 million for the year ended 30 April 2017. 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 2017, the commencement of activities on further new contracts, organic growth, a strong new business pipeline and the impact of post-year end acquisitions. The acquisitions of Tesam Distribution Limited ("**Tesam**") and RepairTech Limited ("**RepairTech**") were completed shortly after the year end (see note 29 to the Group Financial Statements).

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. E-fulfilment EBIT also includes the contribution from Click and Collect activities. In the first half of the year under review, this activity was a profit centre within the Clipper entity and so was directly consolidated into Group EBIT. The activity was transferred to the Clicklink joint venture on 1 November 2016 and so the Group's share of Clicklink's profits was equity accounted in the second half of the year. Under equity accounting, the Group recognises its share of the post tax profit of the entity as one figure in the income statement. RepairTech, acquired on 15 June 2017, will be consolidated into the E-fulfilment & returns management services business activity from that date.

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. Tesam will be consolidated into the Non e-fulfilment business activity from the date of acquisition, 24 May 2017.

Operating and Financial Review
continued

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. There has been additional investment in such resources during the year ended 30 April 2017, as mentioned in the 2016 Annual Report, particularly in operational delivery and automation. The central logistics overheads have increased in the year due to share based payment charges. In the year, the reporting structure within the central logistics management team has been enhanced, 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 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 incremental share based payment charges and the costs associated with the acquisition of Tesam.

Share based payment charges totalling £0.8 million (2016: £0.5 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 23 to the Group Financial Statements). Since listing on the London Stock Exchange in June 2014, 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 2017 included a full year of charges in respect of options granted in the year ended 30 April 2015 and the year ended 30 April 2016, together with a part year of charges in respect of options granted in the year ended 30 April 2017; the prior year only incurred a full year of charges in respect of options granted in the year ended 30 April 2015 and part-year charges in respect of options granted in the year ended 30 April 2016.

Net interest charges

Net interest charges for the year to 30 April 2017 increased by 16.1% to £1.6 million (2016: £1.4 million), the increase being attributable to an increase in assets financed under hire purchase contracts in the value-added logistics services operating segment.

Taxation

The effective rate of taxation of 22.3% (2016: 21.2%) is higher than the average standard UK rate of corporation tax applicable in the year of 19.9% (2016: 20.0%) principally due to certain expenditure incurred which is disallowable for tax purposes and the higher rate of effective tax to which the German business is subject.

Profit after tax

The profit after tax for the year to 30 April 2017 was £12.5 million (2016: £10.3 million), an increase of 20.6%.

Earnings per share

Earnings per share were 12.5 pence for the year to 30 April 2017 (2016: 10.3 pence).

Capital expenditure and fixed assets

Of total tangible and intangible fixed asset additions of £20.2 million (2016: £16.2 million), £19.4 million (2016: £15.5 million) related to the logistics services segment and £0.8 million (2016: £0.7 million) related to the commercial vehicles segment. A large proportion of expenditure in the year ended 30 April 2017 was incurred at the Northampton shared-use facility where John Lewis is the anchor customer. Capital expenditure of £1.5 million was incurred on the Click and Collect collaboration with John Lewis in the first half of the year when this operation sat within the Clipper entity. On 1 November 2016, when the operation was transferred into Clicklink, those assets acquired earlier in the year were sold by Clipper to Clicklink at their fair value, accounting for £1.2 million of the £2.3 million proceeds from sale of non-current assets in the year.

Clipper's outstanding capital expenditure commitment at 30 April 2017 was £4.7 million, significantly reduced from the equivalent figure of the prior year (2016: £16.7 million).

Cash flow

Cash generated from operations was £25.7 million (2016: £20.5 million), an increase of 25.2%.

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 generated from working capital in the year ended 30 April 2017 was £2.0 million (2016: £0.6 million).

£1.95 million was subscribed for share capital on the formation of the Clicklink joint venture in the year ended 30 April 2017 (2016: £nil). A further £1.45 million loan was advanced to Clicklink on its formation. This loan is disclosed as a non-current financial asset (see note 27 to the Group Financial Statements).

No deferred consideration was paid in the year (2016: £2.2 million).

There has been significant investment in the fixed assets base this year, as noted above, particularly on open-book contracts. However, providing the commercial terms are acceptable, Clipper typically funds 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 2017 was £4.6 million compared to £5.9 million in the year ended 30 April 2016.

In line with the stated dividend payment policy, a final dividend for the year ended 30 April 2016 of £4.0 million (4.0 pence per share) and an interim dividend of £2.4 million (2.4 pence per share) for the year ended 30 April 2017 were paid in the year to 30 April 2017. These compare to 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, both paid in the year to 30 April 2016.

Net debt

In addition to EBIT, net debt is considered a KPI for the Group. As with EBIT, net debt is assessed against Board-approved budgets.

The Group had £25.1 million of net debt outstanding at 30 April 2017 (2016: £18.8 million) (see note 20 to the Group Financial Statements), in line with the Board's expectations. The increase in net debt compared with the prior year was driven primarily by the need to invest in capital assets to service significant new contracts. Where an open book customer has a strong credit rating, Clipper will often fund the initial capital requirements on the condition that the customer commits to repaying us over the term of the contract, together with finance charges and a management fee.

The Group opened the year with £6.1 million of bank loans. The Group repaid £6.0 million of bank loans in the year, but took out £2.0 million of funding loans in respect of capital expenditure. The Group ends the year with £2.1 million of bank loans. Net bank debt at 30 April 2017 was £2.1 million (2016: £7.9 million).

Logistics

E-fulfilment & returns management growth

Clipper's ability and agility, particularly in respect of omni-channel, multi-channel, returns management, Click and Collect and mechanisation already mentioned in this Annual Report, have enabled the Group to significantly grow revenues and earnings, and to once again outperform market growth (the UK e-commerce market grew by 17% in the calendar year 2016). Revenues from e-fulfilment & returns management services increased by 33.0% from £97.6 million for the year to 30 April 2016 to £129.9 million for the year to 30 April 2017, with EBIT growing by 23.4% from £8.3 million to £10.2 million over the same period. This is a particularly pleasing performance as two of the principles underpinning the Group's core strategies are to be 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 ASOS, Morrisons, Wilko and Zara, the full-year impact of those operations commenced in the year ended 30 April 2016 – Browns, Click and Collect (including Clicklink), Pep&Co and Ireland's largest retailer – and the new operations commenced in the year ended 30 April 2017 – Inditex, John Lewis returns and forward orders activity, Kidly, SilkFred, Smiffys and Westwing – have all contributed favourably to the growth in this business activity year-on-year. Partly offsetting this is the full-year impact of contract losses of Claire's Accessories and Atterley Road in the previous financial year.

This business activity saw the launch of a collaboration with John Lewis in September 2015 providing John Lewis with a Click and Collect service which is absolutely focused on the requirements of the retailer: it is fully integrated with the retailer systems, has full track-and-trace, has timed delivery schedules and provides ease of same-day returns through Boomerang. The operation comprises automated parcel sortation and transport distribution services, and initially served 115 Waitrose stores, 33% of the total Waitrose store estate. The remaining 67% of the Waitrose store estate was added from August 2016. This operation was transferred into Clicklink, a joint venture entity, on 1 November 2016 in order to formalise the arrangement and to enable the opening up of the network to third party customers. Clicklink has already commenced performing certain activities for other third party customers and these income streams are expected to increase significantly over the coming months as Clicklink is in advanced discussions with a number of customers.

Despite the increasingly challenging logistics demands of the Black Friday to Cyber Monday weekend in the UK outlined previously, Clipper delivered another successful 2016 Black Friday to Cyber Monday trading period for its clients and maintained excellent service levels throughout. In order to mitigate some of the labour challenges around this weekend, one of the roles of Clipper's new Engineering and Technology Director is to increase Clipper's investment in automation, thereby decreasing Clipper's reliance on agency labour providers through the peak trading period.

Operating and Financial Review continued

Clipper had been providing e-commerce fulfilment services to Tesco in a property leased by Tesco in Daventry. As a result of space elsewhere in its property portfolio, Tesco opted to relocate the activity into its Fenny Lock site from August 2016. The compensation received for the early termination of our contract means Clipper's profit and loss account for the year ended 30 April 2017 was not adversely impacted by this. The Daventry lease has now been assigned to Clipper and the Group fulfils the new Halfords contract out of this site.

In this business activity, since the year end on 30 April 2017:

- Wilko has committed to taking incremental space at Ollerton, Browns has committed to taking incremental space at Enfield, and Smiffys has committed to taking incremental space at Kempen;
- agreement has been reached with M&S to provide certain services out of Clipper's Ollerton facility;
- ASOS has signed up for certain services out of Clipper's Poznan facility in Poland; and
- RepairTech has been acquired. The key management team has been retained and will continue to manage the operations.

Non e-fulfilment logistics is central to the Group's 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 transport and high value logistics activities.

Revenue from non e-fulfilment operations grew by 12.5% for the year ended 30 April 2017, from £108.4 million to £121.9 million, with EBIT increasing by 15.7%, from £10.7 million to £12.4 million.

Within non e-fulfilment, the full-year effect of the contracts secured in the prior year with M&Co and Pep&Co, contributed to revenue and EBIT growth, as did organic growth on existing contracts with Haddad, John Lewis pre-retail activities, M&S, and Philip Morris. The transport operations at Rotherham and tobacco contract packing operations at Brighouse also performed particularly strongly, partly as a result of one-off Tobacco Product Directive work. This strong business growth was partly offset by the part-year impact of the loss of the Hobbycraft and Ted Baker contracts, lost during the year to April 2017 and the full-year effect of the loss of the Michael Lewis and H&M contracts, lost in the prior year.

Additionally, in the year to 30 April 2017 operations began:

- on a forward orders activity for John Lewis in the new Northampton Ancillary Distribution Centre;
- on new storage activities for Halfords, with subsequent agreement reached on a new eight year contract for warehousing activities, including e-commerce; and
- under new contracts with Links of London and Pretty Green.

In this business activity, since the year end on 30 April 2017 we have commenced a new transport activity with Crosswater.

Tesam, acquired shortly after the year end, will be reported within this business activity from the year ending 30 April 2018. The key management team has been retained and will continue to manage the operations.

Investment in key personnel

The Group differentiates itself by providing consultancy-led, value-added services to its actual and prospective client base. Clipper is now established as a thought leader within the logistics sector, and this is evidenced both by customers' buy-in to Clipper's 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, the Group invests 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 specialists.

In the year ended 30 April 2017, there were significant changes to the senior team within the logistics business including the appointment of a new Chief Operating Officer, a new Group Human Resources Director and an Engineering and Technology Director (all non-statutory director roles) and a new Managing Director in Germany. Since the year end, the Group has further bolstered its senior management team with the appointment of a new Senior Operations Director in UK Logistics following the retirement of the incumbent. The appointment of a new Managing Director at Servicecare took effect in April 2016. These strategic appointments have been implemented to improve the service offering to existing customers and to deliver new opportunities to meet the growth aspirations of the Board.

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

Commercial vehicles

The commercial vehicles business delivered EBIT of £2.3 million in the year to 30 April 2017 (2016: £2.3 million), an increase of 3.5% 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. Thus, the business operates across the north of England and into Wales, through the midlands, and into the south-east.

The business sold 2,012 new vehicles in the year to 30 April 2017 (2016: 1,792), and 393 used vehicles (2016: 443). However, due to a change in mix of vehicles sold, the average selling price of a new vehicle in the year to 30 April 2017 was £28,225 compared to £28,608 in the prior year, a decrease of 1.3%. Conversely, the average selling price of a used vehicle was £10,794 compared to £10,653 in the prior year, an increase of 1.3%. Servicing saw increases in revenue between the year ended 30 April 2016 and the year ended 30 April 2017, with a 4.0% increase in the number of hours sold, and parts sales increased by 2.0%.

Key customers of Northern Commercials include Access Hire Nationwide, Allied Bakeries, Asda, Clancy Docwra, Dawson Rental, Leeds Commercial, Ryder, Variety Club (the Children's Charity), and many other household names.

The business is measured by manufacturers on certain key performance measures throughout the year:

- Through its Product Improvement Publications, Iveco notifies dealers of certain recall improvements. The dealer is then measured on the proportion of those recall improvements which have been actioned as vehicles pass through the workshop. Northern Commercials successfully actioned 93.3% of recall improvements in the year, compared to the Iveco-set target of 80%.
- MOT pass rate at Northern Commercials' dedicated Test station in Brighouse of 100% (target: 98%).
- Assistance Non-Stop: Northern Commercials averaged 41 minutes to arrive in providing breakdown assistance compared to a network target of 48 minutes.
- Dealers are set a target of five days per annum for technician training. Northern Commercials was fully compliant in the year.

Current trading and outlook

As noted previously, the Group secured a number of significant contract wins in the two years ended 30 April 2017, the full-year benefit of which will not be realised until the years to 30 April 2018 and 30 April 2019.

Looking ahead to the 2018 financial year, there is a strong new business pipeline in the Group. Since the year end, additional contracts have been won within both E-fulfilment & returns management services and Non e-fulfilment logistics, both in the UK and Europe, through a focus on 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. Shareholders will be updated once these new contracts have been agreed.

Recent key appointments leave the Group ideally positioned to proactively and reactively scale-up its activities as necessary. The recent management changes have already seen us able to cross-fertilise Clipper's, Servicecare's and Germany's customers and activities and will allow us to generate further synergistic opportunities in the future.

The recent acquisitions of Tesam and RepairTech are expected to be immediately earnings enhancing. Across the two acquisitions, there is significant customer overlap with the existing Clipper Group portfolio and so the Group expects to enhance its reputation with these customers, and also to leverage existing customers with additional service lines.

The commercial vehicles business is expected to continue its steady growth in profitability in the year to 30 April 2018.

The Board is confident in the Group's prospects for the full year ahead. Current trading is in line with the Directors' strategic plan, and the Board is confident of achieving another period of excellent financial performance in the year to 30 April 2018.

Approved by the Board and signed on its behalf by:

David Hodkin
Chief Financial Officer
27 July 2017

Board of Directors

Steve Parkin
Executive Chairman

Steve, a fashion logistics specialist, founded Clipper in 1992. As Executive Chairman, Steve is responsible for the strategic direction of the Group. Steve has extensive experience of retail logistics. 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

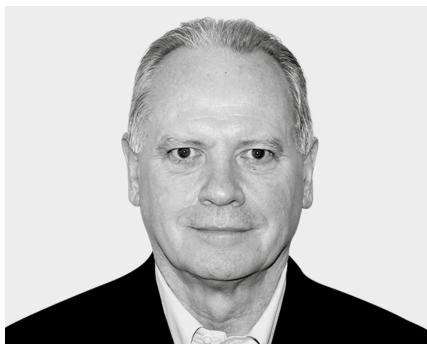
Tony was appointed Chief Executive Officer of the Group in May 2014. Tony joined Clipper in 2006 as Managing Director of the UK logistics division. Tony has over 25 years' experience in the logistics sector, and held a number of senior roles with Roseby's plc (which became part of Homestyle Group plc), ultimately becoming Logistics Director.

Tony has particular experience of operating in complex retail logistics environments, includingthe design and specification of both distribution centres and warehouse management systems. Tony began his career in logistics with the Burton Group, after workingin the construction industry following his graduation with a degree in architectural engineering.

David Hodkin
Chief Financial Officer

David joined Clipper as Group Chief Financial Officer in 2003. David 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 held a number of senior roles in Magnet Limited.

David is a member of the Chartered Institute of Management Accountants.



Ron Series
Senior Independent
Non-Executive Director

Ron joined the Group as Non-Executive Director in 2014 and was appointed Senior Independent Non-Executive Director in July 2017. Ron has previously 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. He has also 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. Most recently, he advised the Lonmin plc board on its successful capital raising. Ron is a member of the Remuneration Committee and the Nomination Committee. Ron will join the Audit Committee in August 2017.

Stephen Robertson
Independent
Non-Executive Director

Stephen joined the Group as Non-Executive Director in 2014. Stephen has many years of experience in the retail industry and 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 chairman of Retail Economics. Stephen's current non-executive directorships include Timpson Group plc, Sofology and Hargreaves Lansdown plc. Stephen will take over as chairman of the Remuneration Committee in August 2017 and is a member of the Audit Committee.

Mike Russell
Independent
Non-Executive Director

Mike Russell was appointed Non-Executive Director of Clipper's former parent company in 2011, and was appointed Non-Executive Director of the Company in 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 stepping down as chairman of the Remuneration Committee in August 2017 and was appointed chairman of the Audit Committee in July 2017. He is also a member of the Nomination Committee.

Corporate Governance Report

Steve Parkin
Executive Chairman

Chairman's introduction

Dear Shareholder,

I am pleased to present the Company's Corporate Governance Report for the year ended 30 April 2017.

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 2017, 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 the provisions of the Code throughout the year ended 30 April 2017, 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 financial year ending 30 April 2018.

This Report, which incorporates reports from the Nomination and Audit Committees on pages 42 to 45 together with the Strategic Report on pages 8 to 35, the Directors' Remuneration Report on pages 46 to 59 and the Directors' Report on pages 60 to 63, describes how the Company has applied the relevant principles of the Code.

The role of the Board

During the year the Board consisted of four Non-Executive Directors and four Executive Directors. Sean Fahey resigned as a director with effect from 28 April 2017 and, since the year end, Paul Hampden Smith resigned with effect from 12 July 2017. Biographies and profiles of the current members of the Board appear on pages 36 and 37.

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 has met with individual Non-Executive Directors on a one to one basis from time to time, at which meetings Board performance and other appropriate matters were discussed. The Chairman has also discussed the Board evaluation review with the then 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 and the Chief Financial 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 includes a rolling agenda of reports from the Nomination Committee, the Audit Committee and the Remuneration Committee together with various other key operational, strategic, governance and risk topics. The latter are 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.

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

Strategy and management

- approval and consideration of strategic initiatives and plans, including potential acquisitions;
- Brexit and its impact;
- automation and its role in the business;
- European strategy review;
- growth strategy;
- health and safety record;
- approval of Senior Management Team ("**SMT**") restructuring; and
- succession and recruitment of the Chief Operating Officer and other members of the SMT.

Financial and contracts

- review of contract performance;
- Black Friday performance;
- financial review;
- approval of capital projects and contracts of material importance;
- review of IT and cyber integrity; and
- review of insurance cover including cyber cover and professional indemnity.

Governance

- full risk review;
- legal and governance updates;
- adoption of new share dealing code;
- Board and committee evaluation;
- review of The Market Abuse Regulation; and
- external audit and review of agency providers and terms.

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.

The Board has a full programme of Board meetings planned for the financial year ending 30 April 2018. 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 business plan.

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

Meetings and attendance

In the year under review, the Board held seven 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	7/7			2/2
Tony Mannix	Chief Executive Officer	7/7			
David Hodkin	Chief Financial Officer	7/7			
Sean Fahey	Chief Information Officer	7/7			
Paul Hampden Smith	Senior Independent Director	7/7	3/3	3/3	
Stephen Robertson	Non-Executive Director	7/7	3/3		
Mike Russell	Non-Executive Director	7/7	3/3	3/3	2/2
Ron Series	Non-Executive Director	7/7		3/3	2/2

Corporate Governance Report continued

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information. Prior to each scheduled Board meeting, a Board pack is circulated, This Board pack includes an update on key performance targets, trading performance against budget and detailed financial data and analysis. Board packs are generally distributed in 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 interest

In line with the requirements of the Companies Act, each Director has notified the Board of any situation in which he has, or could have, a direct or indirect interest that conflicts, or 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 any relevant authorisation and the terms on which it was given. In furtherance of this obligation, each Director has notified the Board of all his business interests and those of his connected persons. The Board has formal procedures to deal with Directors' conflicts of interest.

The Board reviews and, where appropriate, approves certain situational conflicts of interest reported to it by Directors, and a register of such 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 42 to 59.

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 to 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 SMT. 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.

Having served as Senior Independent Director since May 2014, Paul Hampden Smith resigned in July 2017. Ron Series has now 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, under the direction of the Chairman, is to develop, implement and maintain good corporate governance practices. This includes supporting the Chairman and Non-Executive Directors as appropriate, managing Board and Nomination 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 SMT. New directors will be encouraged to visit the Group's sites and to provide feedback to the Board. The Group's Company Secretary 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.

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 12, the maximum prescribed in the Company's Articles of Association. Any Director so appointed by the Board shall hold office only until the next following Annual General Meeting and shall then be eligible for election by the shareholders.

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

David Hodkin and Stephen Robertson will be offering themselves for re-election at the 2017 AGM to be held at Clipper Logistics, 11th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL on 25 September 2017 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 2017, 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 led responsibility for investor relations and they meet institutional investors regularly to provide an opportunity to discuss, in the context of publicly available information, the progress of the Group. 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 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 regularly updated with news and information, including this Annual Report and Accounts which sets out our strategy and performance together with our plans for growth.

Nomination Committee Report

Steve Parkin
Chairman, Nomination Committee

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 2017. 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 is 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. I hope this report gives you a helpful insight into how the Committee intends to carry out its responsibilities in the year ahead.

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 which 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 Group 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 2017

The Committee met twice during the financial year and considered the succession plans for executive Board Directors and also the need to strengthen the Senior Management Team, taking into account the strategic objectives of the Group. In that regard, whilst no main Board appointments were made, after appropriate searches the Board, acting on the recommendation of the Committee, appointed Emma Dempsey as Chief Operating Officer in March 2017. Emma has a wealth of experience in retail logistics consultancy, retail supply chain and the third party logistics sector.

In March 2017 Sean Fahey (Chief Information Officer) indicated that, after over 20 years as a Director of Clipper, he would retire at the end of the financial year. The Board would like to thank Sean for his service and his dedication to Clipper over the years. Sean's resignation as a Director took effect on 28 April 2017. He will remain with the Group until at least September 2017.

Audit Committee Report

Mike Russell
Chairman, Audit Committee

Committee Chairman's introduction

The Audit Committee (the "**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 the chairmanship of Paul Hampden Smith. Following Paul Hampden Smith's resignation as a Director on 12 July 2017, I agreed to succeed him as Chairman of the Committee. Ron Series will join the Committee in August 2017. 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 2017, 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 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.

Mike Russell
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 Mike Russell and its other members are now Ron Series and Stephen Robertson. By virtue of his former executive roles, the Directors consider that Mike Russell has 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 auditor and its 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.

Activities during the year ended 30 April 2017

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 2016;
- findings from the external audit for the year ended 30 April 2016;
- approval of the auditors' remuneration in respect of the year ended 30 April 2016;
- discussion around the UK Corporate Governance Code on risk management, internal control, viability and going concern;
- auditor's confirmation of independence;
- review of auditor's effectiveness; 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 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 2017.

Audit Committee Report continued

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 figures are consistent with those in the Financial Statements or are sourced from appropriate data. As important, 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 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.

Assessment of effectiveness of external audit

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

Prior to recommending the re-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, 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, the external auditor is required to adhere to a rotation policy whereby the audit engagement partner is rotated after five years. Following the change in auditor last year, the current audit engagement partner has now served for two years. The external auditor is also required periodically to assess whether, in its professional opinion, it is 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 2017.

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 2018.

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.

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 Deputy 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 summarised for review and approval by the Audit Committee for inclusion in the Annual Report. In addition, the Audit Committee reviews the financial and accounting controls.

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

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

The Board, with advice from the Audit Committee, is satisfied that effective systems for internal control and risk management are in place which enable the Group to identify, evaluate and manage key risks, and which accord with the guidance of the Turnbull Committee on internal control updated by the Financial Reporting Council 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 20 to 23.

Whistleblowing

The Group has 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 64 and 67 respectively.

Directors' Remuneration Report

Mike Russell
Chairman, Remuneration Committee

Committee Chairman's introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year to 30 April 2017.

Pay for performance in the year ended 30 April 2017

As described more fully in the Strategic Report, the financial year ended 30 April 2017 was another significant one for Clipper. The Group performed strongly, with EBIT growing by 21.8% to £17.9 million.

Although the level of EBIT performance for the year ended 30 April 2017 would have produced mid-range bonuses for the Executive Directors, these bonuses have been waived. The Executive Directors have asked for this amount of value to be used for wider staff bonuses.

The first Performance Share Plan ("**PSP**") awards made by the Company in January 2015 are expected to vest in January 2018 at 100% of the maximum award. This reflects full attainment of the performance conditions for these awards, which required Earnings Per Share ("**EPS**") to have been at least 12.0p in the year ended 30 April 2017. Actual EPS for the year is 12.5p.

The other significant action which we had to undertake for the first time was to consider the treatment of a departing Executive Director.

Accordingly, the principles which we have applied in relation to Sean Fahey's departure are, we believe, appropriate and in line with our shareholder approved remuneration policy where an individual retires from the Board.

Our new Directors' Remuneration Policy

At our 2017 AGM we are required to re-submit our Directors' Remuneration Policy for approval by our shareholders as it has been three years since the policy was first approved at our 2014 AGM.

The Directors' Remuneration Policy which we are proposing at the 2017 AGM is largely unchanged from our current policy:

- There will be no increase in the potential quantum for the Annual Incentive Plan ("**AIP**") (50% of salary maximum).
- Our Executive Directors will continue to participate in the PSP, with the policy being to make awards at 100% of base salary per annum.

Overall, we believe that the Directors' Remuneration Policy has been successful in supporting our strategy and delivering strong performance for our shareholders. A key element of this success has been, and remains, the strong message of a team culture which comes from having all of our Executive Directors, including our Executive Chairman, participating in the same annual incentive plan and long-term incentive plan as our senior managers, with all of that wider team being incentivised on the same performance measures.

Whilst not a change to our policy, we are making changes to the base salary levels for our Chief Executive Officer, Tony Mannix, and for our Chief Financial Officer, David Hodkin. From 1 August 2017, Tony's salary has been increased to £276,000 (from £228,375) and David's salary has been increased to £218,000 (from £182,700). No increase has been made to our Executive Chairman's salary.

These changes do not entail any change to our remuneration policy, which permits us to pay salaries up to the median level for the equivalent role in the top half of the FTSE SmallCap, plus 10%. In fact, the new salaries remain below these benchmarks. The changes were made only following a thorough

review during which we took into account the growing scale and complexity of Clipper since its Initial Public Offering ("**IPO**") in 2014, plus the fact that, other than a 1.5% increase in 2016 in line with all central office staff, our Executive Directors' salaries have remained unchanged from the time of our IPO. The overall increases represent the equivalent of an annualised increase of less than 5.5% p.a. since our IPO.

We also considered the effect which increases in base salaries would have on other aspects of our Executive Directors' remuneration. As our overall quantum on incentive pay, particularly AIP at 50% of base salary maximum, remains modest, we are comfortable that these changes to base salaries will not produce an inappropriate overall increase in total packages. Both David and Tony have been central in driving Clipper's success and we are confident that these increases in base salary will prove to be good value for our shareholders.

For completeness, whilst not a Remuneration Committee matter, the first increases to Non-Executive Directors' fees since the IPO have also been made for the year ending 30 April 2018, with the basic fee increasing from £40,000 to £47,500 and the Senior Independent Director's fee increasing from £60,000 to £65,000. No additional fees are paid for chairing board committees.

At our 2017 AGM there will be three remuneration-related resolutions:

- The normal annual advisory vote on our Directors' Remuneration Report;
- The vote to approve our new Directors' Remuneration Policy, which will apply to all payments to be made to Directors from the 2017 AGM and which (unless altered with shareholders' approval) will apply for a period of three years. The Directors' Remuneration Policy is set out in Part B of this Report (please see pages 53 to 59);
- Consistent with past years, a vote to authorise the participation of Steve Parkin (Executive Chairman), David Hodkin (Chief Financial Officer) and Guy Jackson (Company Secretary) in the PSP and our Sharesave Plan in accordance with the requirements of the Takeover Panel for "concert parties".

As I explained in my annual statement introducing the Directors' Remuneration Report last year, due to our shareholding structure, each year at our AGM we are required to seek specific approval from our independent shareholders to permit the Executive Chairman, the Chief Financial Officer and the Company Secretary and General Counsel to participate in awards under our Sharesave Plan and PSP.

Last year we engaged specifically with our largest shareholders and with leading proxy voting agencies regarding this requirement to better understand the reasons why circa 20% of independent shareholders have not supported this resolution each year since 2014. Overall, we welcomed the feedback which we received. Most independent shareholders are supportive of the Directors' Remuneration Policy which we have applied since 2014, with the policy being seen as effective in driving performance whilst not being excessive. Whilst noting that having "concert party" participation in share plans infringes the guidelines of certain proxy voting agencies regarding "creeping control", we are proposing to continue to operate our current policy with no material revisions in order to maintain the team ethos which underlies our policies.

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 2017 AGM.

Mike Russell
Chairman, Remuneration Committee

Directors' Remuneration Report continued

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 auditor has reported on certain parts of the Directors' Remuneration Report and stated whether, in its 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.

Part A: Implementation Report on Remuneration

Audited information

Single Figure Table

	Salary year ended 30 April:		Benefits[1] year ended 30 April:		Annual bonus[2] year ended 30 April:		Long-term incentives[3] year ended 30 April:		Pension contributions[4] year ended 30 April:		Total year ended 30 April:	
£'000	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Steve Parkin[5]	**411**	384	**69**	67	**nil**	nil	**874**	nil	**10**	35	**1,364**	486
Tony Mannix[5]	**228**	213	**29**	27	**nil**	nil	**486**	nil	**23**	36	**766**	276
David Hodkin	**183**	180	**2**	2	**nil**	nil	**389**	nil	**23**	23	**597**	205
Sean Fahey[6]	**152**	150	**28**	27	**nil**	nil	**324**	nil	**15**	15	**519**	192

1 Benefits comprise a car allowance or company car, fuel allowance, private family medical cover, and insurance benefits.
2 Details of the Annual Incentive Plan ("**AIP**") for the financial year ended 30 April 2017 are set out below.
3 In accordance with the requirements of the DRR regulations, the 2017 value for long-term incentives is an estimate of the vesting outcomes for PSP awards granted in 2014/15 and which are due to vest on 14 January 2018. These estimated vesting levels are at 100% reflecting outcomes against the EPS performance measures to 30 April 2017. This vesting outcome is applied to the average share price between 1 February 2017 and 30 April 2017 (380.65p) to produce the estimated long-term incentives figures shown for 2017 in the above table. These assumptions will be revised for actual share prices on vesting in the report for 2018. Details of the performance measures and targets applicable to the relevant PSP award are set out on page 49.
4 David Hodkin's pension entitlement is paid by way of an additional allowance, taxed as salary. No director participated in a defined benefit pension.
5 Base salaries for Steve Parkin and Tony Mannix in the year ended 30 April 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.
6 Sean Fahey resigned as a director on 28 April 2017. Details regarding Sean's departure terms are set out below.

AIP outcomes for the year ended 30 April 2017

Performance for the AIP was measured against EBIT (adjusted)[1] for the year to 30 April 2017.

Performance measure	Threshold performance level for 2017 AIP	Maximum performance level for 2017 AIP	Performance level attained for 2017 AIP	AIP attained as % of base salary[2]
EBIT for financial year to 30 April 2017 (adjusted)[1]	£16.77m	£18.54m	Between threshold and max	nil

1 During the year, the Remuneration Committee deemed that EBIT to be used for AIP purposes should be based on EBIT, but adjusted to include the Clicklink joint venture for the year ended 30 April 2017. Had it not done so, management would not have been credited with the performance of the Clicklink joint venture in the year ended 30 April 2017.
2 The Executive Directors have waived their entitlement to an annual bonus for the year ended 30 April 2017.

PSP outcomes for the 2014/15 awards

The performance conditions for the PSP awards included in the Single Figure Table are as shown below.

Performance measure and weighting	Target range	Performance achieved	Vesting outcome
Adjusted EPS in financial year to 30 April 2017 (100% of award)	Target range between 10.0p (25% vests) and 12.0p (100% vests)	12.5p	100%

Non-Executive Directors' fees

	Fees year ended 30 April:		Benefits year ended 30 April[1]:		Total year ended 30 April:	
£'000	**2017**	2016	**2017**	2016	**2017**	2016
Paul Hampden Smith	**60**	60	**1**	1	**61**	61
Stephen Robertson	**40**	40	**3**	3	**43**	43
Mike Russell	**40**	40	**–**	–	**40**	40
Ron Series	**40**	40	**1**	2	**41**	42

1 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.

Directors' interests

The interests (all being beneficial) of the Directors in the Company's ordinary shares as at 30 April 2017 are set out below:

	Ordinary shares Number[1]
Steve Parkin	**30,000,000**
Tony Mannix	**1,358,613**
David Hodkin	**1,358,613**
Stephen Robertson	**9,410**
Mike Russell	**–**
Ron Series	**10,000**
Sean Fahey[2]	**7,834,397**
Paul Hampden Smith[3]	**100,000**

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).
2 Resigned as a Director on 28 April 2017.
3 Resigned as a Director on 12 July 2017.

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

Share plan interests

Performance Share Plan:

	Options held at 1 May 2016	Options lapsed	Options granted	Options exercised	Option grant price (p)	Options held at 30 April 2017	Earliest exercise date	Latest exercise date
Steve Parkin	365,056	–	108,012	–	nil	473,068	14/01/2018	27/01/2027
Tony Mannix	202,809	–	60,007	–	nil	262,816	14/01/2018	27/01/2027
David Hodkin	162,247	–	48,005	–	nil	210,252	14/01/2018	27/01/2027
Sean Fahey	135,205	–	40,004	–	nil	175,209	14/01/2018	27/01/2027

Sharesave Plan:

	Options held at 1 May 2016	Options lapsed	Options granted	Options exercised	Option grant price (p)	Options held at 30 April 2017	Earliest exercise date	Latest exercise date
Steve Parkin	12,820	–	–	–	140.40	12,820	01/04/2018	30/09/2018
Tony Mannix	10,170	–	–	–	140.40 and 239.34	10,170	01/04/2018	30/09/2019
David Hodkin	12,820	–	–	–	140.40	12,820	01/04/2018	30/09/2018
Sean Fahey	12,820	–	–	–	140.40	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 2017 was 224p to 430p. The closing price on 30 April 2017 was 385p.
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 380.58p for the options granted on 27 January 2017.
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 exercise price for options under the Sharesave Plan was set at 80% of the three day average market price of shares before invitations to participate were made, in accordance with HMRC rules.
7 The options under the Sharesave Plan were granted under an 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 2017 are based on EPS performance (adjusted in the Remuneration Committee's discretion for one-off items, where necessary) for the financial year ending 30 April 2019, summarised as follows:

EPS – Financial year ending 30 April 2019	PSP Award
18.0p	100%
Between 14.7p and 18.0p	Pro-rata on straight-line basis between 25% and 100%
14.7p	25%
Less than 14.7p	0%

Directors' Remuneration Report continued

Unaudited information

Remuneration Committee

The members of the Remuneration Committee during the year were:

- 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.

Sean Fahey

Sean Fahey has been with Clipper since 1992 and has served on the Board of Clipper Logistics plc since incorporation in 1995. Sean Fahey's retirement as a Director was announced on 29 March 2017 and took effect on 28 April 2017.

Sean Fahey's departure terms are in accordance with the terms of his service agreement and the Company's remuneration policy. Sean Fahey will remain with the business until the end of September 2017, and he will continue to receive salary, benefits and pension contributions until the end of this period.

Sean Fahey was entitled to receive an annual bonus for the year ended 30 April 2017 (having remained with the business for the whole of that financial year), but not for the year ending 30 April 2018. However, along with the other Executive Directors, Sean waived his entitlement to a bonus for the year.

The Board and Remuneration Committee have determined that from the date of his retirement, Sean Fahey will be treated as a good leaver under the Company's share plans. As a result Sean Fahey will retain the awards previously granted in 2015, 2016 and 2017 under the Company's PSP. These PSP awards will vest at the originally specified vesting dates, three years after they were awarded, will remain subject to the original pre-vesting performance conditions and will additionally be time pro-rated at vesting. Sean Fahey's options under the Sharesave Plan will be treated in accordance with the rules of that plan, which are prescribed by HMRC legislation.

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 2017 were £30,000. FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

Implementation of Policy in the year ending 30 April 2018

Executive Directors

Base salary

- Steve Parkin's base salary for the year ending 30 April 2018 is £411,075 (unchanged from year ending 30 April 2017). Tony Mannix's salary will be increased to £276,000 (currently £228,375) from 1 August 2017, and David Hodkin's salary will be increased to £218,000 (currently £182,700) also from 1 August 2017.

Pension

- Contribution rates for Executive Directors are as follows (expressed as percentages of base salary): Tony Mannix – 10% and David Hodkin – 15%. Steve Parkin will receive a contribution of £10,000. These are unchanged from the financial year ended 30 April 2017.

Benefits

- Details of the benefits received by Executive Directors are set out in note 1 to the single figure table on page 48.
- There is no intention to introduce additional benefits in the financial year ending 30 April 2018.

Annual Incentive Plan for the year ending 30 April 2018

- The AIP maximum is 50% of base salary. This is unchanged from the financial year ended 30 April 2017.
- Performance measures for the AIP in the year to 30 April 2018 will be based on EBIT (adjusted in the Remuneration Committee's discretion for one-off items, where necessary). The Remuneration Committee selected EBIT (adjusted, where necessary) as the performance measure for the AIP for the year ending 30 April 2018 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's intention is to disclose the performance targets for the current financial year on a retrospective basis.

Performance Share Plan for the year ending 30 April 2018

- Award levels are proposed at 100% of base salary for each Executive Director. This is unchanged from the financial year ended 30 April 2017.
- The performance measures and targets for this award will be based on EPS performance (adjusted in the Remuneration Committee's discretion for one-off items, where necessary) for the financial year ending 30 April 2020.
- 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 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 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:
  - Stephen Robertson – £47,500;
  - Mike Russell – £47,500; and
  - Ron Series – £65,000 (Senior Independent Director).

Relative importance of spend on pay

The table below shows the Group's expenditure on remuneration paid to all employees against distributions to shareholders.

£'000	2017	2016	% change
Remuneration paid to all employees of the Group[1]	**94,559**	81,253	+16.4%
Distributions to shareholders	**6,400**	5,200	+23.1%

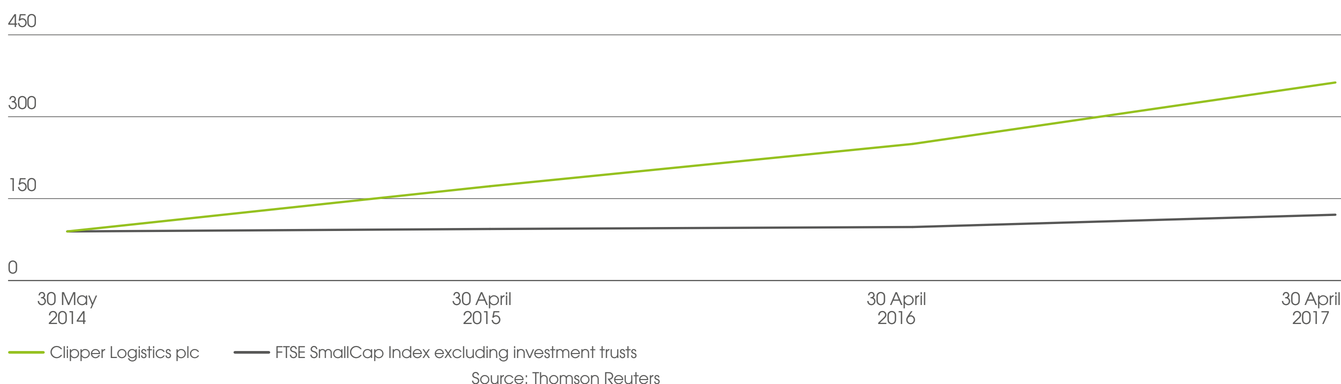
1 Total remuneration reflects overall employee costs. See note 5 to the Group Financial Statements for further information.

Comparative Total Shareholder Return ("TSR")

The DRR regulations require a line graph showing the TSR on a holding of shares in the Company since admission (to the London Stock Exchange) ("**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 below compares the Company's TSR to the TSR of the FTSE Small Cap (excluding investment trusts) over this period.

The FTSE Small Cap (excluding investment trusts) was chosen as a comparator as it is most closely aligned with Clipper's activity.

Total Shareholder Return Index (30 May 2014 = 100)



Source: Thomson Reuters

The DRR regulations also require a table setting out selected details of the remuneration of the Executive Chairman over the same period as shown on the TSR graph:

	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 2017: Steve Parkin	**1,364**	**0.0%***	**100.0%**
Year ended 30 April 2016: Steve Parkin	486	0.0%	n/a
Year ended 30 April 2015: Steve Parkin	518	20.8%	n/a

* Steve waived his entitlement to his bonus for the year ended 30 April 2017.

Directors' Remuneration Report continued

Executive Chairman's relative pay

In accordance with the DRR regulations, we present in the table below 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 2016 and the year ended 30 April 2017.

Year-on-year % change	Salary	Taxable benefits	Annual bonus
Executive Chairman	1.5%	2.3%	n/a
All-employees	3.9%	7.7%	7.3%

The salary figures reflect the % difference between the Executive Chairman's salary for year ended 30 April 2017 (£411,075) and for the year ended 30 April 2016 (£405,000) before any adjustment for additional pension contributions made by way of a salary sacrifice.

AGM voting results

Details of the votes on remuneration matters held at the 2016 AGM are as follows:

Resolution	Votes for	% for	Votes against	% against	Total votes	Withheld
Approve Directors' Remuneration Report	84,875,681	99.87%	107,045	0.13%	84,982,726	0
Approve participation by "Concert Party" in PSP and Sharesave Plan	34,646,888	78.33%	9,583,075	21.67%	44,229,963	1,559,753

As explained in the Committee Chairman's introduction 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.

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

Non-Executive Directors

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

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

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

Stephen Robertson	1 May 2017
Mike Russell	1 May 2017
Ron Series	1 May 2017

Part B: Directors' Remuneration Policy

The Directors' Remuneration Policy as set out in this section of the Remuneration Report will, if approved by shareholders, take effect for all payments made to Directors from the date of the AGM on 25 September 2017.

Remuneration Policy table

The Directors' Remuneration Policy is summarised in the table below. The table indicates where any material changes have been made from the previous Directors' Remuneration Policy approved at the 2014 AGM.

Element and purpose	Policy and operation	Maximum	Performance measures	Changes from previous policy
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 Executive Directors to the median salary level plus 10% for that role in the top half of the FTSE SmallCap.	N/A	No changes
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	No changes

Directors' Remuneration Report continued

Element and purpose	Policy and operation	Maximum	Performance measures	Changes from previous policy
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	No changes
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. 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.	No changes

Element and purpose	Policy and operation	Maximum	Performance measures	Changes from previous policy
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 operates a Performance Share Plan ("**PSP**").	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 does not currently operate for awards, 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). 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.	No changes
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	No changes

Directors' Remuneration Report continued

Element and purpose	Policy and operation	Maximum	Performance measures	Changes from previous policy
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.	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.	No changes
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.	Fees are paid monthly in cash. Any increases made will be appropriately disclosed.	N/A	No changes

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; 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.

5. Discretions reserved in operating incentive plans

The Committee will operate the AIP and PSP according to their respective rules and the above Directors' Remuneration Policy table. The Committee retains certain discretions, consistent with market practice, in relation to the operation and administration of these plans including:

- the timing of awards and payments;
- the size of awards, within the overall limits disclosed in the policy table;
- the determination of performance measures and targets and resultant vesting and pay-out levels;
- (as described in the termination payment policy section below) determination of the treatment of individuals who leave employment, based on the rules of the incentive plans, and the treatment of the incentive plans on exceptional events, such as a change of control of the Company; and
- the ability to make adjustments to existing awards made under the incentive plans in certain circumstances (e.g. rights issues, corporate restructurings or special dividends).

While performance conditions will generally remain unchanged once set, the Committee has the usual discretions to amend the measures, weightings and targets in exceptional circumstances (such as a major transaction) where the original conditions would cease to operate as intended. Any such changes would be explained in the subsequent Directors' Remuneration Report and, if appropriate, be the subject of consultation with the Company's major shareholders.

6. Previous Policies

The Company will honour all pre-existing commitments made under previous policies in accordance with the terms of such commitments.

Recruitment remuneration policy

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to apply the general policy for Executive Directors as set out above and structure a package in accordance with that policy. Consistent with the DRR regulations, the caps contained within the policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice.

The AIP and PSP will operate (including the maximum award levels) as detailed in the general policy in relation to any newly appointed Executive Director. For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

For external candidates, it may be necessary to make additional awards to buy-out awards forfeited by the individual on leaving a previous employer.

For the avoidance of doubt, buy-out awards are not subject to a formal cap. Details of any buy-out awards will be appropriately disclosed.

For any buy-outs the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing AIP and PSP. It may, however, be necessary in some cases to make buy-out awards on terms that are more bespoke than the existing AIP and PSP (including in reliance on UKLA Listing Rule 9.4.2).

All buy-outs, whether under the AIP, PSP or otherwise, will take account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer. The Committee will seek to make buy-outs subject to what are, in its opinion, comparable requirements in respect of, service and performance. However, the Committee may choose to relax this requirement in certain cases (such as where the service and/or performance requirements are materially completed, or where such factors are, in the view of the Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited) and where the Committee considers it to be in the interests of shareholders.

A new Non-Executive Director would be recruited on the terms explained above in respect of the main policy for such Directors.

Directors' Remuneration Report continued

Termination policy summary

It is appropriate for the Committee to consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the AIP and PSP plans. The potential treatments on termination under these plans are summarised below.

Incentives	If a leaver is deemed to be a 'good leaver'; for example, leaving through death or otherwise at the discretion of the Committee	If a leaver is deemed to be a 'bad leaver'; for example, leaving for disciplinary reasons or to join a competitor	Other exceptional cases; e.g. change in control
Annual Incentive Plan	Committee has discretion to determine AIP.	No awards made.	Committee has discretion to determine AIP.
Performance Share Plan	Will receive a pro-rated award subject to the application of the performance conditions at the end of the normal performance period. Committee retains standard discretions to either vary time pro-rating or to allow vesting after the date of cessation (determining the performance conditions at that time).	All awards will normally lapse.	Will receive a pro-rated award subject to the application of the performance conditions at the date of the event, subject to standard Committee discretions to vary time pro-rating.

The Company has power to enter into settlement agreements with executives and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of termination of an Executive Director, the Company may pay a contribution towards the individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees would be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

In the event of cessation of a Non-Executive Director's appointment, they would be entitled to a three month notice period.

External appointments

Where Executive Directors serve on the boards of other companies in a non-executive role, the individuals are permitted to retain any fees earned for acting as a non-executive director.

Statement of consideration of employment conditions elsewhere in the Group

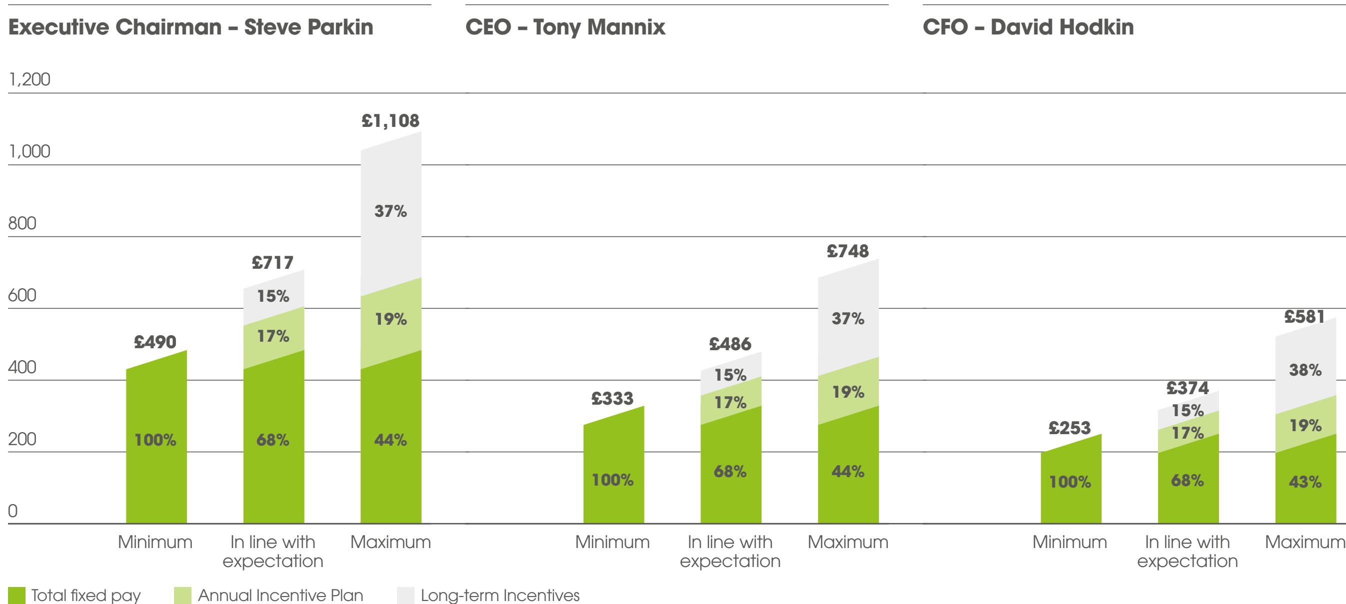
Pay and employment conditions generally in the Group are taken into account when setting Executive Directors' remuneration. The Committee receives regular updates on overall pay and conditions in the Group, including (but not limited to) changes in base pay and any staff bonus pools in operation. There is also oversight of the all-employee Sharesave Plan which Executive Directors and all other Group employees can participate in on the same terms and conditions.

The Company did not consult with employees in drawing up this Remuneration Report.

Statement of consideration of shareholder views

The Committee welcomes feedback from all shareholders and from shareholder representative bodies. As explained in the Committee Chairman's introductory statement, in 2016 the Committee engaged with shareholder and representative bodies to discuss the continued operation of our current policy, including the inclusion of our Executive Chairman and other "Concert Party" individuals in our PSP.

Illustrations of application of remuneration policy (£'000)



The charts above aim to show how the remuneration policy set out above for Executive Directors is applied using the following assumptions:

Minimum

— Consists of base salary, benefits and pension.

— Base salary is the salary to be paid in the year ending 30 April 2018.

— Benefits measured as benefits paid in the year ended 30 April 2017 as set out in the single figure table.

— Pension measured as the defined contribution or cash allowance in lieu of Company contributions, as a percentage of salary (£10,000 for Steve Parkin, 10% for Tony Mannix and 15% in the case of David Hodkin).

£'000	Base Salary	Benefits	Pension	Total Fixed
Steve Parkin	411	69	10	490
Tony Mannix	276	29	28	333
David Hodkin	218	2	33	253

In line with expectations

Based on what the Director would receive if performance was on-target (excl. share price appreciation and dividends):

— STI: consists of the on-target bonus of 60% of maximum opportunity.
— LTI: consists of the threshold level of vesting (25% vesting), plus the fair value of full investment in the Sharesave Plan (£1,200).

Maximum

Based on the maximum remuneration receivable (excl. share price appreciation and dividends):

— STI: consists of maximum bonus of 50% of base salary.
— LTI: consists of the face value of awards (100% of salary), plus the fair value of full investment in the Sharesave Plan (£1,200).

This report was reviewed and approved by the Board on 27 July 2017 and signed on its behalf by:

Mike Russell
Chairman, Remuneration Committee

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 2017.

The Corporate Governance Report on pages 38 to 41 and the "Our People" and "Sustainability" sections of the Strategic 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 8 to 35).

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 30 to 35, along with the financial position of the Group, its cash flows and liquidity.

In addition, note 26 to the Group Financial Statements includes the Group's objectives, policies and processes for capital and financial risk management, including information on the Group's exposures to market risk, including foreign currency, interest rate, inflation and equity price risks; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Results and dividends

The consolidated profit for the Group for the year after taxation was £12.5 million (2016: £10.3 million). The results are discussed in greater detail in the Operating and Financial Review on pages 30 to 35 and set out in the Group Income Statement on page 68.

The Directors are recommending the payment on 29 September 2017 of a final dividend of 4.8 pence per ordinary share to shareholders on the register at the close of business on 8 September 2017 which, together with the interim dividend of 2.4 pence per ordinary share paid on 30 December 2016, results in a total dividend for the year of 7.2 pence per share (2016: net dividend 6.0 pence).

Directors

The names and biographies of the current Directors of the Company are set out on pages 36 and 37 of this Annual Report.

The following Directors served the Company during the year ended 30 April 2017:

Name	Position
Steven (Steve) Nicholas Parkin	Executive Chairman
Antony (Tony) Gerard Mannix	Chief Executive Officer
David Arthur Hodkin	Chief Financial Officer
Sean Eugene Fahey[1]	Chief Information Officer
Paul Nigel Hampden Smith[2]	Senior Independent Non-Executive Director
Stephen Peter Robertson	Independent Non-Executive Director
Ronald (Ron) Charles Series	Independent Non-Executive Director
Michael (Mike) John Russell	Independent Non-Executive Director

1 Sean Fahey retired with effect from 28 April 2017.
2 Paul Hampden Smith retired with effect from 12 July 2017.

Directors' share interests

Details of the Directors' interests in the Company's shares are included in the Directors' Remuneration Report on page 49. Between 30 April 2017 and 24 July 2017 (being the latest practicable date before publication) there had been no change in the continuing Directors' interests as set out on page 49.

Directors' indemnities

The Company provided indemnities to each of its Directors during the year ended 30 April 2017 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.

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 46 to 59.

Directors' and officers' liability insurance

Directors' and officers' liability insurance cover is in place at the date of this report. 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) (the "**Articles**") 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 22 to the Group Financial Statements on page 92. During the year the Company issued 17,627 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.

On 30 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 10,000,000 ordinary shares of 0.05p each (representing less than 10% of the Company's issued ordinary share capital) will be proposed at the 2017 AGM.

As at 25 July 2017, 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 12 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 AGM and shall then be eligible for appointment.

On 30 May 2014, the Company entered into an agreement (the "**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.

Directors' Report continued

Relationship agreement with controlling shareholders

Carlton Court Investments Limited ("**Carlton**") holds 29.9% 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.
As such, the Board can confirm that since the entry into the Relationship Agreement on 30 May 2014 until 25 July 2017, 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 which 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 Sustainability section of the strategic report on pages 28 and 29 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 will 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 People section of the Strategic Report on pages 24 to 27.

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.

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.

Charitable donations

During the year to 30 April 2017, the Group made charitable donations totalling £59,000 (2016: £72,000).

Major interests in shares

As at 7 July 2017, 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	29.92%
Liontrust Asset Management	11,943,090	11.91%
SOMLIE Limited[2]	7,483,542	7.46%
The Chima Settlement	6,999,999	6.98%
Unicorn Asset Management	5,585,000	5.57%
Hargreave Hale	4,503,500	4.49%
Legal and General Investment Management	4,249,828	4.24%
Franklin Templeton Fund Management	3,400,000	3.39%

1 Ultimately controlled by Steve Parkin, Executive Chairman.
2 Ultimately controlled by Sean Fahey.

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 2020. 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 23 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 auditor is 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 auditor is 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.

Auditor

The auditor, KPMG LLP has indicated its willingness to continue in office and a resolution seeking to reappoint KPMG LLP will be proposed at the Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held at Clipper Logistics, 11th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL on 25 September 2017 at 11.00am. 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 shareholders 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 by:

Guy Jackson
Company Secretary
27 July 2017

Clipper Logistics plc
Registered Office:
Gelderd Road
Leeds LS12 6LT

Company No. 03042024

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 IFRS 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 the 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 IFRS 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
27 July 2017

David Hodkin
Chief Financial Officer
27 July 2017

Independent Auditor's Report

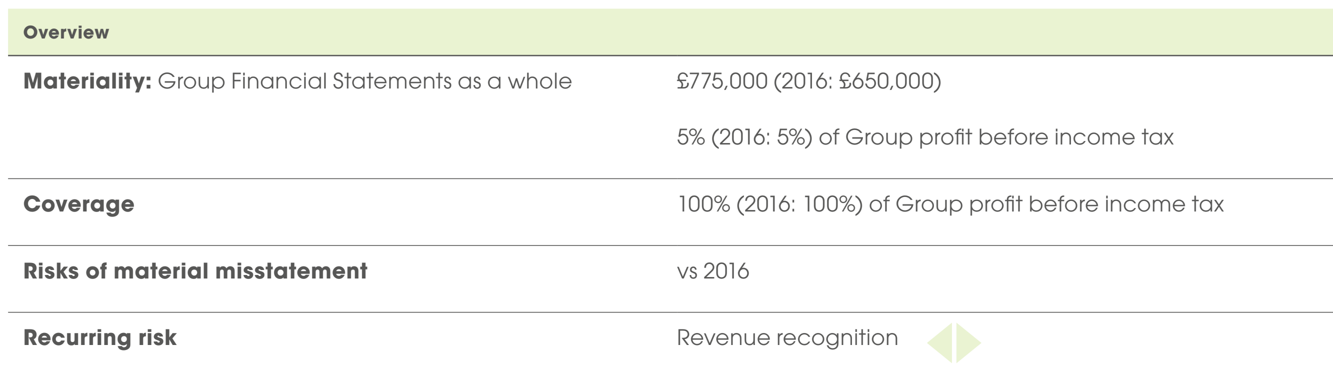
to the members of Clipper Logistics plc only

Opinions and conclusions arising from our audit

1. Our opinion on the Financial Statements is unmodified

We have audited the Financial Statements of Clipper Logistics plc for the year ended 30 April 2017 set out on pages 68 to 111. 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 2017 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.



Overview	
Materiality: Group Financial Statements as a whole	£775,000 (2016: £650,000) 5% (2016: 5%) of Group profit before income tax
Coverage	100% (2016: 100%) of Group profit before income tax
Risks of material misstatement	vs 2016
Recurring risk	Revenue recognition

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the Financial Statements, the risk of material misstatement that had the greatest effect on our audit was as follows (unchanged from 2016):

	The risk	Our response
Accuracy of revenue recognition in value-added logistics (£251,784,000; 2016: £205,988,000) Refer to page 44 (Audit Committee Report), page 77 (accounting policy) and page 78 (financial disclosures).	**Calculation and cut-off error** Contract and billing terms with customers across the value-added logistics segment vary significantly and include different and complex mechanisms for calculating the amount payable in respect of services delivered. These mechanisms take into account delivery against service level agreements and require agreement of the level of costs incurred in delivering the services with customers. The varied terms, costs and performance requirements used to determine revenue in the final month of the financial year can lead to complexity around the calculation of deferred and accrued revenue, and ensuring revenue is recognised in the correct period.	**Our procedures included:** — **Determining an expectation:** inspecting the contract terms and billing schedule of a sample of key customer contracts to form an expectation of whether the year-end balance sheet position would include accrued or deferred revenue, which we then compared to the actual year end balances; — **Re-performance:** recalculating a sample of deferred revenue balances using confirmation of services provided to customers or contracts detailing the specific calculation mechanisms where available. We also agreed the sample to invoices raised before the year end and cash receipt where possible; — **Tests of details:** agreeing a sample of year end accrued revenue balances to subsequent cash receipts where available or alternative evidence, including confirmations of services provided to customers in the year; — **Tests of details (Clipper Logistics plc):** for a sample of invoices raised around the year end date, reading original contract documentation to understand if billing is in advance or arrears and confirming revenue has been accrued or deferred as expected. For the same sample of invoices we observed the trend of invoicing during the financial year and after the year end and where outliers were identified we challenged the Group and obtained support for their explanations. We also agreed amounts to subsequent cash receipt where available, or alternative external audit evidence including customer confirmation of services received in the year; — **Tests of details (Servicecare Support Services Limited):** for a sample of invoices raised around the year end date, assessing whether the associated revenue was recognised in the correct period and for the appropriate amount, by referring back to confirmation of services provided to customers and where possible cash payment; and — **Assessing transparency:** assessing the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition set out in note 2.2 to the Group Financial Statements.

Independent Auditor's Report continued

to the members of Clipper Logistics plc only

3. Our application of materiality and an overview of the scope of our audit
Materiality for the Group Financial Statements as a whole was set at £775,000, determined with reference to a benchmark of Group profit before income tax, of which it represents 5% (2016: 5%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £38,750, in addition to other identified misstatements that warranted reporting on qualitative grounds.

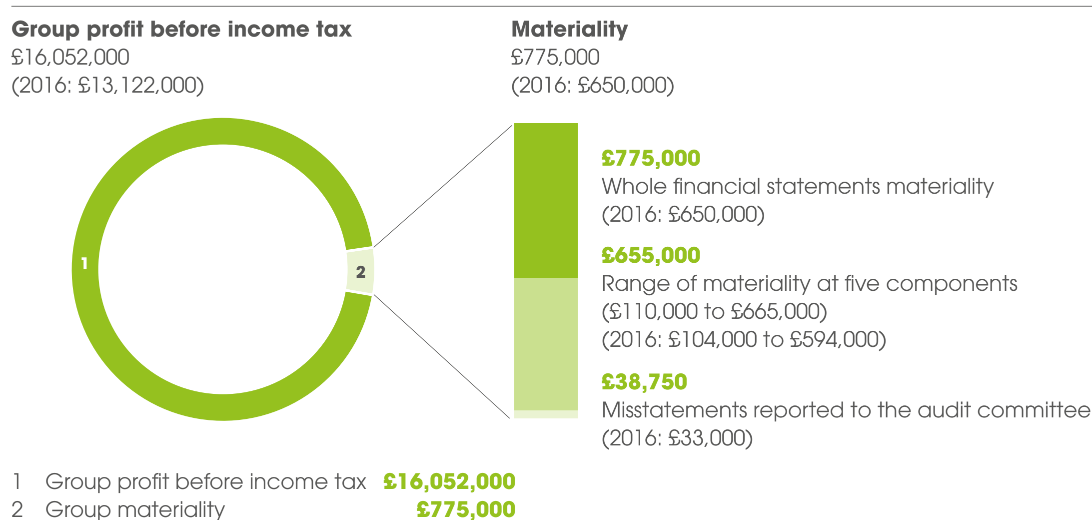
Of the Group's eight (2016: seven) reporting components, we subjected five (2016: six) to full-scope audits for Group reporting purposes. These procedures covered 99.9% of total Group revenue (2016: 95%), 100% of Group profit before income tax (2016: 100%), and 99.5% of total Group assets (2016: 95%).

The work on one of the five components (2016: nil of the six components) was performed by the component auditor and the rest by the Group team. The Group team instructed the component auditor as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £110,000 to £665,000, having regard to the mix of size and risk profile of the Group across the components.

The Group team visited one (2016: not applicable) component location in Germany (2016: not applicable), to assess the audit risk and strategy. Telephone conference meetings were also held with the component auditor. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

Group profit before income tax
£16,052,000
(2016: £13,122,000)

Materiality
£775,000
(2016: £650,000)



1 Group profit before income tax **£16,052,000**
2 Group materiality **£775,000**

4. 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 is consistent with the Financial Statements.

Based solely on the work required to be undertaken in the course of the audit of the Financial Statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5. 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 Directors' Viability Statement on page 23, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the 3 years to 30 April 2020; or
- the disclosures in note 2 of the Group Financial Statements concerning the use of the going concern basis of accounting.

6. 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 that the Annual Report and Financial Statements 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 63 and 23, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 38 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 Directors' Responsibilities Statement set out on page 64, 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

27 July 2017

Group Income Statement

For the year ended 30 April

	Note	2017 Group £'000	2016 Group £'000
Revenue	3	**340,127**	290,325
Cost of sales		**(241,097)**	(205,742)
Gross profit		**99,030**	84,583
Other net gains	6	**405**	263
Administration and other expenses		**(81,964)**	(70,315)
Operating profit before share of equity-accounted investees, net of tax	4	**17,471**	14,531
Share of equity-accounted investees, net of tax		**217**	–
Operating profit	6	**17,688**	14,531
EBIT		**17,928**	14,718
Less: amortisation of other intangible assets	4	**(177)**	(187)
share of tax and finance costs of equity-accounted investees	4	**(63)**	–
Operating profit	6	**17,688**	14,531
Finance costs	8	**(1,657)**	(1,413)
Finance income	9	**21**	4
Profit before income tax		**16,052**	13,122
Income tax expense	10	**(3,586)**	(2,786)
Profit for the financial year		**12,466**	10,336
Basic earnings per share	11	**12.5p**	10.3p
Diluted earnings per share	11	**12.3p**	10.3p

The accompanying notes on pages 72 to 97 form part of these Financial Statements.

Group Statement of Comprehensive Income

For the year ended 30 April

	2017 Group £'000	2016 Group £'000
Profit for the financial year	**12,466**	10,336
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	**(57)**	(6)
Total comprehensive income for the financial year	**12,409**	10,330

The accompanying notes on pages 72 to 97 form part of these Financial Statements.

Group Statement of Financial Position

At 30 April

	Note	2017 Group £'000	2016 Group £'000
Assets:			
Non-current assets			
Goodwill		**23,252**	23,252
Other intangible assets		**1,498**	1,646
Intangible assets	12	**24,750**	24,898
Property, plant and equipment	14	**38,899**	25,564
Interest in equity-accounted investees	15	**2,167**	–
Non-current financial assets	27	**1,450**	–
Deferred tax assets	10	**353**	–
Total non-current assets		**67,619**	50,462
Current assets			
Inventories	16	**29,972**	26,252
Trade and other receivables	17	**47,728**	39,816
Current tax assets		**-**	36
Cash and cash equivalents	18	**862**	715
Total current assets		**78,562**	66,819
Total assets		**146,181**	117,281
Equity and liabilities:			
Current liabilities			
Trade and other payables	19	**85,068**	72,183
Financial liabilities: borrowings	20	**7,389**	6,553
Derivative financial instruments		**-**	10
Short-term provisions	21	**127**	109
Current income tax liabilities		**2,187**	1,747
Total current liabilities		**94,771**	80,602
Non-current liabilities			
Financial liabilities: borrowings	20	**19,973**	12,931
Long-term provisions	21	**1,367**	769
Deferred tax liabilities	10	**-**	202
Total non-current liabilities		**21,340**	13,902
Total liabilities		**116,111**	94,504
Equity shareholders' funds			
Share capital	22	**50**	50
Share premium		**80**	56
Currency translation reserve		**(33)**	24
Other reserve		**84**	84
Merger reserve		**6,006**	6,006
Share based payment reserve		**2,038**	783
Retained earnings		**21,845**	15,774
Total equity attributable to the owners of the Company		**30,070**	22,777
Total equity and liabilities		**146,181**	117,281

The accompanying notes on pages 72 to 97 form part of these Financial Statements.

Approved by the Board on 27 July 2017 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 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
Profit for the year	**–**	**–**	**–**	**–**	**–**
Other comprehensive income/(expense)	**–**	**–**	**(57)**	**–**	**(57)**
Equity settled transactions	**–**	**–**	**–**	**–**	**–**
Share issue	**–**	**24**	**–**	**–**	**24**
Dividends	**–**	**–**	**–**	**–**	**–**
Balance at 30 April 2017	**50**	**80**	**(33)**	**84**	**181**

	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 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
Profit for the year	**–**	**–**	**–**	**12,466**	**12,466**
Other comprehensive income/(expense)	**(57)**	**–**	**–**	**–**	**(57)**
Equity settled transactions	**–**	**–**	**1,255**	**5**	**1,260**
Share issue	**24**	**–**	**–**	**–**	**24**
Dividends	**–**	**–**	**–**	**(6,400)**	**(6,400)**
Balance at 30 April 2017	**181**	**6,006**	**2,038**	**21,845**	**30,070**

The accompanying notes on pages 72 to 97 form part of these Financial Statements.

Group Statement of Cash Flows

For the year ended 30 April

	Note	2017 Group £'000	2016 Group £'000
Profit before tax from operating activities		**16,052**	13,122
Adjustments to reconcile profit before tax to net cash flows:			
— Depreciation and impairment of property, plant and equipment	6	**4,725**	4,580
— Amortisation and impairment of intangible assets	6	**548**	466
— Gain on disposal of property, plant and equipment	6	**(260)**	(37)
— Share of equity-accounted investees, net of tax	15	**(217)**	–
— Consideration received	21	**557**	–
— Exchange differences		**(238)**	(82)
— Finance costs	8 & 9	**1,636**	1,409
— Movement in derivative financial instruments	6	**(10)**	(60)
— Amortisation of grants	6	**-**	(1)
— Share based payments charge	23	**832**	454
Working capital adjustments:			
— (Increase)/decrease in trade and other receivables and prepayments		**(7,895)**	(6,372)
— (Increase)/decrease in inventories		**(3,049)**	(3,677)
— Increase/(decrease) in trade and other payables		**12,989**	10,694
Operating activities:			
— Cash generated from operations		**25,670**	20,496
— Interest received		**3**	4
— Interest paid		**(1,606)**	(1,362)
— Income tax paid		**(3,234)**	(2,063)
Net cash flows from operating activities		**20,833**	17,075
Investing activities:			
— Purchase of property, plant and equipment		**(4,028)**	(5,383)
— Proceeds from sale of property, plant and equipment		**2,112**	238
— Purchase of intangible assets		**(551)**	(546)
— Proceeds from sale of intangible assets		**167**	–
— Investment in joint venture	15	**(1,950)**	–
— Acquisition of subsidiary undertaking net of cash acquired	28	**-**	(2,212)
Net cash flows from investing activities		**(4,250)**	(7,903)
Financing activities:			
— Drawdown of bank loans		**-**	6,442
— Debt issue costs paid		**-**	(232)
— Finance leases advanced in respect of prior year purchases of property, plant and equipment		**4,879**	207
— Shares issued	22	**24**	8
— Dividends paid	7	**(6,400)**	(5,200)
— Non-current financial assets advanced		**(1,450)**	–
— Repayment of bank loans		**(5,995)**	(10,141)
— Repayment of capital on finance leases		**(5,677)**	(3,212)
Net cash flows from financing activities		**(14,619)**	(12,128)
Net increase/(decrease) in cash and cash equivalents		**1,964**	(2,956)
Cash and cash equivalents at start of year		**(1,102)**	1,854
Cash and cash equivalents at end of year	18	**862**	(1,102)

The accompanying notes on pages 72 to 97 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 2017 were authorised for issue by the Board of Directors on 27 July 2017 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 Group, 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 28)

During the year ended 30 April 2017 the Company subscribed for 50% of the share capital and voting rights of Clicklink Logistics Limited (see note 15).

In addition, the Group has a number of other subsidiaries as set out in note F 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 IFRS 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 2017.

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 8 to 35.

Note 26 to the Group Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to foreign exchange, credit and interest rate risk. Further details of the Group's net debt at 30 April 2017 are included in note 20 to the Group Financial Statements.

The Group Statement of Financial Position shows total current assets of £78,562,000 and total current liabilities of £94,771,000. Net current liabilities at 30 April 2017 were therefore £16,209,000 (2016: £13,783,000). At the year end, the Group had a committed Revolving Credit Facility of £20,000,000 and an overdraft facility of £8,000,000, both of which were undrawn. The Directors have assessed the future funding requirements of the Group and the Company and compared them to the bank facilities which are available. The assessment included a detailed review of financial and cash flow forecasts for at least the 12 month period from the date of signing the Annual Report. The Directors considered a range of potential scenarios within the key markets the Group serves and how these might impact on the Group's cash flow. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences.

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

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

2.3. 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 2017. 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 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.

(c) Equity-accounted investees

An investment in an entity over which the Group has significant influence, but is not a subsidiary, is accounted for under the equity method of accounting. Equity-accounted investees could comprise associates or joint ventures. An associate is an entity in which the Group has significant influence over the financial and operating policy decisions of the investee but not control or joint control over those policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Under the equity method, an investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the investee, until the date on which significant influence or joint control ceases.

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.

Notes to the Group Financial Statements continued

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 assets' 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 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 into use.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five 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 2017 the Group held no financial assets available for sale.

Financial assets at fair value through profit or loss

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

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

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

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

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.

Notes to the Group Financial Statements continued

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.

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 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. Where a contract contains elements of variable consideration, the Group will estimate the amount or revenue to which it will be entitled under the contract. Variable consideration can arise as a result of incentives, performance bonuses, penalties or other similar items. Variable consideration is recognised only to the extent that it is highly probable that the economic benefit will transfer to the Group. 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. Revenue from open book contracts includes contributions to the capital cost of items used in the delivery of services, together with a finance charge. 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.

Notes to the Group Financial Statements continued

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.

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.

(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 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments (issued in 2014)	1 January 2018
IFRS 16 Leases	1 January 2019
Annual Improvements to IFRS 2014-2016 Cycle	1 January 2017

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 1, 16, 27, 28 & 38; IFRS 10 & 11 and those arising from the annual improvements to IFRSs 2012-2014 cycles have been adopted. There has been no material impact, although there have been some minor changes to disclosure.

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	2017 Group £'000	2016 Group £'000
E-fulfilment and returns management services	**129,854**	97,598
Non e-fulfilment logistics	**121,930**	108,390
Value-added logistics services	**251,784**	205,988
Commercial vehicles	**91,515**	85,642
Inter-segment sales	**(3,172)**	(1,305)
Revenue from external customers	**340,127**	290,325

Geographical information – revenue from external customers:

	2017 Group £'000	2016 Group £'000
United Kingdom	**302,730**	264,219
Germany	**16,103**	14,234
Rest of Europe	**21,294**	11,872
Revenue from external customers	**340,127**	290,325

Geography is determined by the location of the end customer.

The Group has one customer that in the year ended 30 April 2017 accounted for greater than 10% of the total Group revenue. For completeness, the comparative 2016 figure is shown, although it constituted less than 10% of Group revenue in that year.

The revenue all arose in the value-added logistics services segment as follows:

	2017 Group £'000	2016 Group £'000
Revenue from largest single customer in 2017	**35,179**	17,390

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 comprise one 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.

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 2017:

Earnings before interest & tax ("EBIT"):

	2017 Group £'000	2016 Group £'000
E-fulfilment & returns management services	**10,232**	8,291
Non e-fulfilment logistics	**12,431**	10,742
Central logistics overheads	**(4,832)**	(4,718)
Value-added logistics services	**17,831**	14,315
Commercial vehicles	**2,342**	2,263
Head office costs	**(2,245)**	(1,860)
Group EBIT	**17,928**	14,718

Amortisation of other intangible assets:

	2017 Group £'000	2016 Group £'000
E-fulfilment & returns management services	**(156)**	(156)
Non e-fulfilment logistics	**(21)**	(31)
Central logistics overheads	**–**	–
Value-added logistics services	**(177)**	(187)
Commercial vehicles	**–**	–
Head office costs	**–**	–
Group total	**(177)**	(187)

Share of tax and finance costs of equity-accounted investees:

	2017 Group £'000	2016 Group £'000
Net finance costs	**(9)**	–
Income tax expense	**(54)**	–
Group total	**(63)**	–

Operating profit and profit before income tax:

	2017 Group £'000	2016 Group £'000
Operating profit:		
E-fulfilment & returns management services	**9,796**	8,135
Non e-fulfilment logistics	**12,410**	10,711
Central logistics overheads	**(4,832)**	(4,718)
Value-added logistics services	**17,374**	14,128
Commercial vehicles	**2,342**	2,263
Head office costs	**(2,245)**	(1,860)
Group operating profit before share of equity-accounted investees	**17,471**	14,531
Share of equity-accounted investees, net of tax	**217**	–
Operating profit	**17,688**	14,531
Finance costs	**(1,657)**	(1,413)
Finance income	**21**	4
Profit before income tax	**16,052**	13,122

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

At 30 April 2017:	Segment assets £'000	Segment liabilities £'000
Value-added logistics services	**99,077**	**(46,442)**
Commercial vehicles	**45,889**	**(40,120)**
Segment assets/(liabilities)	**144,966**	**(86,562)**
Unallocated assets/(liabilities):		
— Cash and cash equivalents	**862**	**–**
— Financial liabilities	**–**	**(27,362)**
— Deferred tax	**353**	**–**
— Income tax assets/(liabilities)	**–**	**(2,187)**
Total assets/(liabilities)	**146,181**	**(116,111)**

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)

Capital expenditure, depreciation and amortisation by segment in the year ended 30 April was as follows:

Capital expenditure:

	2017 Group £'000	2016 Group £'000
Value-added logistics services	**19,386**	15,500
Commercial vehicles	**851**	661
Total	**20,237**	16,161

Capital expenditure comprises additions to property, plant and equipment (note 14) and intangible assets (note 12).

Depreciation:

	2017 Group £'000	2016 Group £'000
Value-added logistics services	**4,012**	3,883
Commercial vehicles	**713**	697
Total	**4,725**	4,580

Amortisation:

	2017 Group £'000	2016 Group £'000
Value-added logistics services	**539**	447
Commercial vehicles	**9**	19
Total	**548**	466

Notes to the Group Financial Statements continued

4. Segment information (continued)

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

	2017 Group £'000	2016 Group £'000
United Kingdom	**62,409**	46,194
Germany	**4,617**	4,268
Rest of Europe	**240**	–
Deferred taxation assets	**353**	–
Total	**67,619**	50,462

5. Staff costs

	2017 Group £'000	2016 Group £'000
Wages and salaries	**84,462**	72,662
Social security costs	**7,791**	6,766
Pension costs for the defined contribution scheme	**1,474**	1,371
Share based payments	**832**	454
Total	**94,559**	81,253

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

	2017 Group Number	2016 Group Number
Warehousing	**2,402**	2,097
Distribution	**416**	406
Service and maintenance	**396**	387
Administration	**526**	490
Total	**3,740**	3,380

Key management compensation (including Executive Directors):

	2017 Group £'000	2016 Group £'000
Wages and salaries	**2,680**	2,589
Social security costs	**370**	378
Pension costs for the defined contribution scheme	**336**	398
Share based payments	**793**	381
Total	**4,179**	3,746

Directors' emoluments:

	2017 Group £'000	2016 Group £'000
Aggregate emoluments excluding share based payments on unvested awards	**1,309**	1,259
Pension costs for the defined contribution scheme	**48**	86
Total	**1,357**	1,345

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

	2017 Group Number	2016 Group Number
Defined contribution plans	**3**	3

More detail is set out in the Directors' Remuneration Report on pages 46 to 59.

6. Group operating profit

This is stated after charging:

	2017 Group £'000	2016 Group £'000
Depreciation of property, plant and equipment – owned assets	**2,023**	2,484
Depreciation of property, plant and equipment – leased assets	**2,702**	2,096
Amortisation of intangible assets (included within administration and other expenses)	**548**	466
Total depreciation and amortisation expense	**5,273**	5,046
Operating lease rentals:		
— Vehicles, plant and equipment	**8,876**	7,808
— Land and buildings	**18,069**	15,474
Auditor's remuneration:		
KPMG LLP:		
— Group audit fees	**142**	125
— Other services	**-**	–
Ernst & Young LLP:		
— Group audit fees	**-**	30
— Other services	**-**	–
Total auditor's remuneration:		
— Audit of the Group Financial Statements	**60**	60
— Audit of the subsidiaries	**82**	95
— Non-audit fees	**-**	–
Total fees paid to the Group's auditors	**142**	155

Operating profit is stated after crediting:

	2017 Group £'000	2016 Group £'000
Other net gains:		
— Profit on sale of property, plant and equipment	**260**	37
— Dealership contributions	**135**	165
— Fair value adjustment to derivative financial instruments	**10**	60
— Amortisation of grants	**-**	1
Total net gains	**405**	263

7. Dividends

	2017 Group £'000	2016 Group £'000
Final dividend for the prior year of 4.0 pence (2016: 3.2 pence) per share	**4,000**	3,200
Interim dividend for the year of 2.4 pence (2016: 2.0 pence) per share	**2,400**	2,000
Total dividends paid	**6,400**	5,200
Proposed final dividend for the year ended 30 April 2017 of 4.8 pence (2016: 4.0 pence) per share	**4,813**	4,000

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 8 September 2017. The payment of this dividend will not have any tax consequences for the Group.

Notes to the Group Financial Statements continued

8. Finance costs

	2017 Group £'000	2016 Group £'000
On bank loans and overdrafts	**438**	533
On hire purchase agreements	**766**	394
Amortisation of debt issue costs	**97**	78
Commercial vehicle stocking interest	**299**	370
Other interest payable	**57**	38
Total interest expense for financial liabilities measured at amortised cost	**1,657**	1,413

9. Finance income

	2017 Group £'000	2016 Group £'000
Bank interest	**–**	3
Other interest	**3**	1
Amounts receivable from related parties	**18**	–
Total interest income for financial assets measured at amortised cost	**21**	4

10. Income tax expense

(a) Tax charged in the income statement:

	2017 Group £'000	2016 Group £'000
Current income tax:		
UK and foreign corporation tax	**3,620**	3,066
Amounts under/(over) provided in previous years	**90**	(28)
Total income tax on continuing operations	**3,710**	3,038
Deferred tax:		
Origination and reversal of temporary differences	**(144)**	(231)
Amounts under/(over) provided in previous years	**48**	21
Impact of change in tax laws and rates	**(28)**	(42)
Total deferred tax	**(124)**	(252)
Tax expense in the income statement on continuing operations	**3,586**	2,786

(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:

	2017 Group £'000	2016 Group £'000
Profit before taxation from continuing operations	**16,052**	13,122
Standard rate of corporation tax in UK	**19.92%**	20.00%
Tax on profit on ordinary activities at standard rate	**3,198**	2,624
Share of equity-accounted investees, already net of tax	**(43)**	–
Expenses not allowable for tax purposes	**212**	169
Tax under/(over) provided in previous years	**138**	(7)
Difference in tax rates overseas	**109**	42
Utilisation of previously unrecognised tax losses	**–**	–
Deferred tax rate difference	**(28)**	(42)
Total tax expense reported in the income statement	**3,586**	2,786

(d) Deferred tax in the income statement:

	2017 Group £'000	2016 Group £'000
Deferred tax on accelerated capital allowances	**152**	(123)
Deferred tax on other temporary differences	**(276)**	(129)
Total	**(124)**	(252)

The UK corporation tax rate reduced from 20% to 19% with effect from 1 April 2017. Legislation to reduce the rate to 17% with effect from 1 April 2020 was substantively enacted at 30 April 2017. A rate of 17% (2016: 18%) has been applied in the measurement of the Group's UK deferred tax assets and liabilities in the year.

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

	2017 Group £'000	2016 Group £'000
Deferred tax liabilities:		
Accelerated capital allowances	**(512)**	(356)
Other timing differences	**(204)**	(213)
Deferred tax asset:		
Share based payments	**873**	309
Provisions and other timing differences	**196**	58
Net deferred tax asset (liability)	**353**	(202)

(f) Deferred tax movement:

	Group £'000
At 1 May 2015	(642)
Credited to income statement	252
Credited to share based payment reserve	190
Foreign currency adjustment	(2)
At 30 April 2016	(202)
Credited to income statement	**124**
Credited to share based payment reserve	**429**
Foreign currency adjustment	**2**
At 30 April 2017	**353**

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 earnings per share computation:

	2017 Group £'000	2016 Group £'000
Profit attributable to ordinary equity holders of the Company	**12,466**	10,336

	2017 Group	2016 Group
Basic weighted average number of shares (thousands)	**100,011**	100,000
Basic earnings per share	**12.5p**	10.3p
Diluted weighted average number of shares (thousands)	**101,710**	100,823
Diluted earnings per share	**12.3p**	10.3p

Notes to the Group Financial Statements continued

12. Intangible assets

	Goodwill Group £'000	Contracts and licences Group £'000	Computer software Group £'000	Total Group £'000
Cost:				
At 1 May 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
Additions	**–**	**–**	**551**	**551**
Disposals	**–**	**–**	**(263)**	**(263)**
Foreign currency adjustment	**–**	**7**	**16**	**23**
At 30 April 2017	**23,252**	**2,038**	**2,271**	**27,561**
Accumulated amortisation:				
At 1 May 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
Charge for the year	**–**	**177**	**371**	**548**
Disposals	**–**	**–**	**(96)**	**(96)**
Foreign currency adjustment	**–**	**2**	**5**	**7**
At 30 April 2017	**–**	**1,153**	**1,658**	**2,811**
Net book value:				
At 1 May 2015	23,252	1,147	420	24,819
At 30 April 2016	23,252	1,057	589	24,898
At 30 April 2017	**23,252**	**885**	**613**	**24,750**

The average remaining useful life of contracts and licences at 30 April 2017 is 5.4 years (2016: 6.5 years)

13. Impairment test for goodwill

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

	2017 Group £'000	2016 Group £'000
Value-added logistics services	**17,326**	17,326
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 2020.

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 2017 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% (2016: 2.5%) to 2027 (2016: 2026). The cash flows have then been discounted using a pre-tax risk adjusted discount rate of between 9 and 11% (2016: 9 and 11%). 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.

14. 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 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
Additions	**198**	**777**	**18,711**	**19,686**
Disposals	**(142)**	**(1,123)**	**(3,429)**	**(4,694)**
Foreign currency adjustment	**6**	**129**	**232**	**367**
At 30 April 2017	**4,293**	**4,882**	**55,037**	**64,212**
Accumulated depreciation:				
At 1 May 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
Charge for the year	**353**	**861**	**3,511**	**4,725**
Disposals	**(142)**	**(794)**	**(1,907)**	**(2,843)**
Foreign currency adjustment	**5**	**26**	**111**	**142**
At 30 April 2017	**2,277**	**2,388**	**20,648**	**25,313**
Net book value:				
At 1 May 2015	2,092	1,871	10,652	14,615
At 30 April 2016	2,170	2,804	20,590	25,564
At 30 April 2017	**2,016**	**2,494**	**34,389**	**38,899**

Included within property, plant and equipment are amounts held under finance lease contracts. At 30 April 2017, the net book value of these assets was £27,314,000 (30 April 2016: £10,638,000). Total additions include £13,697,000 (2016: £8,172,000) under finance lease contracts.

Additions to plant, machinery, fixtures & fittings include £1,824,000 (2016: £2,823,000) in respect of assets in the course of construction.

15. Investment in equity-accounted investees

	2017 Group £'000	2016 Group £'000
Brought forward	**–**	–
Subscription for share capital	**1,950**	–
Share of profit after tax for the period	**217**	–
Carried forward	**2,167**	–

The Company owns 50% of the issued capital and voting rights of Clicklink Logistics Limited ("**Clicklink**"), a company incorporated in Great Britain and registered in England and Wales. Clicklink provides services in respect of the sortation, fulfilment and delivery of one-man orders to Click and Collect customer collection points in the United Kingdom.
On 1 November 2016 the Company subscribed for 1,000,000 A ordinary shares of £1 each in Clicklink, for aggregate consideration of £1,950,000. Clicklink commenced trading on 1 November 2016 and has a 31 January financial period end.

Notes to the Group Financial Statements continued

15. Investment in equity-accounted investees (continued)

Summarised financial information from Clicklink's audited accounts for the 13 week trading period ended 31 January 2017 is set out below:

	31 January 2017 £'000
Current assets	**7,874**
Non-current assets	**4,677**
Current liabilities	**(5,312)**
Non-current liabilities	**(2,905)**
Equity attributable to owners of the company	**4,334**

	13 weeks ended 31 January 2017 £'000
Revenue	**6,624**
Operating profit	**560**
Interest payable and similar charges	**(18)**
Income tax expense	**(108)**
Profit for the period	**434**

16. Inventories

	2017 Group £'000	2016 Group £'000
Component parts and consumable stores	**4,459**	4,319
Commercial vehicles	**3,225**	3,768
Commercial vehicles on consignment	**22,288**	18,165
Total inventories net of provision for obsolescence	**29,972**	26,252

See below for the movements in the provision for obsolescence:

	Group £'000
At 1 May 2015	17
Charged for the year	39
Utilised	(47)
At 30 April 2016	9
Charged for the year	**114**
Utilised	**(36)**
At 30 April 2017	**87**

The cost of inventories recognised as an expense amounted to £91,072,000 (2016: £ 82,398,000).

Included within commercial vehicles is £768,000 (2016: £930,000) relating to assets held under hire purchase agreements.

17. Trade and other receivables

	2017 Group £'000	2016 Group £'000
Trade receivables	**24,297**	19,316
Less: provision for impairment of receivables	**(340)**	(328)
Trade receivables – net	**23,957**	18,988
Other receivables	**2,708**	2,971
Amounts receivable from related parties (see note 27)	**522**	–
Prepayments and accrued income	**20,541**	17,857
Total trade and other receivables	**47,728**	39,816

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

See below for the movements in the provision for impairment:

	Group £'000
At 1 May 2015	256
Charged for the year	124
Foreign currency adjustment	2
Utilised	(54)
At 30 April 2016	328
Charged for the year	**227**
Foreign currency adjustment	**1**
Utilised	**(216)**
At 30 April 2017	**340**

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 22 days (2016: 20 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.

The ageing analysis of trade receivables was as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			30-60 days	60-90 days	> 90 days
	£'000	£'000	£'000	£'000	£'000
30 April 2017	**23,957**	**22,245**	**816**	**64**	**832**
30 April 2016	18,988	17,216	1,006	231	535

18. Cash and cash equivalents

	2017 Group £'000	2016 Group £'000
Cash and cash equivalents	**862**	715
Bank overdraft	**–**	(1,817)
Total cash and cash equivalents	**862**	(1,102)

19. Trade and other payables

	2017 Group £'000	2016 Group £'000
Trade creditors	**28,760**	25,984
Consignment inventory payables	**29,230**	22,859
Amounts payable to related parties (see note 27)	**171**	–
Other taxes and social security	**5,372**	3,364
Other creditors	**5,103**	4,338
Accruals and deferred income	**16,432**	15,638
Total trade and other payables	**85,068**	72,183

Notes to the Group Financial Statements continued

20. Financial liabilities: borrowings

	2017 Group £'000	2016 Group £'000
Non-current:		
Bank loans	**1,330**	5,113
Obligations under finance leases or hire purchase agreements	**18,643**	7,818
Total non-current	**19,973**	12,931
Current:		
Bank overdrafts	**–**	1,817
Bank loans	**797**	944
Obligations under finance leases or hire purchase agreements	**6,592**	3,792
Total current	**7,389**	6,553
Total borrowings	**27,362**	19,484
Less: Cash and cash equivalents	**862**	715
Loans to related party (see note 27)	**1,450**	–
Net debt	**25,050**	18,769

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

	2017 Group £'000	2016 Group £'000
In one year or less	**797**	944
Between one and five years	**1,330**	5,113
After five years	**–**	–
Total bank loans	**2,127**	6,057

The principal lender has security over all assets of the Group's UK operations. The Group's principal bank facilities total £30,000,000 and consist of:

— a Revolving Credit Facility of £20,000,000 repayable in January 2021; interest rate 1.75% above LIBOR. The amount drawn at 30 April 2017 was £nil;
— a committed overdraft of £8,000,000. The amount drawn at 30 April 2017 was £nil; and
— bonds and guarantees of £2,000,000.

Items included within bank loans at 30 April 2017 are as follows:

— other bank loans – £2,491,000 repayable in monthly or quarterly instalments over periods between two and 52 months; interest rates fixed at between 3.65% and 4.80%;
— unamortised debt issue costs of £364,000 in relation to the principal facilities, which have been deducted from the total outstanding bank loans.

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

	2017 Group £'000	2016 Group £'000
Fixed rate leases:		
Minimum lease payments:		
In one year or less	**6,631**	3,241
Between one and five years	**19,008**	7,244
After five years	**–**	–
	25,639	10,485
Interest:		
In one year or less	**(830)**	(366)
Between one and five years	**(1,194)**	(483)
After five years	**–**	–
	(2,024)	(849)
Principal of fixed rate leases:		
In one year or less	**5,801**	2,875
Between one and five years	**17,814**	6,761
After five years	**–**	–
	23,615	9,636
Variable rate leases:		
In one year or less	**791**	917
Between one and five years	**829**	1,057
After five years	**–**	–
	1,620	1,974
Total	**25,235**	11,610

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 4.5 (2016: 4.0) years. At 30 April 2017 £23,636,000 (2016 £10,878,000) 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.

21. Provisions

	Onerous contracts Group £'000	Uninsured losses Group £'000	Dilapidations Group £'000	Total Group £'000
At 1 May 2015	234	–	606	840
Utilised	(92)	(60)	(92)	(244)
Charged in year	30	60	192	282
At 30 April 2016	172	–	706	878
Utilised	**(92)**	**(145)**	**(166)**	**(403)**
Consideration received	**–**	**–**	**557**	**557**
Charged in year	**19**	**145**	**298**	**462**
At 30 April 2017	**99**	**–**	**1,395**	**1,494**

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

	2017 Group £'000	2016 Group £'000
Current	**127**	109
Non-current	**1,367**	769
Total	**1,494**	878

Notes to the Group Financial Statements continued

21. Provisions (continued)

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 20 and 11 years from the balance sheet date and a new office lease expires 15 years from the balance sheet date. All other leases expire in 10 years or less.

During the year the Company took assignment of a property lease with 8 years remaining and received compensation from the previous tenant, reflecting the agreed value of accrued dilapidation remedial works at the date of handover.

22. Share capital

	2017 Company £'000	2016 Company £'000
Allotted, called up and fully paid:		
100,022,968 (2016: 100,005,341) ordinary shares of 0.05p each	**50**	50

During the year the Company issued 17,627 ordinary shares at a price of 140.4p per share to satisfy share options. See note 23 below.

23. 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 46 to 59.

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 £5 and £500 per month.

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

Date	PSP Number	WAEP	Sharesave Number	WAEP
Outstanding 1 May 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
Granted during the year	**379,848**	**nil**	**311,214**	**303.74p**
Forfeited during the year	**(151,155)**	**nil**	**(141,985)**	**169.53p**
Exercised during the year	**-**	**-**	**(17,627)**	**140.40p**
Outstanding 30 April 2017	**1,594,139**	**nil**	**1,671,471**	**185.44p**

At 30 April 2017, options over 4,509 (2016: 6,671) of the above shares 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:

	2017
Share price at: 27 January 2017	**380.00p**
6 February 2017	**374.88p**
Expected life of option	**3.5 years**
Volatility	**35%**
Dividend yield	**1.68% – 1.71%**

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 2017 relating to employee share based payment plans was £832,000 (2016: £454,000). The fair value of share options at 30 April 2017 to be amortised in future years was £2,052,000 (2016: £1,958,000).

All share based payments in both years are equity settled.

24. Commitments and contingencies

Operating lease commitments – land and buildings:

	2017 Group £'000	2016 Group £'000
Less than one year	**19,191**	14,981
Between one and five years	**66,367**	60,549
More than five years	**77,567**	83,541
Total minimum lease payments	**163,125**	159,071

Operating lease commitments – vehicles, plant and equipment:

	2017 Group £'000	2016 Group £'000
Less than one year	**5,844**	4,697
Between one and five years	**9,443**	9,148
More than five years	**11**	99
Total minimum lease payments	**15,298**	13,944

25. Capital commitments

	2017 Group £'000	2016 Group £'000
Authorised and contracted for	**2,011**	9,467
Authorised, but not contracted for	**2,659**	7,279
Total capital commitments	**4,670**	16,746

26. Financial instruments and financial risk management objectives and policies

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement) the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements. The Group did not identify any such derivatives.

The Group is exposed to a number of different market risks in the normal course of business including credit, interest rate and foreign currency risks.

Notes to the Group Financial Statements continued

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

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 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 2017 there were no significant concentrations of credit risk (2016: £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.

The interest rate swap taken on by the Company as part of the novation of bank facilities from the former parent on 2 May 2014, expired on 31 October 2016.

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 (2016: 50 points) on that portion of borrowings affected, would be to reduce the Group's profit before tax by £93,000 (2016: £99,000).

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.

	2017 Group £'000	2016 Group £'000
EBIT	**17,928**	14,718
Finance costs (net)	**1,636**	1,409
Interest cover	**11.0**	10.4

	2017 Group £'000	2016 Group £'000
EBIT	**17,928**	14,718
Depreciation and impairment of property, plant and equipment	**4,725**	4,580
Amortisation and impairment of computer software	**371**	279
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**23,024**	19,577
Net debt (note 20)	**25,050**	18,769
Net debt/EBITDA	**1.09**	0.96

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.

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 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
30 April 2017				
Fixed rate borrowings	**6,598**	**6,013**	**13,496**	**26,107**
Floating rate borrowings	**791**	**695**	**134**	**1,620**
Total borrowings	**7,389**	**6,708**	**13,630**	**27,727**
Trade and other payables	**81,681**	**–**	**–**	**81,681**
Total financial liabilities	**89,070**	**6,708**	**13,630**	**109,408**

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.

Notes to the Group Financial Statements continued

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

	2017 Book value £'000	2017 Fair value £'000	2016 Book value £'000	2016 Fair value £'000
Non-current financial assets	**1,450**	**1,394**	–	–
Current financial assets:				
Cash and cash equivalents	**862**	**862**	715	715
Trade and other receivables	**47,484**	**47,484**	39,816	39,816
Liabilities:				
Bank overdraft	**–**	**–**	(1,817)	(1,817)
Short-term borrowings	**(7,389)**	**(7,389)**	(4,736)	(4,736)
Trade and other payables	**(84,824)**	**(84,824)**	(72,183)	(72,183)
Derivative financial instruments	**–**	**–**	(10)	(10)
Long-term borrowings	**(19,973)**	**(19,100)**	(12,931)	(12,588)

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.

27. Related party disclosures

Clicklink Logistics Limited (see note 15) is a supplier of logistics services to the Group. The Group provides certain resources to Clicklink, principally people and vehicles, under the terms of the joint venture agreement. Amounts charged for these resources are included in revenue.

Knaresborough Investments Limited, a company controlled by Steve Parkin, receives management and administration services from the Group.

Branton Court Stud LLP, in which Steve Parkin is a partner, receives management and administration services from the Group.

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.

Southerns Office Interiors Limited supplies office furniture to the Group and is a customer of the commercial vehicles segment. A company owned by Steve Parkin is registered as a person with significant control over Southerns Limited, the ultimate parent of Southerns Office Interiors Limited.

Guiseley Association Football Club shares a common director with Clipper Logistics plc.

Harrogate Road Restaurants Limited 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.

Key management compensation is disclosed in note 5.

Balances owing to or from these related parties at 30 April were as follows:

	2017 Group £'000	2016 Group £'000
Non-current financial assets:		
Clicklink Logistics Limited – interest bearing loan	**1,450**	–
Trade and other receivables:		
Clicklink Logistics Limited – trading balance	**282**	–
Knaresborough Investments Limited	**115**	–
Branton Court Stud LLP	**125**	–
Trade and other payables:		
Clicklink Logistics Limited	**135**	–
Southerns Office Interiors Limited	**36**	–

The shareholders in Clicklink Logistics Limited have jointly made available to that company a term loan facility of £3,900,000 of which the Company's 50% share is £1,950,000. The facility may be drawn in up to ten loans. Interest on each loan is calculated at a margin above 12 month LIBOR and is payable annually. All loans drawn under the facility are repayable in November 2019.

All other balances owing to or from related parties were settled by the end of June 2017.

Transactions with these related parties in the year ended 30 April were as follows:

	2017 Group £'000	2016 Group £'000
Items credited to the income statement:		
Clicklink Logistics Limited – revenue	**4,701**	–
Clicklink Logistics Limited – finance income	**18**	–
Knaresborough Investments Limited	**150**	275
Branton Court Stud LLP	**125**	–
Southerns Office Interiors Limited	**7**	–
Harrogate Road Restaurants Limited	**2**	–
Items charged to the income statement:		
Clicklink Logistics Limited	**410**	–
Knaresborough Investments Limited	**5**	–
Roydhouse Properties Limited	**888**	885
Knaresborough Real Estate Limited	**345**	298
Southerns Office Interiors Limited	**47**	–
Guiseley Association Football Club	**25**	50
South Acre Aviation Limited	**7**	19
Purchase of non-current assets		
Southerns Office Interiors Limited	**136**	–
Sale of non-current assets		
Clicklink Logistics Limited – items previously capitalised by the Company	**1,173**	–
Clicklink Logistics Limited – items procured but not capitalised by the Company	**3,681**	–

28. Business combinations

Servicecare Support Services Limited

On 3 December 2014, the Group acquired 100% of the voting shares of Servicecare Support Services Limited, in exchange for cash consideration. In the year ended 30 April 2016, deferred consideration of £2,212,000 was paid.

29. Post balance sheet events

Acquisition of Tesam Distribution Limited

On 24 May 2017 the Company acquired the entire issued share capital of Tesam Distribution Limited ("**Tesam**"). Tesam is a provider of a variety of warehousing and distribution services to the retail sector. The business, which operates from three sites in and around Peterborough totalling more than 1.1m square feet, was established in 1984 and employs around 250 people.

In its financial year ended 30 June 2016, Tesam's audited accounts reported revenue of £19.6m, earnings before interest and tax of £1.8m and net assets of £3.1m.

The gross consideration paid was £11.75m. However the assets acquired include cash of approximately £3.4m and a freehold property which will be sold post-acquisition and is expected to realise £2.7m net. The net consideration was funded in cash from the Company's existing cash and bank facilities.

Exercise of options

On 5 June 2017 the Company's broker Numis Securities Limited ("**Numis**") exercised the share options ("**Options**") granted to it pursuant to an Option Deed dated 30 May 2014 which was entered into by the Company and Numis at IPO. Under the terms of the Option Deed, upon the exercise of the Options and the payment of the exercise price of £1 per share, 250,000 new ordinary shares of 0.05p each ("**New Shares**") were issued to Numis. The New Shares rank pari passu with all existing ordinary shares in issue.

Acquisition of RepairTech Limited

On 15 June 2017 the Company acquired the entire issued share capital of RepairTech Limited ("**RepairTech**"). RepairTech is a specialist provider of consumer electronic repair services based in Southam, Warwickshire.

RepairTech was established in 1999 by the current Managing Director, Richard Costello. It is consistently profitable, and reported underlying earnings before interest and tax of £0.6m on revenues of £3.2m in its unaudited financial statements to March 2017.

Consideration is £2.5m in cash, with a further £0.5m deferred for 12 months. Assets acquired with the business include net cash balances of approximately £0.3m. The consideration was funded in cash from the Company's existing cash and bank facilities.

Company Statement of Financial Position

At 30 April

	Note	2017 Company £'000	2016 Company £'000
Assets:			
Non-current assets			
Goodwill		**5,712**	5,712
Other intangible assets		**194**	414
Intangible assets	D	**5,906**	6,126
Property, plant and equipment	E	**33,522**	20,279
Investment in subsidiaries	F	**20,228**	19,973
Other investments	F	**1,950**	–
Non-current financial assets	T	**1,450**	–
Deferred tax assets	O	**279**	
Total non-current assets		**63,335**	46,378
Current assets			
Inventories	G	**394**	500
Trade and other receivables	H	**37,947**	27,518
Current income tax assets		**–**	–
Cash and cash equivalents	J	**49**	212
Total current assets		**38,390**	28,230
Total assets		**101,725**	74,608
Equity and liabilities:			
Current liabilities			
Trade and other payables	I	**44,920**	37,429
Financial liabilities: borrowings	J	**15,210**	11,854
Derivative financial instruments	M	**–**	10
Short term provisions	N	**43**	26
Current income tax liabilities		**1,766**	1,118
Total current liabilities		**61,939**	50,437
Non-current liabilities			
Borrowings	J	**18,057**	11,292
Long term provisions	N	**1,279**	616
Deferred tax liabilities	O	**–**	55
Total non-current liabilities		**19,336**	11,963
Total liabilities		**81,275**	62,400
Equity shareholders' funds			
Share capital	P	**50**	50
Share premium		**80**	56
Currency translation reserve		**40**	25
Other reserve		**851**	851
Share based payment reserve		**2,038**	783
Retained earnings		**17,391**	10,443
Total equity attributable to the owners of the Company		**20,450**	12,208
Total equity and liabilities		**101,725**	74,608

Approved by the Board on 27 July 2017 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 2015	50	48	–	851	949
Profit for the year	–	–	25	–	25
Other comprehensive income/(expense)	–	–	–	–	–
Equity settled transactions	–	8	–	–	8
Share issue	–	–	–	–	–
Dividends	–	–	–	–	–
Balance at 30 April 2016	50	56	25	851	982
Profit for the year	**–**	**–**	**–**	**–**	**–**
Other comprehensive income/(expense)	**–**	**–**	**15**	**–**	**15**
Equity settled transactions	**–**	**–**	**–**	**–**	**–**
Share issue	**–**	**24**	**–**	**–**	**24**
Dividends	**–**	**–**	**–**	**–**	**–**
Balance at 30 April 2017	**50**	**80**	**40**	**851**	**1,021**

	Brought forward Company £'000	Share based payment reserve Company £'000	Retained earnings Company £'000	Total Company £'000
Balance at 1 May 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
Profit for the year	**–**	**–**	**13,343**	**13,343**
Other comprehensive income/(expense)	**15**	**–**	**–**	**15**
Equity settled transactions	**–**	**1,255**	**5**	**1,260**
Share issue	**24**	**–**	**–**	**24**
Dividends	**–**	**–**	**(6,400)**	**(6,400)**
Balance at 30 April 2017	**1,021**	**2,038**	**17,391**	**20,450**

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 2017 were authorised for issue by the Board of Directors on 27 July 2017 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 the Company Secretary at 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 2017. 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 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 B67 of 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.

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 8 to 35.

Note 26 to the Group Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to foreign exchange, credit and interest rate risk.

The Company Statement of Financial Position at 30 April 2017 shows current assets of £38,390,000 (2016: £28,230,000) and current liabilities of £61,939,000 (2016: £50,437,000). Net current liabilities are therefore £23,549,000 (2016: £22,207,000). The Group has access to a non-amortising Revolving Credit Facility of £20,000,000 repayable in 2021 and an overdraft facility of £8,000,000, neither of which had been drawn down at 30 April 2017 (see note 20 to the Group Financial Statements). The Company's bank overdraft shown in Note J was covered by cash balances held by other UK entities of the Group.

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

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 recognised as intangible assets. Costs include the software development employee costs and overheads directly attributable to bringing the asset into use.

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

Notes to the Company Financial Statements continued

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.

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.

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. Where a contract contains elements of variable consideration, the Company will estimate the amount or revenue to which it will be entitled under the contract. Variable consideration can arise as a result of incentives, performance bonuses, penalties or other similar items. Variable consideration is recognised only to the extent that it is highly probable that the economic benefit will transfer to the Company. 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. Revenue from open book contracts includes contributions to the capital cost of items used in the delivery of services, together with a finance charge. 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.

Notes to the Company Financial Statements continued

C. Auditor's remuneration

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

D. Intangible assets

	Goodwill Company £'000	Contracts and licences Company £'000	Computer software Company £'000	Total Company £'000
Cost:				
At 1 May 2015	8,312	723	1,320	10,355
Additions	–	–	287	287
Disposals	–	–	–	–
At 30 April 2016	8,312	723	1,607	10,642
Additions	**–**	**–**	**105**	**105**
Disposals	**–**	**–**	**(261)**	**(261)**
At 30 April 2017	**8,312**	**723**	**1,451**	**10,486**
Accumulated amortisation or impairment:				
At 1 May 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
Charge for year/impairment	**–**	**–**	**158**	**158**
Disposals	**–**	**–**	**(94)**	**(94)**
At 30 April 2017	**2,600**	**723**	**1,257**	**4,580**
Net book value:				
At 1 May 2015	5,770	–	322	6,092
At 30 April 2016	5,712	–	414	6,126
At 30 April 2017	**5,712**	**–**	**194**	**5,906**

E. 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 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
Additions	**20**	**30**	**17,846**	**17,896**
Disposals	**(141)**	**(11)**	**(3,434)**	**(3,586)**
At 30 April 2017	**2,673**	**1,388**	**49,234**	**53,295**
Accumulated depreciation:				
At 1 May 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
Charge for the year	**225**	**142**	**2,837**	**3,204**
Disposals	**(141)**	**(11)**	**(1,985)**	**(2,137)**
At 30 April 2017	**1,250**	**1,098**	**17,425**	**19,773**
Net book value:				
At 1 May 2015	1,561	329	8,664	10,554
At 30 April 2016	1,628	402	18,249	20,279
At 30 April 2017	**1,423**	**290**	**31,809**	**33,522**

Included within property, plant and equipment are amounts held under finance lease contracts. At 30 April 2017 the net book value of these assets was £24,557,000 (2016: £8,948,000).The depreciation charged to the accounts in the year in respect of such assets amounted to £2,031,000 (2016: £1,647,000).

Additions to plant, machinery, fixtures & fittings include £1,757,000 (2016: £2,823,000) in respect of assets in the course of construction.

F. Investments

	Subsidiary undertakings £'000	Other £'000
Cost:		
At 1 May 2015	20,188	–
Additions	–	–
At 30 April 2016	20,188	–
Additions	**255**	**1,950**
At 30 April 2017	**20,443**	**1,950**
Provision for impairment:		
At 1 May 2015, 30 April 2016 and 30 April 2017	**215**	**–**
Net book value:		
At 1 May 2015	19,973	–
At 30 April 2016	19,973	–
At 30 April 2017	**20,228**	**1,950**

During the year the Company subscribed for share capital in Clicklink Logistics Limited (see note 15 to the Group Financial Statements) and incorporated a subsidiary in Poland, Carriba Investments Sp. z o.o., now renamed Clipper Logistics Sp. z o.o., which commenced trading in April 2017.

Notes to the Company Financial Statements continued

F. Investments (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 as at 30 April 2017 were as follows:

Company	Nature of business during the year
Servicecare Support Services Limited[1]	Returns management services and on-line retail
Clipper Logistics KG (GmbH & Co.) (Germany)[2]	Contract distribution and warehousing
Clipper Logistics Sp. z o.o.(Poland)[3]	Contract distribution and warehousing
Northern Commercials (Mirfield) Limited[4]	Sale, servicing and repair of commercial vehicles
Genesis Specialised Product Packing Limited	On-line retail and distribution
Stormont Truck and Van Limited*	Agency for leasing commitments
Clipper Verwaltungs GmbH (Germany)*[2]	Agency for leasing commitments
Electrotec International Limited*[1]	Dormant
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.

See note 29 to the Group Financial Statements for additions subsequent to the financial year end.

The registered office of each subsidiary is Clipper Logistics Group, Gelderd Road, Leeds LS12 6LT except for:

1 Hollinwood Works, Manchester Road, Hollinwood, Oldham, Lancashire OL9 7AA
2 Steinweg 2, 95213, Münchberg, Germany
3 ul. Zernicka, 22, Robakowo, 62-023, Robakowo, Poland
4 Armytage Road, Wakefield Road Industrial Estate, Brighouse, West Yorkshire HD6 1PG

G. Inventories

	2017 Company £'000	2016 Company £'000
Component parts and consumable stores	**394**	500

H. Trade and other receivables

	2017 Company £'000	2016 Company £'000
Amounts falling due within one year:		
Trade receivables	**14,840**	9,490
Other receivables	**114**	117
Prepayments and accrued income	**18,464**	15,986
Amounts receivable from related parties (see note T)	**522**	–
Amounts owed by fellow Group companies	**371**	48
	34,311	25,641
Amounts falling due after more than one year:		
Amounts owed by fellow Group companies	**3,636**	1,877
Total	**37,947**	27,518

I. Trade and other payables

	2017 Company £'000	2016 Company £'000
Trade payables	**20,588**	16,379
Other taxes and social security	**4,821**	2,506
Other payables	**2,028**	1,405
Accruals and deferred income	**13,869**	13,490
Amounts owed to related parties (see note T)	**171**	–
Amounts owed to fellow Group companies	**3,443**	3,649
Total	**44,920**	37,429

J. Financial liabilities: borrowings

	2017 Company £'000	2016 Company £'000
Non-current:		
Bank loans	**1,300**	5,060
Obligations under finance leases or hire purchase agreements	**16,757**	6,232
Total non-current	**18,057**	11,292
Current:		
Bank overdrafts	**9,263**	8,510
Bank loans	**770**	896
Obligations under finance leases or hire purchase agreements	**5,177**	2,448
Total current	**15,210**	11,854
Total borrowings	**33,267**	23,146
Less: cash and cash equivalents	**49**	212
non-current financial assets (note T)	**1,450**	–
Net debt	**31,768**	22,934

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 2017 is £nil (2016: £1,817,000).

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:

	2017 Company £'000	2016 Company £'000
In one year or less	**770**	896
Between one and five years	**1,300**	5,060
After five years	**-**	–
Total	**2,070**	5,956

See note 20 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.

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

	2017 Company £'000	2016 Company £'000
Fixed rate leases:		
Minimum lease payments:		
In one year or less	**5,961**	2,775
Between one and five years	**17,909**	6,686
	23,870	9,461
Interest:		
In one year or less	**(784)**	(327)
Between one and five years	**(1,152)**	(454)
	(1,936)	(781)
Principal of fixed rate leases:		
In one year or less	**5,177**	2,448
Between one and five years	**16,757**	6,232
	21,934	8,680
Variable rate leases:	**–**	–
Total	**21,934**	8,680

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 which expired in October 2016.

N. Provisions

	2017 Company £'000	2016 Company £'000
At 1 May	**642**	556
Utilised	**(311)**	(151)
Consideration received	**557**	–
Charged/(credited) in year	**434**	237
At 30 April	**1,322**	642

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

	2017 Company £'000	2016 Company £'000
Current	**43**	26
Non-current	**1,279**	616
Total	**1,322**	642

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 20 and 11 years from the balance sheet date. All other leases expire in 10 years or less.

During the year the Company took assignment of a property lease with eight years remaining and received compensation from the previous tenant, reflecting the agreed value of accrued dilapidation remedial works at the date of handover.

O. Deferred tax

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

	2017 Company £'000	2016 Company £'000
Deferred tax liability:		
Accelerated capital allowances	**(612)**	(397)
Deferred tax asset:		
Share based payment	**846**	300
Provisions and other timing differences	**45**	42
Net deferred tax asset (liability)	**279**	(55)

The movement in deferred tax balances is as follows:

	2017 Company £'000	2016 Company £'000
At 1 May	**(55)**	(420)
(Charged)/credited in year	**(94)**	160
Credited to share based payment reserve	**428**	205
At 30 April	**279**	(55)

The UK corporation tax rate reduced from 20% to 19% with effect from 1 April 2017. Legislation to reduce the rate to 17% with effect from 1 April 2020 was substantively enacted at 30 April 2017. A rate of 17% (2016: 18%) has been applied in the measurement of the Company's deferred tax assets and liabilities in the year.

P. Share capital

	2017 Company £'000	2016 Company £'000
Allotted, called up and fully paid:		
100,022,968 (2016: 100,005,341) ordinary shares of 0.05p each	**50**	50

During the year the Company issued 17,627 ordinary shares at a price of 140.4p per share to satisfy share options. See note 23 to the Group Financial Statements.

Q. Share based payments

Further details of the share option schemes are set out in note 23 to the Group Financial Statements. The charge to the Company's income statement for equity settled transactions in the year ended 30 April 2017 was £771,000 (2016: £417,000).

Notes to the Company Financial Statements continued

R. Commitments and contingencies

Operating lease commitments – land and buildings:

	2017 Company £'000	2016 Company £'000
Within one year	**16,062**	12,457
Between one and five years	**58,514**	52,343
After more than five years	**75,058**	79,732
Total	**149,634**	144,532

Operating lease commitments – vehicles, plant and equipment:

	2017 Company £'000	2016 Company £'000
Within one year	**5,284**	3,867
Between one and five years	**9,353**	8,769
After more than five years	**11**	99
Total	**14,648**	12,735

S. Capital commitments

	2017 Company £'000	2016 Company £'000
Authorised and contracted for	**2,011**	9,467
Authorised, but not contracted for	**2,659**	7,279
Total	**4,670**	16,746

T. Related party disclosures

Clicklink Logistics Limited (see note 15 to the Group Financial Statements) is a supplier of logistics services to the Company. The Company provides certain resources to Clicklink, principally people and vehicles, under the terms of the joint venture agreement. Amounts charged for these resources are included in revenue.

Knaresborough Investments Limited, a company controlled by Steve Parkin, receives management and administration services from the Company.

Branton Court Stud LLP, in which Steve Parkin is a partner, receives management and administration services from the Company.

Roydhouse Properties Limited is the landlord of two of the Company's leasehold properties and shares a common director with the Company.

Southerns Office Interiors Limited supplies office furniture to the Company. A company owned by Steve Parkin is registered as a person with significant control over Southerns Limited, the ultimate parent of Southerns Office Interiors Limited.

Guiseley Association Football Club shares a common director with the Company.

Harrogate Road Restaurants Limited shares a common director with the Company.

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

Key management compensation is disclosed in note 5 to the Group Financial Statements.

Balances owing to or from these related parties at 30 April were as follows:

	2017 Company £'000	2016 Company £'000
Non-current financial assets:		
Clicklink Logistics Limited – interest bearing loan	1,450	–
Trade and other receivables:		
Clicklink Logistics Limited – trading balance	282	–
Knaresborough Investments Limited	115	–
Branton Court Stud LLP	125	–
Trade and other payables:		
Clicklink Logistics Limited	135	–
Southerns Office Interiors Limited	36	–

The shareholders in Clicklink Logistics Limited have jointly made available to that company a term loan facility of £3,900,000 of which the Company's 50% share is £1,950,000. The facility may be drawn in up to ten loans. Interest on each loan is calculated at a margin above 12 month LIBOR and is payable annually. All loans drawn under the facility are repayable in November 2019.

All other balances owing to or from related parties were settled by the end of June 2017.

Transactions with these related parties in the year ended 30 April were as follows:

	2017 Company £'000	2016 Company £'000
Items credited to the income statement:		
Clicklink Logistics Limited – revenue	4,701	–
Clicklink Logistics Limited – finance income	18	–
Knaresborough Investments Limited	150	275
Branton Court Stud LLP	125	–
Harrogate Road Restaurants Limited	2	–
Items charged to the income statement:		
Clicklink Logistics Limited	410	–
Knaresborough Investments Limited	5	–
Roydhouse Properties Limited	888	885
Southerns Office Interiors Limited	46	–
Guiseley Association Football Club	25	50
South Acre Aviation Limited	7	19
Purchase of non-current assets		
Southerns Office Interiors Limited	135	–
Sale of non-current assets		
Clicklink Logistics Limited – items previously capitalised by the Company	1,173	–
Clicklink Logistics Limited – items procured but not capitalised by the Company	3,681	–

Directors, Secretary, Registered & Head Office and Advisors

Directors:	Steve Parkin, Executive Chairman Tony Mannix, Chief Executive Officer David Hodkin, Chief Financial Officer Ron Series, Senior Independent Non-Executive Director Stephen Robertson, Independent Non-Executive Director Mike Russell, 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
Financial public relations advisors to the Company:	Bell Pottinger Holborn Gate 330 High Holborn London WC1V 7QD

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Consultancy, design and production
www.luminous.co.uk

Clipper Logistics plc
Gelderd Road
Leeds
LS12 6LT

Tel: 0113 204 2050
Email: info@clippergroup.co.uk
Web: www.clippergroup.co.uk