Annual Report
and Accounts 2018

Strengthening our business

Who we are. What we do.

Logistics is crucial to your business. Nobody understands that better than us. But logistics is changing. Over the past decade the retail environment has transformed beyond recognition, and in this market place, the traditional approach to logistics is fast becoming extinct.

Consumer expectations have grown, financial pressures have slowed demand and competition has increased to give consumers more choice. And these factors combine to make the retail sector more competitive and complicated than ever before.

We understand just how business-critical logistics is, and that's why we're constantly challenging conventions to improve your business performance and help you meet the changing dynamics of retail with cutting edge logistics management solutions.

Contents

Strategic Report

1 Highlights
8 Understanding Clipper
10 Chairman's Statement
12 Our Markets
16 Our Business Model
18 Our Strategy
20 Risk Management
21 Principal Risks and Uncertainties
23 Viability Statement
24 Our People
28 Sustainability
30 Operating and Financial Review

Governance

36 Board of Directors
38 Corporate Governance Report
42 Nomination Committee Report
43 Audit Committee Report
46 Directors' Remuneration Report
48 – Implementation Report on Remuneration
54 – Appendix: Directors' Remuneration Policy
61 Directors' Report
65 Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

Group Financial Statements

66 Independent Auditor's Report
70 Group Income Statement
70 Group Statement of Comprehensive Income
71 Group Statement of Financial Position
72 Group Statement of Changes in Equity
73 Group Statement of Cash Flows
74 Notes to the Group Financial Statements

Company Financial Statements

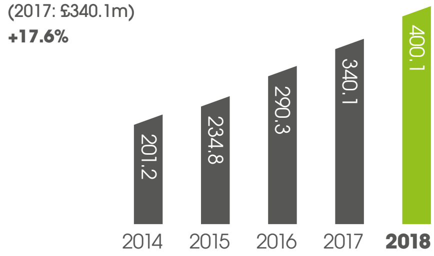
102 Company Statement of Financial Position
103 Company Statement of Changes in Equity
104 Notes to the Company Financial Statements
116 Directors, Secretary, Registered & Head Office and Advisors

Highlights

Group revenue

£400.1m

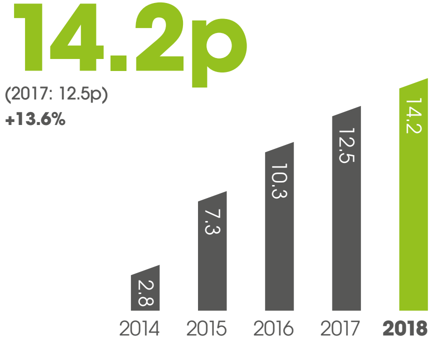
(2017: £340.1m)
+17.6%



Earnings per share

14.2p

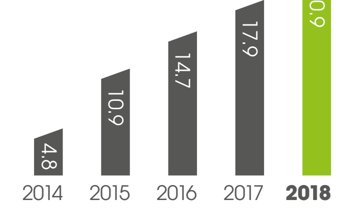
(2017: 12.5p)
+13.6%



Group EBIT*

£20.9m

(2017: £17.9m)
+16.3%

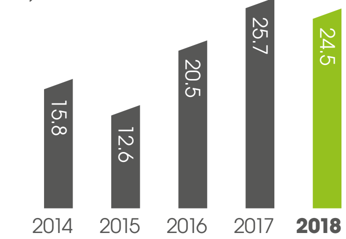


* Group EBIT is defined as operating profit, including the Group's share of operating profit in equity-accounted investees, before amortisation of intangible assets arising on consolidation.

Cash generated from operations

£24.5m

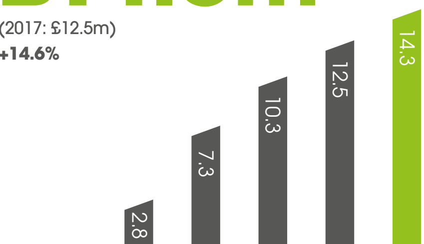
(2017: £25.7m)
-4.6%



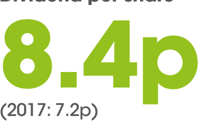
Group profit after tax

£14.3m

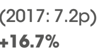
(2017: £12.5m)
+14.6%



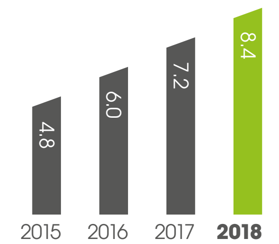
Dividend per share



8.4p



(2017: 7.2p)
+16.7%



People are at the heart of our business

A major component of our Human Resources agenda is learning and development.

Underpinning our competency framework is a whole suite of people development programmes from technical training through to management and senior executive development.

Clipper employs over 4,700 people in 46 locations in Europe.

The Clipper approach

The recruitment, retention and development of people are fundamental to the growth strategy and ongoing success of the Group. Our Human Resources agenda continues to develop in line with the needs of the business and we have a well-defined people strategy that ensures we remain properly resourced in all areas, whilst seeking to develop talent and enrich career opportunities.

We have a strong identity and team ethos working as one company to respond quickly and embrace change. To provide focus and drive a 'one-team' dynamic, the Team Clipper cultural programme has been developed during the year. It is aimed at driving performance and creating an internal branding and dialogue that enables everyone to understand their contribution to the success of the business. This initiative is supported by a number of cultural programmes, performance development reviews, a competency framework and a whole suite of programmes designed to augment continuous improvement, communication and engagement.

Strengthened our position in Europe

The UK is the most developed country in Europe for multichannel retailing, with over 12% of all purchasing taking place online. However, major EU countries such as Germany, Italy and France are growing online sales fast and are hot on the heels of the UK.

Through listening to our international customers it is clear that their key concerns are pan-European capabilities to handle the growing demands of online returns.

Adding value with existing customers in new territories.

European expansion

We have successfully opened our first facility in Poland where we have already secured three new contract wins. All three contracts are open book, replicating the business model that has worked so well for us in the UK. Two of the contracts started in early 2017 with the third due to commence late in 2018. As the contracts are open book, the Polish operations carry little financial risk and have been immediately earnings-enhancing.

The first contract win was for Westwing, a large home and leisure retailer operating in the German market.

A second long-term contract quickly followed in the same facility in Poznań. This operation is another e-commerce returns operation for ASOS, complementing our existing UK operation, bringing together two of our strategic pillars (continue European expansion and develop new, complementary products and services).

The third contract is an increase in the scope of operations for Westwing. This has necessitated expansion into an adjacent Poznań facility currently being constructed.

We have also extended our electronic returns operation for Amazon into Europe. Whilst initially a relatively small-scale operation located in our existing Kempen facility, it further demonstrates Clipper's ability to grow existing UK customer relationships cross-border.

Growing our offer through acquisition

The acquisition of RepairTech will enable us to offer existing and prospective customers of RepairTech, Servicecare and the wider Clipper Group a truly comprehensive range of returns management services.

We welcome the employees and management team of RepairTech to the Clipper Group, and look forward to continuing to build the breadth and depth of our services and customer base.

Leveraging logistics and technical services across the Group.

RepairTech
part of the Clipper group

Technical Services

Subsequent to the acquisition, we have unified Clipper's existing Servicecare operations and RepairTech under a new Technical Services umbrella. Now operating under one management team, Technical Services offers electronic repairs and returns services to a wide range of customers, comprising manufacturers and retailers.

Several of the retail customers of Technical Services are also existing customers of Clipper, enhancing our credentials with these customers. Certain of Technical Services' existing blue-chip customers are target customers of Clipper; there are also opportunities to offer electrical returns services to Clipper's existing Boomerang customers, consolidating Clipper's reputation as a one-stop shop for retail returns.

The Technical Services division includes a new returns operation for Amazon, performed at our Kempen site in Germany.

Understanding Clipper

Logistics is crucial to your business. Nobody understands that better than us. In a rapidly changing retail environment, we're redefining logistics.

The speed of change is phenomenal

In e-fulfilment & returns management services, the logistics requirements of retailers have changed dramatically:

- 25% 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).
- Online returns are forecast to grow at the same rate as online spend over the next five years with clothing and footwear dominating the channel, accounting for 70% of all online returns by 2022 (source: Global data).
- 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, 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 46 locations comprising over 9.2 million square feet. It now has over 4,700 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-added 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.

In the previous 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 25% currently to 33% by 2022 (source: PwC).

The results of Technical Services are included in the e-fulfilment & returns management services category.

Non e-fulfilment logistics

This business activity includes receipt, warehousing, value-added 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

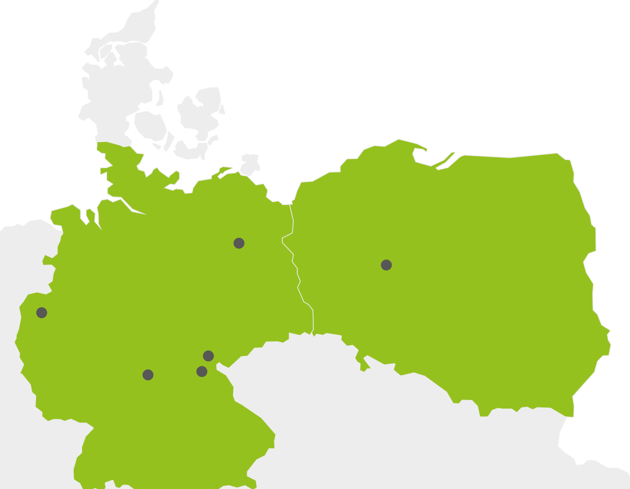
Central logistics overheads are the costs of support services specific to the logistics services segment, but which are impractical to allocate between the sub-segment business activities.

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.

We operate from 46 locations comprising over 9.2 million square feet.



● Logistics depots
○ Commercial vehicle sites

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

– In non-food retail, the penetration of online is expected to grow from its current level of 25% of total sales to 33% by 2022.
– We are leaders in this sector, providing e-fulfilment solutions and specialised returns management services through our Boomerang brand, which has been enhanced with the acquisition of RepairTech (see note 28 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 cash flows.
– 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.
– Growth of Click and Collect through Clicklink.
– Continuing further research for 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 2018 financial results following the fourth anniversary of our listing on the Main Market of the London Stock Exchange in June 2014.

Steve Parkin
Executive Chairman

The financial year ended 30 April 2018 has seen a continuation of our historic track record of achieving significant organic revenue growth, complemented by the addition of strategic, value-enhancing acquisitions.

The Group is focused on developing innovative, cost-effective solutions that address the needs of our blue-chip client base, predominantly in the retail sector. We continue to invest in quality people to implement sector-leading projects, and this, together with our ability to identify key trends and developments in the sectors we serve, means that we are confident in our ability to continue this momentum.

The Group has achieved another strong financial performance in the year under review, and has commenced significant new contracts with high profile retailers including Edinburgh Woollen Mill, River Island, M&S and ASOS, for whom we have introduced returns management services in Poland. In addition, we have seen significant growth in activity with many of our customers including Asda, Morrisons, Philip Morris, Wilko, Zara and s.Oliver. Further, our commercial vehicles business continues to perform strongly.

During the year, we announced the acquisition of Tesam Distribution Limited in May 2017, and the acquisition of RepairTech Limited in June 2017. Both of these acquisitions have been immediately earnings-enhancing. These acquisitions demonstrate our ability to identify complementary businesses that extend the breadth of both our customer base and our service offerings, and enhance returns to shareholders. I would like to welcome the colleagues and management of both businesses to the Group.

We will continue to identify key trends in the sectors we serve, and develop new services, processes and solutions that address the needs and challenges of our customers. Clipper's unique understanding of the dynamics of the retail sector, and in particular the e-commerce sector including returns management and click and collect, provides the Group with exceptionally strong strategic positioning for the future.

In the logistics sector, we have a high proportion of revenue from open book or minimum volume guarantee contracts, whilst in the commercial vehicles sector much of our profit and cash streams come from servicing and parts activities which are extremely stable. These contract mechanics provide a good degree of protection to the Group's earnings and cashflows.

Consequently, the Group is well positioned to continue to deliver strong returns to our shareholders, despite the challenges that some parts of the retail sector are experiencing.

We are mindful of the wider economic climate, and in particular of the headwinds facing our customers in

The Group is focused on developing innovative, cost-effective solutions that address the needs of our blue-chip client base.

Group revenue

(2017: £340.1m) **+17.6%**

£400.1m

Group EBIT*

(2017: £17.9m) **+16.3%**

£20.9m

* 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.

the retail sector. We continue to monitor the situation closely and engage with our customers to find new ways to pro-actively assist them.

Group results

Group revenue increased by 17.6% to £400.1 million for the year ended 30 April 2018 (2017: £340.1 million), and Group EBIT increased by 16.3% to £20.9 million (2017: £17.9 million).

Diluted earnings per share were 14.1 pence for the year ended 30 April 2018 (2017: 12.3 pence), an increase of 14.6%.

Basic earnings per share were 14.2 pence (2017: 12.5 pence), an increase of 13.6%.

Net debt was £31.7 million at the year end (2017: £25.1 million), in line with our expectations. We continue to invest in capital projects to support both new contracts and growth of existing contracts, much of which involves a commitment from customers to reimburse this capital over the duration of the contract. Net debt is defined as borrowings, less cash, cash equivalents and non-current financial assets (see note 20 to the Group 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 proven track record of identifying key trends within the sectors we serve, and developing relevant cost-effective solutions that address those needs.

Further, we have a proven ability to identify strategic acquisitions that enhance Group performance and shareholder value.

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

Governance

The executive management team comprises Tony Mannix (Chief Executive Officer), David Hodkin (Chief Financial Officer) and myself, and the Group benefits from the combined experience of Ron Series (Senior Independent Director), Stephen Robertson and Mike Russell, our Non-Executive Independent Directors.

Paul Hampden Smith stood down from the role of Senior Independent Director on 12 July 2017.

Dividends

The Board is recommending a final dividend of 5.6 pence per share, making a total dividend in respect of the year ended 30 April 2018 of 8.4 pence (2017: 7.2 pence), an increase of 16.7%.

The proposed final dividend, if approved by shareholders, will be paid on 1 October 2018 to shareholders on the register at the close of business on 7 September 2018.

Outlook

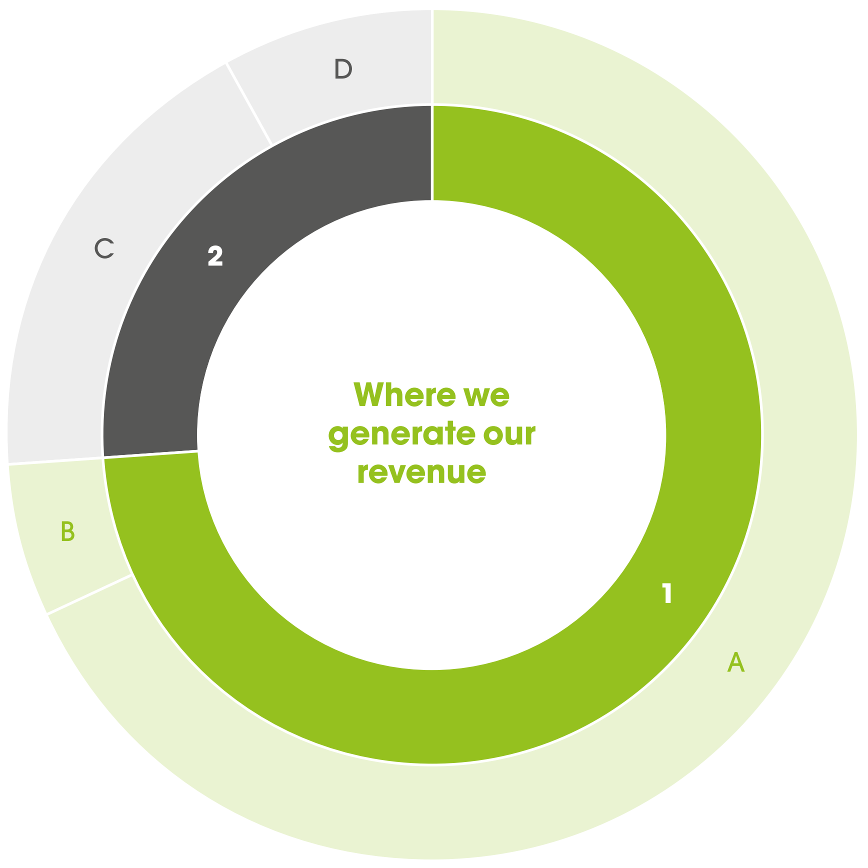
The Group continues to be one of the leading providers of value-added logistics and e-fulfilment solutions to the retail sector in the UK. Recent contract wins, together with a strong pipeline of new business activity and the further evolution of our Click and Collect proposition, place the Group in an excellent position to achieve further growth both in the UK and internationally. Indeed, Clipper's approach of adopting a hands-on, long-term and pro-active relationship with its retail clients allows it to continue to grow during these changing retail market conditions.

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

Steve Parkin
Executive Chairman

Our Markets

The Group serves markets in the UK – where 94% of Group revenue is generated – and in mainland Europe, primarily Germany.



1	**Logistics**	**74%**	**2**	**Commercial vehicles**	**26%**
A	UK retail	92%	C	UK sales	71%
B	Other EU logistics	8%	D	UK aftersales	29%

UK retail growth may have slowed, but strong growth is still expected in e-commerce where Clipper excels.

Tony Mannix
Chief Executive Officer

UK retail

68% 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 £208.0 billion in 2017, having grown from £196.4 billion in 2016, growth of 5.9% (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 £133 billion in 2016 and £149 billion in 2017 (12.0% annual growth), with a further 9.0% growth forecast in 2018. Q1 2018 saw online retail sales growth of 15.4% so IMRG anticipates that this growth forecast may need to be revised upwards over the coming months. The Group's strength in e-commerce sees us well positioned to take advantage of this market growth.

Recent market trends

In the last year, we have seen various changes affect the UK retail market, bringing a variety of opportunities and challenges to Clipper.

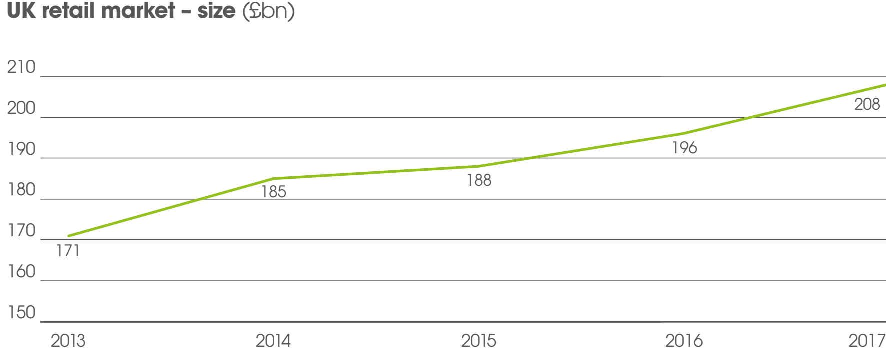
UK retail has undeniably faced some challenges in early 2018. In this period, there have been a number of high profile bricks and mortar UK retailers going into administration (e.g. Toys R Us and Maplin), with others having announced significant store rationalisation programmes (e.g. New Look, M&S and House of Fraser). The tough trading conditions have been driven by "bad weather, increasing levels of personal debt and the poorest year-on-year high street footfall results

for a decade" (Source: KPMG/Ipsos Retail Think Tank). However, certain retailers, particularly those with a significant online presence and without the significant overhead of a store retail estate, are still trading well. Indeed, the market capitalisation of ASOS, a relative newcomer to the market having only been founded 17 years ago, overtook that of high street stalwart M&S in the financial year, demonstrating the City's perception of the differing outlooks faced by the traditional retailers compared with the pure-play e-tailers. Clipper has market-leading credentials in UK e-commerce fashion logistics, counting six of the top ten most visited UK e-commerce clothing sites (source: SEMrush) among its customers. This leaves Clipper in an extremely strong position to capitalise on the predicted 9.0% market growth in 2018.

Demand continues to increase for next-day and same-day delivery, whether that be:

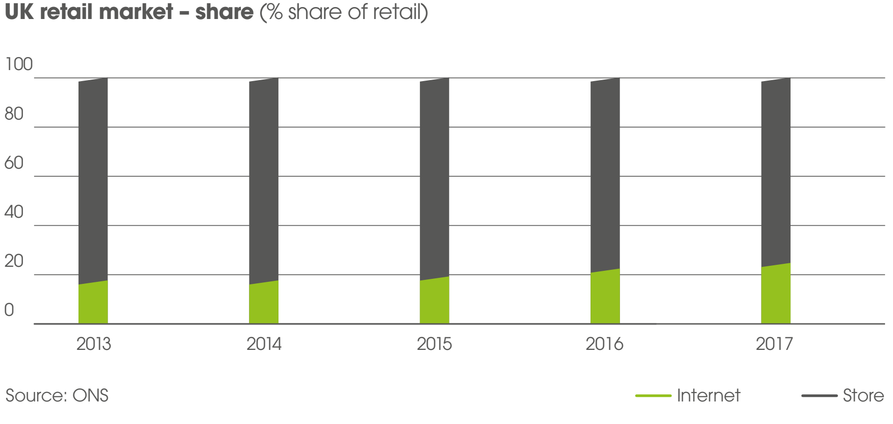
- directly to customers' homes. Forrester research shows that 30% of customers would happily pay extra for a product bought online to get it delivered on the same day as purchase;
- rapid retail fulfilment into store. Retailers are supplementing their regular store deliveries with top-ups in order to satisfy consumers' desire for speed and convenience. This enables retailers to use very short lead times to micro-manage stock holdings whatever the driver, e.g. capitalising on the 'trend of the day' to quickly address stock outages and to ensure promotional lines are kept adequately full;
- single customer orders into store via Click and Collect. With consumers struggling to predict their whereabouts in order to sign for deliveries, it is no surprise that 24% of shoppers chose to 'click and collect' during Black Friday (compared with 20.6% last year) (source: KPMG). Click and collect deliveries into the retailer's own store present the added bonus to retailers of additional footfall into store, increasing potential for spontaneous purchases. Almost a quarter (24%) of adults surveyed who used a click and collect service bought another item while picking up their order (source: JDA/Centiro). UK shoppers are ahead of the curve when it comes to click and collect use: 54% of UK shoppers used it in the last year compared with a European average of 42% (source: JDA/Centiro).

UK retail market – size (£bn)



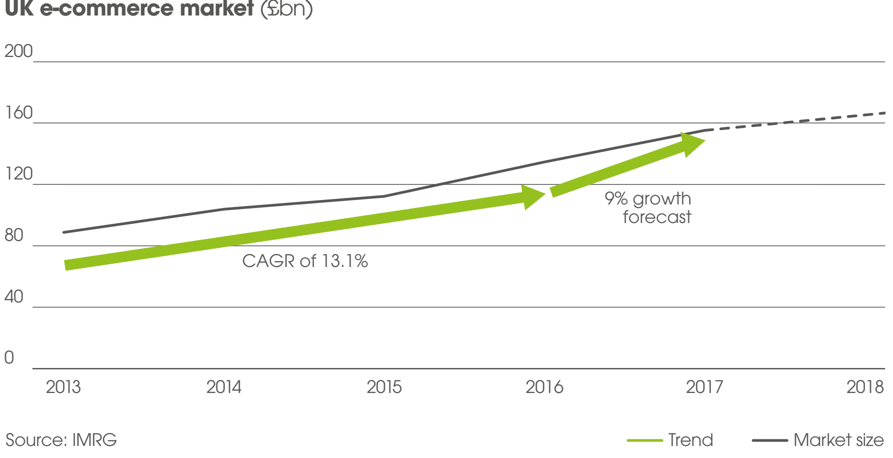
Source: ONS

UK retail market – share (% share of retail)



Source: ONS — Internet — Store

UK e-commerce market (£bn)



Source: IMRG — Trend — Market size

Our Markets continued

Clicklink, our joint venture with John Lewis, offers a seven days a week B2B click and collect service, thereby creating the opportunity for retailers to capitalise on those ever-increasing next-day and same-day opportunities into store. In addition to John Lewis as anchor customer, Clicklink also now has a number of third party retailers using its platform, a platform unique in that it was 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).

Despite this continuing trend towards e-commerce, over 75% of retail sales (excluding food and fuel) are still transacted in high street stores (source: ONS), with 58% of shoppers citing immediacy as their main reason for using the store (source: PCMS) and 70% of shoppers still using the store as a means of physically interacting with products (source: PCMS). This demonstrates that a multi-channel approach continues to remain vitally important to consumers and so it needs to remain an area of focus for retailers. Despite this, 70% of consumers feel that retailers are still not providing a consistent level of personalised service across their online and bricks and mortar operations (source: PCMS). However, we have seen a number of recent techniques being adopted by retailers in order to differentiate their services from those of their competitors. For example:

- equipping store associates with tablets to improve the customer experience, whether that be to look up products, to demonstrate the item or to make recommendations based on previous purchases;
- in-store digital engagement with consumers (consumers are increasingly likely to use a mobile device whilst in store) with product reviews and targeted offers being sent to the customer's mobile while in store; and
- the new Zara Westfield store is their first store globally to feature new digital technology which integrates the online and offline shopping experiences. The store features automated online collection points, robotic picking and interactive mirrors, which are able to detect the product a customer is holding, allowing them to see what it looks like on a model displayed in the mirror.

Product returns continues to be a key battleground for retailers, both in terms of customer experience and cost management:

Customer experience

- **Convenience.** In a recent JDA/Centiro survey covering certain European markets, 70% of respondents said the ease of being able to return items factors into which retailer they choose from to shop online.
- **Service expectation.** The customer expects returns to be processed seamlessly, and for the refund to be credited promptly into their bank account once the goods have been returned. In the UK ASOS returns operation in the year ended 30 April 2018, of those customer returns within ASOS forecasts, Clipper sanctioned the refund of 99.8% within 24 hours of receipt to the warehouse. Including those customer returns not within ASOS forecasts, Clipper sanctioned the refund of 75.5% within 24 hours of receipt.
- **Price.** The KPMG Annual Retail survey 2018 highlighted that 67% of shoppers said that 'free returns' is the most important factor when returning orders. However, there is a commercial disparity between consumer expectation and the cost to the retailer of providing a multi-channel reverse logistics solution. Indeed, fashion retailer Next has been the first high profile player to break ranks by introducing a charge for returns, with a charge for £1 per collection returned through certain channels. It remains to be seen whether other retailers will follow suit.

Cost management

- There are obvious costs to the retailer of physically getting returned goods back into a saleable condition, but there are other financial considerations too. Improved reverse supply chain efficiency reduces the amount of working capital tied up and protects against margin dilution for the retailer, particularly when returned Black Friday stock can be back on sale at full price ready for the Christmas peak.

Developing market trends

We expect consumers' desire for immediacy, flexibility and a personalised service to pervade. We expect that those retailers who best address these demands will stay ahead of the competition.

In terms of immediacy, shortening e-commerce delivery times will continue its trajectory along the path from 3–5 days to next day, and from next day to same day. Clipper has market-leading experience and credentials in this area and already has the infrastructure in place to deal with many of the additional opportunities this will bring over the coming years. We are working with existing and potential customers and suppliers to develop further solutions in this area.

In terms of flexibility, 70% of consumers want retailers to provide more flexible fulfilment options (source: OnePoll) yet only 4% of retailers are currently able to offer changes in the delivery requirements at any time after the customer has placed an order (source: Retail Week Connect). We foresee retailers, alongside Clipper and Clicklink, working to close this expectation gap.

Whilst the retailers have worked to make the customer experience more personal to the customer over recent years, we expect to see continued development here. This involves a retailer bringing together all of its knowledge about a customer from various sources and using this to delight the customer, whatever the channel. An example of this is combining customer conversation data gleaned in store with order and browsing history from online accounts, allowing store and call centre staff to offer a more personalised service.

We expect retailers and logistics providers to continue to innovate in the supply chain, further embracing the use of virtual reality, augmented reality, AI (Artificial Intelligence) and machine learning to harness opportunities. Such opportunities include customer visualisations, range optimisations, intelligent demand forecasting and dynamic pricing. As a retail solutions provider, we expect Clipper to reach further into these areas and the lines between what is a retailer activity and what is a Clipper activity to become increasingly blurred.

Another example of this blurring where we see opportunity is in 'picking from the returns flow'. Here, Clicklink and Boomerang work hand-in-hand to enable picking from the returns flow. Clipper's systems integrate seamlessly with those of the retailer to enable returns of any fast-moving SKUs to be picked from the returns cycle and quickly redeployed back to stores. Such stocks are returned through the Clicklink return leg, the return is checked and the refund allocated to the consumer through Boomerang, and the goods are identified, allocated, and redeployed back to stores and consolidated with other stock on the Clicklink outbound leg. This process reduces the number of logistics steps needed to get these goods back on the shelf by:

– removing the need to first get the goods back into the primary stock system before they can be allocated and re-picked; and
– removing the need for an additional delivery run into store; it just piggy-backs on an existing Clicklink journey.

This saves time and cost in the reverse logistics cycle and means Clipper can help retailers' inventory 'work harder'.

Shortly after our year end, the much-publicised General Data Protection Regulation ("**GDPR**") legislation came into law. Whilst Clipper and its subsidiaries are not immune to the compliance burden brought about by this legislation, the increased importance on data wiping of internet-enabled household appliances presents new business opportunities for Technical Services.

Commercial vehicles

26% of Group revenue is 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 contraction of 3.5% in the calendar year 2017 compared with the prior year, as shown in Table 1 below.

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, below, shows that 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.

Other markets

Other EU logistics

Omni-channel retail solutions are just as important in mainland Europe as they are in the UK, as retailers look to ensure global consistency of service across their brand. By way of illustration, Clipper's ASOS returns centre in Poznań performs exactly the same function and to the same exacting standard demanded of Clipper's ASOS returns centre in the UK.

That said, we continue to remain cognisant of the differences in consumer preferences and behaviour across geographical markets:

– In Germany, click and collect usage was only 28% (source: JDA/Centiro) compared with 54% in the UK, possibly owing to the more dispersed geographical spread of consumers in Germany than in the UK, and therefore greater average distances between retail outlets and the consumer, making click and collect less convenient to consumers.
– Consumers value a slick returns process even more importantly in Germany; 77% of German consumers choose a retailer based on the returns experience compared with only 70% for Europe as a whole (source: JDA/Centiro).
– 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.

Table 1

New commercial vehicle registrations	2016	2017	% change
Light commercial vehicles up to 3.5t	375,687	362,149	–3.6%
Rigid	26,882	25,535	–5.0%
Articulated	19,346	19,510	+0.8%
	421,915	**407,194**	**–3.5%**

Source: SMMT

Table 2

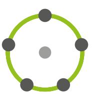
Commercial vehicles on UK roads	2016	2017	% change
Vans	4,007,331	4,299,828	+7.3%
Trucks	581,645	602,799	+3.6%
	4,588,976	**4,902,627**	**+6.8%**

Source: SMMT

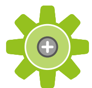
Our Business Model

Clipper delivers a broad range of value-added 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-added 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 Superdry.

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 embraces new technology.

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 services. We operate open book contract terms for 64% 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 long-term customer relationships, 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.

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.

1

Opportunity
How can we help?

2

Exploration
We analyse and identify your business challenges

3

Solution planning
We design a high quality, cost-effective solution for your needs

4

Implementation
We create and implement a bespoke logistics solution

Our business model in action: Amazon Germany

What we did

During the financial year, we have taken the electrical goods returns operation we successfully run for Amazon in the UK and used it as a blueprint for a similar model for the same customer in Germany. The contract was awarded by the customer in February with a lead time to going live of only four weeks.

The results

Space in our existing Kempen facility was vacated and prepared, a local team was recruited and the first stock was receipted within four weeks, with the first repairs successfully processed and returned to Amazon two weeks later. Close collaboration between UK Technical Services and Clipper Germany was pivotal, delighting the customer with the speed at which we were able to implement the solution.

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 such as 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.

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 4,700 employees have access to attractive career progression in a market-leading logistics business. The Sharesave Plan 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.

Improve

- Business performance improvement and implementation
- Win/win analysis

Revise

- Identify actions
- Process improvements
- Reporting and analysis

Review

- Daily/monthly/annually

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 all mean that we are a new breed of logistics company, bringing true differentiation to our customers.

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 services 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 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 British American Tobacco (for Vype), Halfords, Inditex, Links of London, Kidly, Pretty Green, Secret Sales, SilkFred, Smiffys, Thread 35 and Westwing.

New contracts went live in the year with M&S returns operations, River Island, Edinburgh Woollen Mill and Crosswater in the UK; ASOS returns in Poland; and Urban Outfitters and Superdry in the Clicklink joint venture.

New contracts have been secured which will commence in the year to 30 April 2019, including boohoo.com subsidiary Pretty Little Thing.

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 RepairTech and Tesam will 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 developed 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 year contribution of the Ancillary Distribution Centre project has been reached in the year ended 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 and Poland, 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 multi-channel 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.

The full year benefit was realised from contracts that went live in the previous year with ASOS and Westwing in Poznań, Poland.

Technical Services activities have also commenced in Kempen, Germany, leveraging existing customers with additional service lines.

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

During the year, Clipper acquired Tesam in May 2017 and RepairTech in June 2017. These have been successfully integrated into the Group and have been immediately earnings-enhancing. 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 recruit, 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 and has a flat management structure. 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 seek to limit this risk. Where appropriate, remedial action is taken. 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, inefficiency 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, including penetration testing. 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. We implemented a new accounting system and a new HR/payroll/time and attendance system in the current year, readying the business for its next stage of growth and replacing previous systems.
Poor cost control on contracts Inability to control costs on: – closed book contracts adversely impacts our profitability; and – open book contracts adversely affects our reputation with customers	Weekly and monthly management accounts allow Clipper to quickly identify areas where costs may be trending out of control. Ahead of submission, tenders are reviewed by senior members of the operational and finance teams to ensure that targeted productivities and costs can be achieved. Post-implementation reviews and knowledge sharing across sites ensures that we learn from any mistakes.
Financial resilience of customers Difficult UK retail market conditions in 2018 have seen more retailers in financial distress. As well as the increased bad debt risk this brings to Clipper, there is also an increased risk of Clipper being burdened with onerous vehicle and property leases.	Clipper benefits from a right of lien over its customers' inventory under common law, largely mitigating Clipper from any bad debt risk. Clipper has historically been able to fill vacant warehouse space quickly. As such, Clipper's exposure to onerous space costs in any period following a customer default is limited. Clipper's commercial vehicles division means Clipper has a ready-made route to market for vehicle disposals, meaning that any onerous leases can be largely mitigated in the event of customer default.

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 introduction into law of GDPR on 25 May 2018 brings additional compliance risks for the Group.	The Group utilises 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. A GDPR Steering Committee was created to ensure all parts of the Group are GDPR compliant. 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. Contracts are updated to reflect the new compliance regime and appropriate limitations of liability to customers negotiated where possible.
Government policy The introduction of the National Living Wage ("**NLW**") in the UK increases the costs of labour annually. 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. In UK logistics, 64% 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.

Risk	Mitigation
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 2018, the Group entered into increased 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.
Insurance risk Certain risks may be uninsured or 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 interim staff 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 2016 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 2021. 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 2021.

Our People

The recruitment, retention and development of people are fundamental to the ongoing success and growth strategy of the Group.

Our recruitment strategy aims to ensure we can support Clipper's growth plans through hiring the best people for our business, first time, every time.

We will achieve this through four main avenues:

People – improving and increasing the channels by which potential candidates have access to Clipper.

Process – implementing uniform and transparent processes across the business to ensure we are all aligned and working together toward a common goal.

Systems – investing in and implementing new technology to facilitate our ability to achieve our recruitment goals.

Collaboration – internal recruitment is a new concept for Clipper. Working together, feedback and communication is key to its success!

We have a vision to be the UK's leading retail logistics specialist.

Tony Mannix
Chief Executive Officer

>4,700

Number of employees

46

Number of locations

Our Human Resources agenda continues to develop in line with the needs of the business and we have a well-defined people strategy that ensures we remain properly resourced in all areas, whilst seeking to develop talent and enrich career opportunities.

Our People continued

Clipper directly employs over 4,700 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.

Our approach

To underpin our HR strategy, we have developed a comprehensive Group-wide competency framework, which defines, at all levels from apprentices up to Board level, expected levels of behaviour and outputs. This framework brings to life our values – Agility, Ability and Credibility – and provides the road-map for everyone to succeed in our organisation. Our recruitment, learning and development, succession planning and retention strategies are all built around the competency framework.

Employee engagement

Reward and recognition are fundamental to Clipper. Our reward strategy ensures that everyone is properly remunerated for the role they undertake and we proactively benchmark our terms and conditions across the wider logistics industry sector. All employees with six months' service or more are invited to participate in each iteration of the Sharesave Plan (see page 94).

Open and regular communication across the Group remains high on the HR agenda as we continue to seek new and innovative ways of ensuring everyone remains up to date with what is happening. Increasingly, technology is playing a greater part in our communication strategy and, in 2018, we are launching a brand new Group-wide intranet. The use of social media is becoming ever-more popular and is used both internally and externally.

Loyalty of service is a cornerstone of our people strategy and we have a well-defined award policy that recognises those who have given long and loyal service to our organisation.

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.

Fresh Start programme

Clipper remains committed to the equality of employment for everyone and recruits, develops, promotes and supports people regardless of their characteristics. To further enhance this commitment, over the past six months, we have launched our Fresh Start programme, which brings together a number of charity partners who represent different minority groups – Mencap, Remploy, Scope and Tempus Novo to name but a few. Over the next 12 months, Fresh Start is being rolled out across all of our sites with the aim of providing work and career opportunities for those who may otherwise have challenges entering the job market. This not only underpins our commitment to corporate social responsibility but also gives us greater recruitment opportunities.

People development

Major components of our HR strategy are learning and development. Underpinning our competency framework is a whole suite of people development programmes, from technical training through to management and senior executive development. In addition to comprehensive technical training, we have a full range of NVQ training, supported by the Apprenticeship programme. For middle management, our Emerging Leaders programme is an 18 month programme which engages people in a wide range of people management strategies, all aligned to the workplace. Similarly, our Agile Leaders programme for senior managers is designed to develop the talents and capabilities of people as leaders for the future. All of this underpins our succession planning.

Team Clipper

To provide focus and drive a 'one-team' dynamic, the Team Clipper cultural programme has been developed aimed at driving performance and creating an internal branding and dialogue that enable everyone at all levels to understand their contribution to the success of the business. This initiative is supported by a number of cultural programmes, performance development reviews, the competency framework and a whole suite of programmes designed to augment continuous improvement, communication and engagement.

Driver training

With our ever-growing vehicle fleet, the continuous development and improvement of driver skills is paramount. Our dedicated team of driver trainers ensures that every one of our drivers is fully trained and undertakes regular professional driver update training. Our dedicated driver training simulator has significantly enhanced driver performance and we continue to develop driver competence through both classroom based and on-road learning.

Schools and universities

We actively promote both Clipper and the logistics sector in schools, colleges and universities and are working with the education bodies to ensure the sector is represented on the curriculum.

Our Graduate Training programme continues to go from strength to strength and, once again, this year we have recruited a number of graduates in various disciplines. We are also working in partnership with Sheffield Hallam University to develop a bespoke management degree tailored to the specific needs of our organisation, which forms part of our Management Apprenticeship 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 programme and their impact is reflected in our truly diverse workforce. We have comprehensive 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.

Gender breakdown as at 30 April 2018

	Male	Female	Total	Male %	Female %
Board	6	0	6	100	0
Other senior management*	11	1	12	92	8
All employees	2,738	2,021	4,759	58	42

* As defined by the Companies Act 2006, this category includes all employees responsible for planning, directing or controlling the activities of the Group, excluding the Company's Directors.

Sustainability

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

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

The environment

We are committed to limiting the impact that our operations have on the environment, and we are doing this by:

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

Greenhouse gas 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 kWh 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 ended 30 April 2018, Scope 1 emissions increased from the prior year, driven by an increase in the warehouse space occupied by the Group (which led to higher gas usage), and an increase in the transport activities within the UK logistics business (which increased the amount of diesel fuel used). However, total emissions per £ million of revenue fell by 15.2% 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. Scope 2 emissions have fallen despite overall higher kWh usage; the UK electricity factor is prone to fluctuate from year to year as the fuel mix consumed in UK power stations (and auto-generators) and the proportion of net imported electricity changes.

Under the most recent update, the CO_2e factor has decreased due to a decrease in coal generation and an increase mainly in natural gas and, to a much lower extent, renewable generation.

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

Emissions (tCO_2e)	**Year ended 30 April 2018**	Year ended 30 April 2017
Scope 1	**32,070**	27,845
Scope 2	**6,866**	11,161
Total emissions	**38,936**	39,006
Emissions per £m of revenue	**97.3**	114.7

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

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

Carbon dioxide emissions -15.2%

97.3 tonnes

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

Commercial

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

Telematics

The vast majority of the commercial fleet has telematics fitted. The initial reason is road safety; however, when drivers drive more conscientiously we have seen a 10% reduction in fuel use.

Longer semi-trailers

There is a current trial underway which utilises longer semi-trailers in our trunking operations. These trailers are double decked and two metres longer than our current trailers. These will increase capacity per trailer and reduce the amount of trunks that we will need, therefore reducing costs in the operation and reducing our carbon footprint.

Gas-powered vehicles

There are a number of gas-powered trucks on order which produce less harmful emissions.

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. Our Fresh Start programme will also ensure that we will actively promote the recruitment, engagement, development and succession of people who may otherwise face barriers to entry into employment.

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 are 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 regarding 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. All suppliers are notified of Clipper's Anti-Slavery and Human Trafficking policy 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 their right to work in the United Kingdom. Clipper audits its agency suppliers against legislative compliance, including compliance with the Modern Slavery Act 2015. 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.

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.
- We will 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 Group performance for the year ended 30 April 2018

The Group continued to make good progress in the financial year ended 30 April 2018.

Group revenue

Group revenue increased by 17.6% to £400.1 million, with strong growth in all business areas:

Revenue	Year ended 30 April 2018 £m	Year ended 30 April 2017 £m	% change
E-fulfilment & returns management services	**159.4**	129.9	+22.7%
Non e-fulfilment logistics	**139.1**	121.9	+14.1%
Total value-added logistics services	**298.5**	251.8	+18.6%
Commercial vehicles	**103.6**	91.5	+13.2%
Inter-segment sales	**(2.0)**	(3.2)	
Group revenue	**400.1**	340.1	+17.6%

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

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

- the full-year impact of operations commenced during the year ended 30 April 2017, including: British American Tobacco (for Vype), Halfords, Inditex, Links of London, Kidly, Pretty Green, Secret Sales, SilkFred, Smiffys, Thread 35 and Westwing; and significant changes to the services provided to John Lewis. These are partly offset by the full-year impact of the Hobbycraft and Ted Baker contracts, which ceased during the year ended 30 April 2017, and incremental operational costs resulting from growth and start-up on a small number of contracts which have since been renegotiated to give more favourable terms to Clipper going forwards;
- volume growth and extension of services on existing contracts, including Antler, ASOS returns, Asda, Bench, Browns, Haddad, Morrisons, Philip Morris, Wilko and Zara in the UK, and s.Oliver in Germany, in part driven by particularly strong organic growth in the e-fulfilment market due to the ongoing shift in retail trends towards online trading, whilst contract packing opportunities in the tobacco sector have declined;
- the part-year impact of operations commenced during the year ended 30 April 2018, including: Crosswater, Edinburgh Woollen Mill, M&S returns operations and River Island in the UK; ASOS returns in Poland; and Superdry and Urban Outfitters in the Clicklink joint venture. The impact of these activities will not be fully realised until the year ending 30 April 2019;
- significant growth in the current period from the acquisitions of Tesam and RepairTech, completed in May 2017 and June 2017 respectively; and
- a contribution from property related advisory services, an area that will continue to deliver returns as the Group leverages its growing property portfolio.

Revenue growth in commercial vehicles was driven by:

- a £12.5 million (22%) increase in new vehicle sales. The number of new units sold actually decreased by 11% year-on-year, but the average selling price for the vehicles increased by 37% due to the product mix of vehicles sold; and
- a slight (3%) decrease in aftersales revenues, comprising servicing, body shop and parts sales.

Group EBIT

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

EBIT	Year ended 30 April 2018 £m	Year ended 30 April 2017 £m	% change
E-fulfilment & returns management services	**11.9**	10.2	+16.0%
Non e-fulfilment logistics	**14.8**	12.4	+18.9%
Central logistics overheads	**(5.7)**	(4.8)	
Total value-added logistics services	**21.0**	17.8	+17.6%
Commercial vehicles	**2.5**	2.3	+4.6%
Head office costs	**(2.6)**	(2.2)	
Group EBIT	**20.9**	17.9	+16.3%

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

Clipper continues to outperform market growth in e-fulfilment and non e-fulfilment.

David Hodkin
Chief Financial Officer

Group revenue
(2017: £340.1m) **+17.6%**

£400.1m

Group EBIT*
(2017: £17.9m) **+16.3%**

£20.9m

* 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.

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 further below.

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 16.3% to £20.9 million for the year ended 30 April 2018, primarily as a result of the revenue drivers mentioned above. EBIT grew in all business areas.

A more detailed discussion by operating segment is included later in this narrative.

Net interest charges

Net interest charges for the year ended 30 April 2018 increased by 20.8% to £2.0 million (2017: £1.6 million), the increase being attributable to the increased average net debt following the two acquisitions earlier in the year.

PBTA

PBTA is defined as profit before income tax, before amortisation of intangible assets arising on consolidation. Whilst not considered a KPI by management, this measure is used by market analysts. PBTA was £19.1 million for the year ended 30 April 2018, an increase of 17.4% (2017: £16.2 million).

Taxation

The effective rate of taxation of 20.5% (2017: 22.3%) is higher than the average standard UK rate of corporation tax applicable in the year of 19.0% (2017: 19.9%) principally due to certain expenditure incurred which is disallowable for tax purposes and the higher effective rate of tax to which the German and Polish businesses are subject.

Profit after tax

The profit after tax for the year ended 30 April 2018 was £14.3 million (2017: £12.5 million), an increase of 14.6%.

Earnings per share

Earnings per share were 14.2 pence for the year ended 30 April 2018 (2017: 12.5 pence). Adjusted to remove amortisation of intangible assets arising on consolidation, earnings per share were 15.2 pence (2017: 12.6 pence).

Current trading and outlook

In the year ending 30 April 2019, we expect:

- revenue to benefit from the full-year effects of:
  - the two acquisitions completed in the year ended 30 April 2018; and
  - the contracts brought on line in the year ended 30 April 2018. As noted previously, the Group secured a number of significant contract wins in the year ended 30 April 2018.
- to deliver EBIT growth from operations which have either recently commenced, including those with Pretty Little Thing out of our new facility in Sheffield, UK, or those Technical Services activities which have recently commenced in Kempen, Germany, or other known new activities which are at various other stages of planning (including additional volume with Zara) and a new contract with Westwing, which extends significantly the services we are providing for them, although this will not commence until late in calendar year 2018. The annualised impact of these activities will not be fully delivered until the year ending 30 April 2020;
- growth with existing customers, either organically – particularly with those in e-commerce – or through new service lines for those customers;
- growth from conversion of some of the opportunities on our new business pipeline. There is a strong new business pipeline in the Group. These opportunities will be converted through a focus on retail specialisms and provision of cost-effective, value-added solutions. Some of these new business activities will not reach full-year run-rate until the year ending 30 April 2020 and beyond; and
- further revenues and EBIT to be generated from property advisory services.

Operating and Financial Review continued

The organisational structure of the Group has recently been revised, allowing the Group 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 have been 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 ending 30 April 2019.

The Board is confident of continued progress in the year ending 30 April 2019. It notes weaker economic conditions, particularly in certain parts of the retail sector where there are widely reported headwinds. However, the Group expects to achieve another year of positive momentum with overall growth in revenues and earnings.

Operating segment and business activity overview

Logistics

E-fulfilment & returns management services

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. This business activity also includes:

- the contribution from Click and Collect activities;
- RepairTech, acquired on 15 June 2017. RepairTech is now fully integrated into the Group and has been amalgamated with Servicecare into the Technical Services division, managed by one management team;
- the returns aspects of Tesam, acquired on 24 May 2017; and
- our recently commenced Polish operations for Westwing (e-fulfilment) and ASOS (returns).

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 12% in the calendar year 2017).

Revenues from e-fulfilment & returns management services increased by 22.7% from £129.9 million for the year ended 30 April 2017 to £159.4 million for the year ended 30 April 2018, with EBIT growing by 16.0% from £10.2 million to £11.9 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 e-fulfilment and to be a thought leader in the provision of value-added services across the sector.

The financial growth in the year ended 30 April 2018 in e-fulfilment & returns management services has been achieved across many service lines and with many customers, for a number of reasons:

- operations commenced for new customers in the year ended 30 April 2017 reaching full-year maturity: British American Tobacco (for Vype), Inditex, Kidly, Secret Sales, SilkFred, Smiffys, Thread 35 and Westwing;
- the full-year impact of new operations started in the year ended 30 April 2017 for existing customers, including those ancillary distribution activities we started for John Lewis in Northampton, UK;
- organic growth with existing customers, including ASOS, Asda, Browns, Morrisons (Nutmeg), s.Oliver, Wilko and Zara, as we and our customers benefit from the continued market growth in the e-commerce sector;
- newly commenced activities in 2018, including an additional ASOS returns facility in Poland, M&S returns, River Island, Superdry and Urban Outfitters. These recently commenced operations are anticipated to reach full run-rate in the year ending 30 April 2019; and
- those stepped increases in e-fulfilment and returns revenues as a result of the Tesam and RepairTech acquisitions.

Since the year end, a new operation has commenced with Pretty Little Thing, albeit slightly later than expected, another is due to commence with Westwing shortly and Zara has announced its intention to transfer a significant additional activity into Clipper.

Non e-fulfilment logistics

Non e-fulfilment logistics operations include receipt of inbound product, warehousing, picking, packing and distribution of products on behalf of customers in traditional bricks and mortar retail. 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 as well as property-related advisory services linked to optimising the Group's warehousing arrangements. Non e-fulfilment aspects of the Tesam operation are consolidated into the non e-fulfilment business activity from the date of acquisition, 24 May 2017. The integration of Tesam into Clipper has now been completed and it is now managed in exactly the same way as any other site within the logistics division.

Revenue from non e-fulfilment operations grew by 14.1% for the year ended 30 April 2018, from £121.9 million to £139.1 million, with EBIT increasing by 18.9%, from £12.4 million to £14.8 million. This growth has been achieved as result of:

- the full-year effect of the activities commenced in the prior year with Halfords, Links of London, Pretty Green and John Lewis;
- organic volume growth and extensions to service offerings with existing customers, including Antler, Asda, Haddad, Morrisons and Philip Morris;
- part-year contributions from new activities commenced in the current year, including Crosswater and Edinburgh Woollen Mill. These activities will contribute a full year of performance to the year ending 30 April 2019;
- disposals of property, plant and equipment;
- those part-year contributions from non e-fulfilment activities at Tesam; and
- a significant contribution to revenue and EBIT from property related advisory services, an area that will continue to deliver returns as the Group leverages its growing property portfolio.

The growth has been partly offset by:

- the full-year impact of the Hobbycraft and Ted Baker contracts which ceased in the prior year;
- organic decline in tobacco contract packing revenues; and
- incremental operational costs resulting from growth and start-up on a small number of contracts which have since been renegotiated to give more favourable terms to Clipper going forwards.

Already in the year ending 30 April 2019, we have secured an extension to our contract with Halfords in terms of both contract length and the scope of activities. We shall be performing these new activities from a newly-leased warehouse facility in Crick, UK.

Central logistics overheads

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.

Central logistics overheads grew by £0.9 million (17.7%), from £4.8 million in the year ended 30 April 2017 to £5.7 million in the year ended 30 April 2018.

We have directed additional strategic investment to the logistics overheads base in the year ended 30 April 2018, particularly in solutions delivery. Also, the central logistics overheads have risen in the year due to increased share based payment charges (see below). In the prior year the reporting structure within the central logistics management team was strengthened, preparing the business for future growth, and so there is a full-year impact of this cost in the current year; organisational improvements have continued in the current year with the streamlining of the Technical Services division and the restructuring of the Business Solutions team. Whilst some 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, and we expect those stepped increases in share based payment charges experienced in recent years to slow as a result of these costs having now reached full run-rate (see further below).

Commercial vehicles

The commercial vehicles business, Northern Commercials (Mirfield) Limited, operates Iveco and Fiat commercial vehicle dealerships 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.

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.

Key customers of Northern Commercials include Access Hire Nationwide, Allied Bakeries, 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.
- The MOT pass rate at Northern Commercials' dedicated Test station in Brighouse is 99.4% (target: 98.0%).
- Dealers are set a target of five days per annum for technician training. Northern Commercials was fully compliant in the year.

The commercial vehicles business delivered EBIT of £2.5 million in the year ended 30 April 2018 (2017: £2.3 million), an increase of 4.6% on the previous year.

Operating and Financial Review continued

The business sold 1,786 new vehicles in the year ended 30 April 2018, 226 fewer than in the prior year (2017: 2,012), and 358 used vehicles (2017: 393), 35 fewer than the prior year. However, due to a change in mix of vehicles sold, there was a 37% increase in the average selling price of new vehicles in the year ended 30 April 2018, being £38,799 compared with £28,225 in the prior year. Likewise, the average selling price of a used vehicle was £11,497 compared with £10,794 in the prior year, an increase of 7%. Servicing saw a 2% increase in revenue from the year ended 30 April 2017 to the year ended 30 April 2018, bodyshop revenues were down 3% and parts revenues were down 6%.

Head office costs

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, together with the costs of the new Group office at Central Square, Leeds.

Head office costs grew by £0.3 million (14.4%), from £2.2 million in the year ended 30 April 2017 to £2.6 million in the year ended 30 April 2018. The year-on-year increase in head office costs is attributable to three main factors: the overhead of the new Central Square office, share based payment charges (see below) and the costs associated with the acquisition of the two new subsidiaries.

Share based payment charges

Share based payment charges totalling £1.2 million (2017: £0.8 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 2018 share based payment charges include:

- nine months of charges in respect of options granted in the year ended 30 April 2015;
- a full year of charges in respect of options granted in the years ended 30 April 2016 and 2017; and
- three months of charges in respect of options granted in the year ended 30 April 2018.

The prior year share based payment charge was not at full run-rate as it only effectively included 27 months of charges, being:

- a full year of charges in respect of options granted in the years ended 30 April 2015 and 2016; and
- three months of charges in respect of options granted in the year ended 30 April 2017, and the charge benefited from a release of accruals made in prior years in respect of certain leavers from the PSP pool.

Balance sheet and cash flow

Capital expenditure and fixed assets

Of total tangible and intangible fixed asset additions of £13.0 million (2017: £20.2 million), £12.3 million (2017: £19.4 million) related to the logistics services segment, and £0.7 million (2017: £0.9 million) related to the commercial vehicles segment. Approximately £7.7 million of the additions were purchased in cash and £5.3 million through finance leases. Notable asset purchases in the year ended 30 April 2018 included new mezzanine floors at Ollerton and Northampton, site set up costs in Poland, the fit out of the new Central Square office and investments in the accounting and multi-user warehouse management systems. A large proportion of expenditure in the year ended 30 April 2017 was incurred at the Northampton shared-use facility.

In the year ended 30 April 2018, we disposed of assets with a net book value of £4.5 million, on which we generated a profit on disposal of £2.2 million. Substantially all of the £4.5 million net book value related to the disposal of a freehold property which the Group had acquired earlier in the period as part of the purchase of Tesam. In the prior year, £1.2 million of the £2.3 million proceeds from sale of non-current assets related to sales from Clipper to Clicklink on formation of the joint venture entity.

Clipper's outstanding capital expenditure commitment at 30 April 2018 was £17.9 million, significantly increased from the equivalent figure of the prior year (2017: £4.7 million), reflecting the continued growth in new and existing customer contracts.

Cash flow
Cash generated from operations was £24.5 million (2017: £25.7 million).

The business continues to be highly cash generative. Under the UK logistics business model, 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 invested in working capital in the year ended 30 April 2018 was £3.2 million (2017: net cash generated from working capital of £2.0 million).

There are a number of cash flows disclosed outside of cash flow from operations which occur regularly, although the magnitude of these can change significantly year-on-year. These cash flows include dividends, drawdown and repayment of bank loans, sales and purchase of fixed assets (including repayments on assets purchased under finance leases), corporation tax payments and interest payments. Taking each of these in turn:

- Dividends paid in the year ended 30 April 2018 amounted to £7.6 million, an increase of 19.1% on the prior year (2017: £6.4 million), and in line with our stated dividend policy.
- Cash flows arising from the drawdown and repayments of bank loans were an £8.2 million inflow in the year ended 30 April 2018 (2017: £6.0 million outflow), the drawdown being used to fund the acquisitions of Tesam and RepairTech (see below).
- Cash purchases of fixed assets amounted to £7.7 million in the year ended 30 April 2018 (2017: £4.6 million), with a further £7.4 million cash used to repay finance leases (2017: £5.7 million). Sales of fixed assets generated £6.7 million in the year ended 30 April 2018 (2017: £2.3 million), as we realised cash on the sale of freehold property, as detailed above.
- Corporation tax of £4.0 million was paid in the year ended 30 April 2018 (2017: £3.2 million), the increase being driven by the overall increased profitability of the Group.
- Interest paid increased by £0.3 million to £1.9 million in the year ended 30 April 2018 (2017: £1.6 million), primarily due to increased borrowing levels following the two acquisitions in the year.

Whilst the timing and magnitude of dividends, tax payments and interest payments can be predicted with relative certainty, the timing of drawdowns on bank loans and fixed asset-related cash flows is much more dependent on specific one-off projects, and so can quite easily fall into one financial period or the next.

Overall cash flow for the year ended 30 April 2018 was also impacted by three significant non-ordinary course cash flows: firstly, there was the acquisition of Tesam for a cash consideration of £9.6 million (net of cash acquired); secondly, there was the acquisition of RepairTech for a cash consideration of £2.2 million (net of cash acquired); and thirdly, there was the raising of £1.6 million of cash from share issues in the year ended 30 April 2018:

- Having passed our three year anniversary of listing on the London Stock Exchange ("**Listing**") in the year ended 30 April 2018, the first of our Sharesave share schemes vested (these vest over a three year period). As a result, there were 981,217 shares issued in the year to employees, generating £1.4 million.
- A further £0.25 million was generated when Numis Securities Limited, Clipper's corporate broker, exercised share options issued to it on Listing.

Significant one-off cash flows which arose in the prior year (ended 30 April 2017) but which did not recur in the year ended 30 April 2018 included £1.95 million subscribed for share capital on the formation of the Clicklink joint venture and a £1.45 million loan advanced to Clicklink on its formation. The loan was increased by £0.5 million in the year ended 30 April 2018 to support the working capital growth requirements of Clicklink. This loan is disclosed as a non-current financial asset (see note 27 to the Group Financial Statements).

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 £31.7 million of net debt outstanding at 30 April 2018 (2017: £25.1 million) (see note 20 to the Group Financial Statements), an increase of £6.6 million, in line with the Board's expectations. The increase in net debt was driven primarily by the acquisitions of Tesam and RepairTech which together required £11.8 million (net of cash acquired), although this was partly offset by £6.7 million of proceeds from the sale of fixed assets.

It is also worth noting that 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 this over the term of the contract, together with finance charges and a management fee. At 30 April 2018, Clipper has £22.4 million of capital contracted to be recovered from open book customers over the remaining term of the customer contracts.

Our 2018 Strategic Report, from page 1 to page 35, has been reviewed and approved by the Board of Directors on 16 August 2018.

David Hodkin
Chief Financial Officer

Board of Directors

Steve Parkin
Executive Chairman

Steve, a fashion logistics specialist, founded Clipper in 1992. As Executive Chairman, he 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, he 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. He 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, including the design and specification of both distribution centres and warehouse management systems. He began his career in logistics with the Burton Group, after working in the construction industry following his graduation with a degree in architectural engineering.

David Hodkin
Chief Financial Officer

David joined Clipper as Group Chief Financial Officer in 2003. He 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. He has previously held executive and non-executive positions with a number of companies with international operations in transport, logistics, shipping, real estate and IT. Included among them are Tuffnells Parcels Express Limited 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. He advised the Lonmin plc board on its capital raising and is currently chairman of DX (Group) plc.

Ron is a member of the Remuneration Committee, Audit Committee and the Nomination Committee.

Stephen Robertson
Independent Non-Executive Director

Stephen joined the Group as Non-Executive Director in 2014. He has many years of experience in the retail industry and held executive positions at Kingfisher plc, WH Smith plc and Woolworths Group plc. He was previously Director General of the British Retail Consortium and is currently chairman of Retail Economics. His current non-executive directorships include Timpson Group plc and Hargreaves Lansdown plc.

Stephen is chairman of the Remuneration Committee 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 chairman of the Audit Committee and is a member of the Nomination Committee and the Remuneration 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 2018. 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 2016 (the "**Code**"). The report which follows describes how the Company has applied the Main Principles of the Code.

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 2018, except for provisions A.4.2, B6.1 and E.1.1.

This Report, which incorporates reports from the Nomination and Audit Committees on pages 42 to 45 together with the Strategic Report on pages 1 to 35, the Directors' Remuneration Report on pages 46 to 60 and the Directors' Report on pages 61 to 64, describes how the Company has applied the Main Principles of the Code.

The role of the Board

During the year the Board consisted of three Non-Executive Directors and three Executive Directors. Paul Hampden Smith resigned as a Non-Executive Director with effect from 12 July 2017 and Ron Series (an existing Non-Executive Director of the Company) was appointed as Senior Independent Director in his place. Biographies and profiles of the current members of the Board appear on pages 36 and 37.

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 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 ("**AGM**").

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.

Steve Parkin
Executive Chairman

The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its committees. The standing Board agenda 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, although the agreed cancellation of a scheduled Board meeting had the effect of limiting such review and feedback at that time. It includes the provision 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 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 continued impact;
- automation and its role in the business;
- learning and development;
- growth strategy;
- health and safety record;
- brand health; and
- integration of new subsidiaries.

Financial and contracts

- review of the performance and management of certain contracts;
- Black Friday performance;
- financial review;
- approval of capital projects and contracts of material importance;
- implementation of independent IT and cyber integrity reviews and consideration of reports; and
- review of insurance cover including cyber cover.

Governance

- full risk review;
- legal and governance updates;
- review of data integrity and application of GDPR across the Group; and
- review of contracts in connection with GDPR.

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 2019. 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 four 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	4/4			1/1
Tony Mannix	Chief Executive Officer	4/4			
David Hodkin	Chief Financial Officer	4/4			
Stephen Robertson	Non-Executive Director	4/4	2/2	2/2	
Mike Russell	Non-Executive Director	4/4	2/2	2/2	1/1
Ron Series	Senior Independent Director	4/4	2/2	2/2	1/1

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 have generally not been distributed in sufficient time for Directors to review their papers in advance, however a timetable has been agreed with the Directors and will be adhered to going forwards. 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 2006, 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 (the "**Articles**") 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 Register of Directors Interests' is updated annually and as otherwise required. 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.

Corporate Governance Report continued

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 60.

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 were established at the time of the I.P.O.

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 been appointed Senior Independent Director with effect from that date.

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 by shareholders. 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 judgment and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgment.

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 judgment. The Board believes that the current directorate supports 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 Executive Chairman, is to develop, implement and maintain good corporate governance practices. This includes supporting the Executive 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 SMT on the changes brought about by the implementation of the new EU GDPR, insider dealing and other regulatory matters. This is supplemented by advice and training provided, where required, by the Company Secretary.

Board evaluation

The Code indicates (at B.6) that the board should undertake a formal and rigorous annual evaluation of its performance. The Board is committed to and is fully aligned with the benefits to be derived from a regular board evaluation which is viewed as a critical component of the Board's agenda for continuing improvement of its corporate governance. The issue of corporate governance as a whole continues to be the subject of discussion between the Directors, as the Company continues to grow strongly. During the year, as a result of this growth, the evaluation process was updated by the Senior Independent Director and the Company Secretary. As a result of these updates to the process, the formal board evaluation process for the year had not been undertaken at the time of going to print. This process will be completed and outcomes reported on fully in the next Annual Report. The Company will revert to full Code compliance moving forwards. The Company is also reviewing its corporate governance more broadly with a view to identifying any updates to existing processes and procedures that could enhance the Company's governance arrangements, and to support the Company's intention to become an early adopter of the UK Corporate Governance Code 2018.

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. Any Director so appointed by the Board shall hold office only until the following AGM and shall then be eligible for election by the shareholders.

In accordance with the Articles, at every AGM 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 AGM 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.

Steve Parkin and Tony Mannix will be offering themselves for re-election at the 2018 AGM to be held at Clipper Logistics Group, Carlton Court, Gelderd Road, Leeds, LS12 6LT on 28 September 2018 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 were re-appointed for new three year terms commencing on 1 May 2017. 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.

Communication 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 2018, 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 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 advisors, Buchanan, 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 year 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 the Executive Chairman 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 2018. 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.

Composition

The UK Corporate Governance Code 2016 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 as often as required but not less than once 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 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 the year ended 30 April 2018

The Committee met once during the financial year and considered the structure of the SMT, taking into account the strategic objectives of the Group.

With effect from 12 July 2017 Paul Hampden Smith retired as Senior Independent Non-Executive Director and was replaced by Ron Series (formerly an Independent Non-Executive Director).

Audit Committee Report

Mike Russell
Chairman, Audit Committee

Committee Chairman's introduction

The Audit Committee (the "**Committee**") was originally established by a resolution of the Board dated 16 May 2014, at which meeting terms of reference were considered and adopted. Stephen Robertson and I have served on the Committee throughout the year under review. Ron Series joined the Committee in August 2017. Under its terms of reference, the Committee is required to meet at least three times in each year at appropriate times in the reporting and auditing cycle. The requirement to hold three meetings was originally proposed in order to address three formal matters: (i) to review and approve the auditor's proposed audit approach; (ii) to consider the half year report; and (iii) to consider any findings from the year end audit. In the year ended 30 April 2018, the auditor's planning for the year end was available for review at the same time the Committee considered the half year report. Consequently these two matters were considered at one meeting; as such, the Committee only needed to meet twice in the year under review.

The primary function of the 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 Committee has discharged these responsibilities, with specific reference to the requirement of the UK Corporate Governance Code 2016 (the "**Code**"), to address significant financial statement reporting issues and to explain how the Committee assessed external audit effectiveness and safeguards in relation to the provision by the auditor of non-audit services.

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 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 Committee by invitation.

Roles and responsibilities

The 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 judgments and recommendations on the financial reporting process and the integrity and clarity of the Group 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 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 year reports remains with the Board.

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

Audit Committee Report continued

Activities during the year ended 30 April 2018

During the year, the Committee met twice. 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 2017;
- findings from the external audit for the year ended 30 April 2017;
- approval of the auditor's remuneration in respect of the year ended 30 April 2017;
- 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 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 2018.

As part of their review process, the members of the 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 Committee assesses whether the words used are consistent with its understanding of the Group's business obtained through Board and Committee meetings and other interaction they have had with management, using its experience to assess whether the Annual Report taken as a whole is fair, balanced and understandable. This additional review by the 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 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 Committee, together with the Board, considered what the significant risks and issues in relation to the Financial Statements were and how these would be addressed. The most significant risks identified are 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.

Accounting for the acquisitions of Tesam and RepairTech

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

Assessment of effectiveness of external audit

The 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 Committee conducted a review of the external auditor's performance and ongoing independence taking into consideration input from management, responses to questions from the Committee and the audit findings reported to the Committee. Based on this information, the 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 the year before last, the current audit engagement partner has now served for three 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 Committee.

The 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 Committee

As required, the external auditor provided the 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 Committee is satisfied that the independence of KPMG LLP is not impaired.

Furthermore, KPMG LLP has provided an independence report to the Committee, in which it has confirmed that it is independent, that its objectivity is not compromised, and that it has complied with the Auditing Practices Board's ethical standards (including in relation to the supply of non-audit services).

KPMG LLP received £nil in respect of non-audit work for the Group in the year ended 30 April 2018 (2017: £nil).

The 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 2019.

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 minimal control weaknesses identified by the external auditor, 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 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, IT, 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 Committee receives self-assurance statements from the members of the SMT, 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 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 Committee for inclusion in the Annual Report. In addition, the 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 Committee.

To ensure Clipper's infrastructure remains fit for purpose during its continued growth, two Group entities (Clipper Logistics plc and Clicklink Logistics Limited) migrated to a new accounting system in the year. This migration passed without incident and has now been completed. There have been no other 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 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 and we are not aware of any instances of non-compliance with our Anti-bribery and Corruption Policy or our Gifts and Entertainment Policy.

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 65 and 68 respectively.

Directors' Remuneration Report

Stephen Robertson
Chairman, Remuneration Committee

Committee Chairman's introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2018.

This is my first report as the Chairman of the Remuneration Committee (the "**Committee**") after taking up this appointment in August 2017. I would like to begin this annual statement by expressing my thanks to my fellow Director, Mike Russell, for all his hard work in the role of Committee Chairman from 2014 until August 2017. I am very pleased that Mike has agreed to stay on as a member of the Committee.

Also, I would like to thank our shareholders for the continued support which they showed for the Committee at our 2017 AGM when we renewed our three year authority to operate our Directors' Remuneration Policy. This was approved by 99% of shareholders voting on this resolution at the 2017 AGM. The policy has been set out in full in the Appendix to this Directors' Remuneration Report for shareholders' information.

Pay for performance in the year ended 30 April 2018

As described more fully in the Strategic Report, the financial year ended 30 April 2018 was another significant one for Clipper, with EBIT growing by 16.3% to £20.9 million.

Despite this growth, the threshold level of target for our Annual Incentive Plan ("**AIP**") was not attained. Accordingly no annual bonuses will be paid to our Executive Directors in respect of the year ended 30 April 2018.

The first Performance Share Plan ("**PSP**") awards made by the Company in January 2015 vested 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, adjusted for certain matters in the Remuneration Committee's judgment, to have been at least 12.0 pence in the year ended 30 April 2017. EPS, after adjustment, for that year was 12.5 pence.

We were also very pleased that we had the first maturity of our all-employee Sharesave Plan in April 2018. Participants in this plan benefited from the significant increase in our share price since 2015, when Sharesave was offered at an option price of 140.4 pence per share. Over 320 employees benefited from this first Sharesave maturity.

Remuneration actions for the years ending 30 April 2019 and 30 April 2020

We continue to monitor developments in the governance of remuneration arrangements for UK executive directors and developments in market practice. This is to ensure that our Directors' Remuneration Policy and its operation in practice continue to support our business strategy and thereby the interests of our shareholders.

With this in mind, we are not proposing any material changes in the year ending 30 April 2019 from how we applied our Remuneration Policy in the previous financial year. The only change which we will make is regarding our annual PSP awards. We are introducing a '3 plus 2' holding period for new PSP awards to Executive Directors from the 2018 AGM and also introducing a clearer 'underpin' performance condition for new PSP awards. Both of these matters reflect the new UK Corporate Governance Code which was launched on 16 July 2018.

In the year ending 30 April 2019 we also intend to change the time at which we make our annual PSP awards. In past financial years we have made these awards in January, after our half year interim results are published each December. We are now proposing to make the awards each year after our AGM – this will enable us to consider the proposed performance conditions for awards earlier in the relevant financial year and to disclose these in our annual Directors' Remuneration Report in advance of making the awards.

2018 AGM

At our 2018 AGM there will be two remuneration-related resolutions:

- The normal annual advisory vote on our Directors' Remuneration Report.
- Consistent with past years, a vote to authorise the participation of Steve Parkin (Executive Chairman), David Hodkin (Chief Financial Officer) and Guy Jackson (General Counsel and Company Secretary) in the PSP and our Sharesave Plan in accordance with the requirements of the Takeover Panel for 'concert parties'.

As we have explained in previous Directors' Remuneration Reports, 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.

Our practice of having all of our SMT participating in the same incentive plans each year has been a major component of the Directors' Remuneration Policy which we have applied since 2014, and remains consistent with the team ethos which underlies our policies.

The Committee hopes that you will continue to support our approach on remuneration matters. The 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 2018 AGM.

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 year ended 30 April		Total year ended 30 April	
£'000	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Steve Parkin	**411**	411	**72**	69	**nil**	nil	**542**	1,084	**10**	10	**1,035**	1,574
Tony Mannix[4]	**260**	228	**24**	29	**nil**	nil	**301**	602	**29**	23	**614**	882
David Hodkin[4]	**206**	183	**2**	2	**nil**	nil	**241**	481	**29**	23	**478**	689

1. Benefits comprise a car allowance or company car, fuel allowance, private family medical cover and insurance benefits.
2. Details of the AIP for the financial year ended 30 April 2018 are set out below.
3. In accordance with the requirements of the DRR regulations, the 2018 values for long-term incentives are an estimate of the vesting outcomes for PSP awards granted in 2015/16 and which are due to vest on 14 January 2019. While an assumption for full vesting of this award has been made, actual vesting will be confirmed by the Remuneration Committee before January 2019 having considered underlying trading performance in the performance period, in line with our stated remuneration policy. This vesting outcome is applied to the average share price between 1 February 2018 and 30 April 2018 (401.07 pence) to produce the estimated long-term incentives figures shown for 2018 in the above table. These assumptions will be revised for actual share prices on vesting in the report for 2019. Details of the performance measures and targets applicable to the relevant PSP award are set out later in this report. The 2017 values for long-term incentives have been restated from last year's Annual Report to reflect the share price (472.00 pence) on the date of vesting of these awards on 14 January 2018. The equivalent value in last year's Annual Report reflected the average share price for the three months ended 30 April 2017 (380.65 pence).
4. David Hodkin's and part of Tony Mannix's pension entitlement is paid by way of an additional allowance, taxed as salary. No director participated in a defined benefit pension.

AIP outcomes for the year ended 30 April 2018

Performance for the AIP was measured against EBIT for the year ended 30 April 2018.

Performance measure	Threshold performance level for 2018 AIP	Maximum performance level for 2018 AIP	Performance level attained for 2018 AIP	AIP attained as a % of base salary
EBIT for financial year to 30 April 2018	£21.19m	£23.42m	Below threshold	nil

PSP outcomes for the 2015/16 awards

The performance conditions for the PSP awards included in the single figure table are as shown below:

Performance measure and weighting	Target range
Basic EPS, after adjustment, in financial year to 30 April 2018 (100% of award)	Target range between 12.0 pence (25% vests) and 14.7 pence (100% vests)

Basic EPS, after adjustment, for this purpose disregards amortisation of intangibles arising on consolidation and the associated notional tax impact.

Non-Executive Directors' fees

	Fees year ended 30 April		Benefits[1] year ended 30 April		Total year ended 30 April	
£'000	**2018**	2017	**2018**	2017	**2018**	2017
Ron Series	**65**	40	**–**	1	**65**	41
Stephen Robertson	**48**	40	**3**	3	**51**	43
Mike Russell	**48**	40	**–**	–	**48**	40
Paul Hampden Smith[2]	**27**	60	**–**	1	**27**	61

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.
2. Resigned as a Director on 12 July 2017.

Directors' interests

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

	Ordinary shares Number[1]	
	At 16 August 2018	At 30 April 2018
Steve Parkin	25,140,820	25,140,820
Tony Mannix	946,786	866,786
David Hodkin	1,113,196	873,196
Ron Series	10,000	10,000
Stephen Robertson	9,410	9,410
Mike Russell	–	–

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

Share plan interests

Performance Share Plan:

	Options held at 1 May 2017	Options lapsed	Options granted	Options exercised	Option grant price (p)	Options held at 30 April 2018	Earliest exercise date	Latest exercise date
Steve Parkin	473,068	–	86,602	nil	nil	559,670	14/01/2018	18/01/2028
Tony Mannix	262,816	–	58,145	nil	nil	320,961	14/01/2018	18/01/2028
David Hodkin	210,252	–	45,926	nil	nil	256,178	14/01/2018	18/01/2028

Sharesave Plan:

	Options held at 1 May 2017	Options lapsed	Options granted	Options exercised	Option grant price (p)	Options held at 30 April 2018	Earliest exercise date	Latest exercise date
Steve Parkin	12,820	–	4,740	12,820	379.74	4,740	01/04/2021	30/09/2021
Tony Mannix	10,170	–	2,370	6,410	239.34 and 379.74	6,130	01/04/2019	30/09/2021
David Hodkin	12,820	–	4,740	12,820	379.74	4,740	01/04/2021	30/09/2021

1. The range of market prices of shares in Clipper Logistics plc during the year ended 30 April 2018 was 350.00 pence to 485.00 pence. The closing price on 30 April 2018 was 451.00 pence.
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 474.67 pence for the options which were granted on 18 January 2018.
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.
8. The Sharesave options exercised in the year were granted in February 2015 at an option price of 140.40 pence.

Performance conditions for PSP awards

The performance measures and targets for the PSP awards made in the year to 30 April 2018 are based on EPS performance (adjusted in the Remuneration Committee's judgment for one-off items, where necessary) for the financial year ending 30 April 2020, summarised as follows:

EPS – Financial period ending 30 April 2020	PSP award
22.85 pence	100%
Between 18.7 pence and 22.85 pence	Pro-rata on a straight-line basis between 25% and 100%
18.7 pence	25%
Less than 18.7 pence	0%

Directors' Remuneration Report continued

Unaudited information

Remuneration Committee

The members of the Committee during the year were:

- Stephen Robertson (Chairman from August 2017);
- Mike Russell (Chairman until August 2017); and
- Ron Series.

The 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 Committee, except when his own remuneration is being discussed, and the Chief Financial Officer and other executives attend meetings as required.

Advisors

FIT Remuneration Consultants LLP ("**FIT**"), signatory to the Remuneration Consultants Group's Code of Conduct, was appointed by the Committee following a competitive tender process. FIT provides advice to the Committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group and accordingly the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of the year ended 30 April 2018 were £29,000. 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 2019

Executive Directors

Base salary

- Steve Parkin's base salary for the year ending 30 April 2019 is £419,297 (2018: £411,075, 2.0% increase). Tony Mannix's base salary for the year ending 30 April 2019 is £281,520 (from 1 September 2017: £276,000, 2.0% increase), and David Hodkin's base salary for the year ending 30 April 2019 is £222,360 (from 1 September 2017: £218,000, 2.0% increase). The 2% increase is in line with increases for staff generally.

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 2018.

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 2019.

Annual Incentive Plan for the year ending 30 April 2019

- The AIP maximum is 50% of base salary. This is unchanged from the financial year ended 30 April 2018.
- Performance measures for the AIP in the year to 30 April 2019 will be based on EBIT (adjusted for certain matters in the Committee's judgment). The Committee selected EBIT (adjusted, where necessary) as the performance measure for the AIP for the year ending 30 April 2019 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 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 2019

- Award levels are proposed at 100% of base salary for each Executive Director. This is unchanged from the financial year ended 30 April 2018.
- The performance measures and targets for this award will be based on diluted EPS performance (adjusted in the Committee's judgment for one-off items, where necessary).
- The 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 for awards to be made in the year ending 30 April 2019 are proposed as 9.2% CAGR (25% vests) to 16.75% CAGR (100% vests). The targets will be measured over three financial years to 30 April 2021. There will be straight-line vesting between these thresholds.
- In addition, as an underpin no part of a PSP award will vest unless the Committee is satisfied as to the Company's general financial performance during the performance period to 30 April 2021.
- PSP awards to Executive Directors will be subject to a holding period so that any performance vested awards may not be released for a further two years from the third anniversary of the original award date.

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:

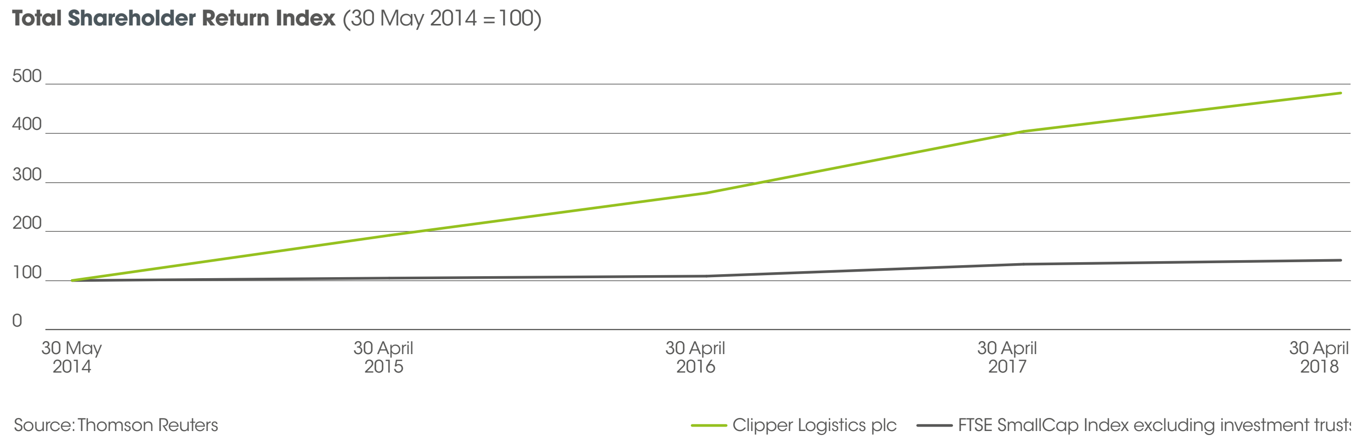
£'000	2018	2017	% change
Remuneration paid to all employees of the Group[1]	**114,872**	94,559	+21.5%
Distributions to shareholders	**7,622**	6,400	+19.1%

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 SmallCap Index (excluding investment trusts) over this period.

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



Directors' Remuneration Report continued

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:

£'000	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 2018: Steve Parkin	**1,035**	**0.0%**	**100.0%[1]**
Year ended 30 April 2017: Steve Parkin	1,574[2]	0.0%[3]	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

1. The vesting level remains to be confirmed before January 2019.
2. Figure conformed to total stated in single figure table after re-calculation of LTIP values using share prices at vesting.
3. Steve Parkin waived his entitlement to his bonus for the year ended 30 April 2017.

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 2017 and the year ended 30 April 2018.

Year-on-year % change	Salary	Taxable benefits	Annual bonus
Executive Chairman	0%	4.3%	n/a
All employees	6.5%	7.7%	-53.6%

AGM voting results

Details of the votes on remuneration matters held at the 2017 AGM are as follows:

Resolution	Votes for	% for	Votes against	% against	Total votes	Withheld
Approve Directors' Remuneration Report	88,279,568	99.56%	386,619	0.44%	88,666,187	0
Approve Remuneration Policy	87,807,973	99.03%	858,214	0.97%	88,666,187	0
Approve participation by 'Concert Party' in PSP and Sharesave Plan	40,571,045	81.55%	9,178,978	18.45%	49,750,023	74,009

The Committee understands that the reason for the voting outcome in relation to the 'Concert Party' resolution is 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, which is an issue with perceived 'creeping control' rather than a remuneration issue. However, this participation in the PSP was consistent with the importance of a continued team ethic within the Clipper SMT which forms a key part of the Directors' Remuneration Policy and received strong shareholder support at the 2014 and 2017 AGMs.

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: Policy Report

The Directors' Remuneration Policy was approved by the Company's shareholders at the Company's AGM on 25 September 2017 and has effect for all payments made to Directors from that date. The Company's Directors' Remuneration Policy is available for inspection in the Company's 2017 Annual Report and Accounts via its website at: www.clippergroup.co.uk/report-accounts/. For ease of reference, the Directors' Remuneration Policy which was approved at the 2017 AGM is included as an appendix to this report.

This report was reviewed and approved by the Board on 16 August 2018 and signed on its behalf by:

Stephen Robertson
Chairman, Remuneration Committee

Directors' Remuneration Report continued

Appendix: Directors' Remuneration Policy

The following material is the Directors' Remuneration Policy approved at the 2017 AGM. It is included in this year's report for information only and does not form part of the Directors' Remuneration Report which is subject to approval by shareholders at the 2018 AGM.

Element and purpose	Policy and operation	Maximum	Performance measures
Base salary This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution.	Base salaries will be reviewed each year by the Remuneration Committee. The Remuneration Committee does not strictly follow data but uses it as a reference point in considering, in its judgment, the appropriate level of salary having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities. 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
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
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

Element and purpose	Policy and operation	Maximum	Performance measures
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 judgment to adjust the outcome of the AIP for any performance measure (from zero to any cap) should it consider that to be appropriate.

Directors' Remuneration Report continued

Element and purpose	Policy and operation	Maximum	Performance measures
Long-Term Incentives ("LTI") To motivate and incentivise delivery of sustained performance over the long-term, and to promote alignment with shareholders' interests, the Group 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.
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

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

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.

Directors' Remuneration Report continued

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.

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.

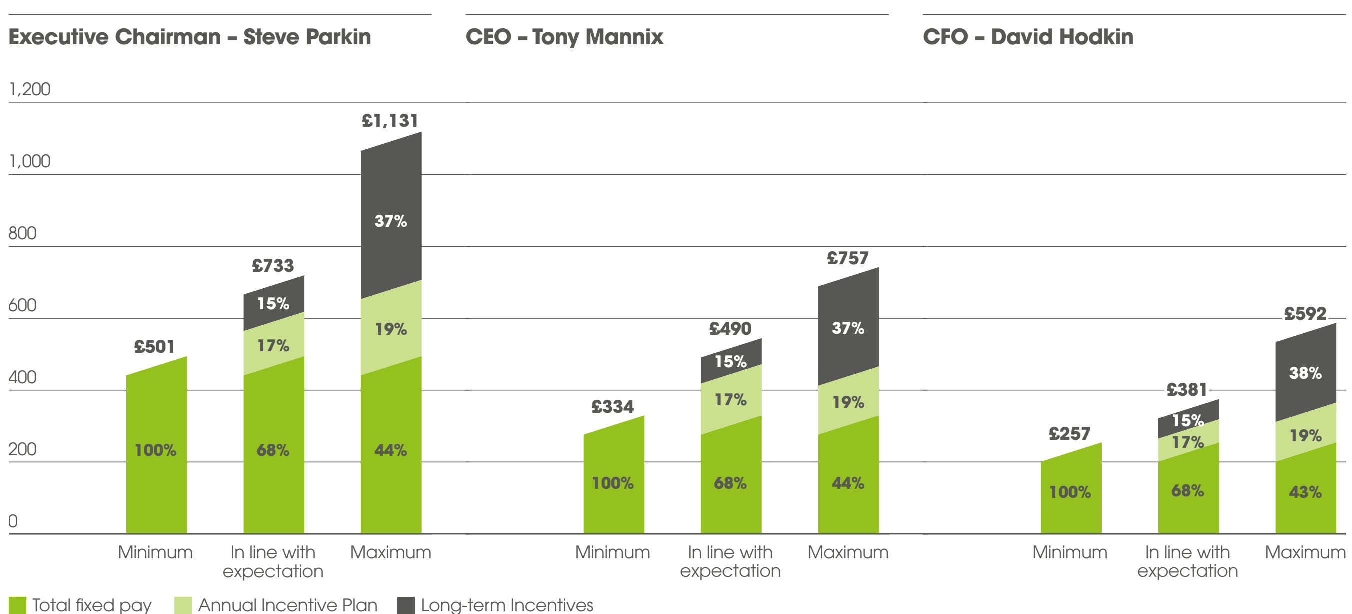
The Company did not consult with employees in drawing up this Remuneration Report.

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.

Directors' Remuneration Report continued

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 2019.
- Benefits measured as benefits paid in the year ended 30 April 2018 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	419	72	10	501
Tony Mannix	282	24	28	334
David Hodkin	222	2	33	257

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).

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 2018.

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 1 to 35).

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 2018:

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

1. Ron Series became Senior Independent Non-Executive Director with effect from 12 July 2017 (formerly Independent Non-Executive Director).
2. Paul Hampden Smith retired with effect from 12 July 2017.

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 £14.3 million (2017: £12.5 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 70.

The Directors are recommending the payment on 1 October 2018 of a final dividend of 5.6 pence per ordinary share to shareholders on the register at the close of business on 7 September 2018 which, together with the interim dividend of 2.8 pence per ordinary share paid on 5 January 2018, results in a total dividend for the year of 8.4 pence per share (2017: 7.2 pence).

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.

Directors' share interests

Details of the Directors' interests in the Company's shares are included in the Directors' Remuneration Report on page 49.

Directors' indemnities

The Company provided indemnities to each of its Directors during the year ended 30 April 2018 in accordance with the provisions of the Company's Articles, 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.

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.

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 60.

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.

Share capital structure

Details of the Company's share capital are set out in note 22 to the Group Financial Statements on page 94. During the year the Company issued:

- 250,000 new ordinary shares of 0.05 pence each pursuant to the exercise of an option deed granted to Numis Securities Limited (the company's brokers);
- 981,217 new ordinary shares of 0.05 pence 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; and
- 106,338 new ordinary shares of 0.05 pence each pursuant to the exercise of options granted to certain employees of the Group under the Company's PSP approved by shareholders at the 2014 AGM.

Directors' Report continued

The Company has a single class of share capital divided into ordinary shares of 0.05 pence 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.

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 or she 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 market regulations 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 0.05 pence each (representing less than 10% of the Company's issued ordinary share capital) will be proposed at the 2018 AGM.

As at 16 August 2018, 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.

Relationship Agreement with Controlling Shareholders
Carlton Court Investments Limited ("**Carlton**") holds 24.75% of the issued share capital of the Company and, together with its concert parties, controls 38.58% 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 the London Stock Exchange 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 16 August 2018, being the latest practicable date prior to the publication of this Annual Report and Accounts:

- the Company has complied with the independence provisions included in the Relationship Agreement;
- 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
- 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 2006 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. Various approaches are 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 'Our 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, could 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 2018, the Group made charitable donations totalling £48,000 (2017: £59,000).

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 re-appoint KPMG LLP will be proposed at the AGM.

Directors' Report continued

Major interests in shares

As at 15 August 2018, 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]	25,128,000	24.75
Liontrust Asset Management	12,160,173	11.98
SOMLIE Limited	6,424,945	6.33
Franklin Templeton Fund Management	5,150,000	5.07
Unicorn Asset Management	5,149,286	5.07
The Chima Settlement	5,000,000	4.93
Royal London Asset Management	4,409,233	4.34
Montanaro Investment Managers	3,442,500	3.39

1. Ultimately controlled by Steve Parkin, Executive Chairman.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the 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 2021. 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.

Annual General Meeting

The Company's AGM will be held at Clipper Logistics, Carlton Court, Gelderd Road, Leeds, LS12 6LT on 28 September 2018 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
16 August 2018

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

Company No. 03042024

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

The Directors are responsible for preparing the Annual Report and the Group and 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 comply 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 the Financial Statements

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 include 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 the 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.

Approved by the Board and signed on its behalf by:

Steve Parkin
Executive Chairman
16 August 2018

David Hodkin
Chief Financial Officer
16 August 2018

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

1. Our opinion is unmodified

We have audited the Financial Statements of Clipper Logistics plc ("**the Company**") for the year ended 30 April 2018 which comprise the Group income statement, Group statement of comprehensive income, Group statement of financial position, Group statement of changes in equity, Group statement of cash flows, Company statement of financial position, Company statement of changes in equity and the related notes, including the accounting policies in notes 2 and B.

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 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("**ISAs (UK)**") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the shareholders on 31 March 2016. The period of total uninterrupted engagement is for the three financial years ended 30 April 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the Financial Statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Group and Parent Company: Accuracy of revenue recognition in value-added logistics (Group 2018: £294,294,000; 2017: £251,784,000)

Refer to page 44 (Audit Committee Report), page 79 (accounting policy) and page 81 (financial disclosures).

The risk

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 can lead to complexity around the calculation of deferred and accrued revenue, and ensuring revenue is recognised in the correct period.

Our response

Our procedures included:

- **Tests of details:** 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. 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 2.20 to the Group Financial Statements.

Our results

- The results of our testing were satisfactory and we considered the amount of revenue recognised to be acceptable (2017 result: acceptable); and
- We consider the Group's disclosures in respect of the accounting policies on revenue recognition to be acceptable (2017 result: acceptable).

Group: Acquisition accounting (£9,557,000 of acquired customer relationship intangible assets; 2017: £nil)

Refer to page 44 (Audit Committee Report), page 76 (accounting policy) and page 100 (financial disclosures).

The risk

Subjective valuation

The Group acquired RepairTech Limited and Tesam Distribution Limited during the year, both of which were material acquisitions to the Group.

The determination of separately identifiable intangible assets arising on business combinations is inherently judgmental. Valuation of the customer relationship intangible assets identified by management is complex and sensitive to underlying assumptions around future cash flows and discount rates.

Our response

Our procedures included:

- **Our expertise:** assessing the appropriateness of the separate intangible assets identified and valued by management, by applying our professional experience to the information obtained from our inspection of purchase agreements and inquiries;
- **Historical comparisons and benchmarking assumptions:** assisted by our valuation specialist, assessing management's valuation analysis which was the basis for the determination of the fair value of intangible assets. We critically challenged the key assumptions, and in particular evaluated the reasonableness of customer attrition rates and discount rates. In performing this assessment we had regard to the performance of the existing business. With regard to the discount rate, we assessed the extent to which the methodology used to calculate the discount rate was in line with market practice, and assessed the appropriateness of the various elements of the weighted average cost of capital; and
- **Assessing transparency:** considering the adequacy of the Group's disclosures in respect of determining the fair value of the intangibles acquired.

Our results

- The results of our testing were satisfactory and we considered the identified intangible assets and their respective valuations recognised to be acceptable.

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 £822,000 (2017: £775,000), determined with reference to a benchmark of Group profit before income tax, of which it represents 5% (2017: 5%).

Materiality for the Parent Company Financial Statements as a whole was set at £557,000 (2017: £665,000), determined with reference to a benchmark of Company profit before income tax, of which it represents 5% (2017: 5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £41,100, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The work on one of the five components (2017: one of the five components) was performed by the component auditor and the rest, including the audit of the Parent Company, was performed by the Group team. Of the Group's ten (2017: eight) reporting components, we subjected five (2017: five) to full-scope audits for Group reporting purposes. These procedures covered 98.6% of total Group revenue (2017: 99.9%), 93.5% of Group profit before income tax (2017: 100%) and 97.6% of total Group assets (2017: 99.5%).

The Group team instructed component auditors 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 following component materiality, having regard to the mix of size and risk profile of the Group across the components:

- Clipper Logistics KG: €430,000 (2017: €400,000).

The Group team visited no locations (2017: one component location in Germany), to assess the audit risk and strategy. Telephone conference meetings were 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.

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in note 2.2 to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the Financial Statements; or
- the same statement under the Listing Rules is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the Financial Statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report continued

Directors' Remuneration Report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability
Based on the knowledge we acquired during our Financial Statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 23 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures
We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our Financial Statements 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 section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- a Corporate Governance Statement has not been prepared by the Company.

We are required to report to you if the Corporate Governance Report does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Report disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the Financial Statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with the relevant rule of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

6. We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 65, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our sector experience, and through discussion with the Directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the Financial Statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, recognising the nature of the group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and other management and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities) as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

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

Johnathan Pass
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

16 August 2018

Group Income Statement

For the year ended 30 April

	Note	2018 Group £'000	2017 Group £'000
Revenue	3	**400,115**	340,127
Cost of sales		**(283,324)**	(241,097)
Gross profit		**116,791**	99,030
Other net gains	6	**2,398**	405
Administration and other expenses		**(98,358)**	(81,964)
Operating profit before share of equity-accounted investees, net of tax	4	**20,831**	17,471
Share of equity-accounted investees, net of tax		**(889)**	217
Operating profit	6	**19,942**	17,688
EBIT		**20,854**	17,928
Less: amortisation of other intangible assets	4	**(1,094)**	(177)
share of tax and finance costs of equity-accounted investees	4	**182**	(63)
Operating profit	6	**19,942**	17,688
Finance costs	8	**(2,014)**	(1,657)
Finance income	9	**38**	21
Profit before income tax		**17,966**	16,052
Income tax expense	10	**(3,685)**	(3,586)
Profit for the financial year		**14,281**	12,466
Basic earnings per share	11	**14.2p**	12.5p
Diluted earnings per share	11	**14.1p**	12.3p

The accompanying notes on pages 74 to 101 form part of these Financial Statements.

Group Statement of Comprehensive Income

For the year ended 30 April

	Note	2018 Group £'000	2017 Group £'000
Profit for the financial year		**14,281**	12,466
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		**(106)**	(57)
Total comprehensive income for the financial year		**14,175**	12,409

The accompanying notes on pages 74 to 101 form part of these Financial Statements.

Group Statement of Financial Position

At 30 April

	Note	2018 Group £'000	2017 Group £'000
Assets:			
Non-current assets			
Goodwill	12	**25,951**	23,252
Other intangible assets	12	**11,267**	1,498
Intangible assets	12	**37,218**	24,750
Property, plant and equipment	14	**44,998**	38,899
Interest in equity-accounted investees	15	**1,278**	2,167
Non-current financial assets	27	**1,950**	1,450
Deferred tax assets	10	**–**	353
Total non-current assets		**85,444**	67,619
Current assets			
Inventories	16	**22,099**	29,972
Trade and other receivables	17	**73,430**	47,728
Cash and cash equivalents	18	**2,275**	862
Total current assets		**97,804**	78,562
Total assets		**183,248**	146,181
Equity and liabilities:			
Current liabilities			
Trade and other payables	19	**102,402**	85,068
Financial liabilities: borrowings	20	**9,219**	7,389
Short-term provisions	21	**78**	127
Current income tax liabilities		**2,540**	2,187
Total current liabilities		**114,239**	94,771
Non-current liabilities			
Financial liabilities: borrowings	20	**26,664**	19,973
Long-term provisions	21	**1,486**	1,367
Deferred tax liabilities	10	**1,541**	–
Total non-current liabilities		**29,691**	21,340
Total liabilities		**143,930**	116,111
Equity shareholders' funds			
Share capital	22	**51**	50
Share premium		**1,710**	80
Currency translation reserve		**(139)**	(33)
Other reserve		**84**	84
Merger reserve		**6,006**	6,006
Share based payment reserve		**2,745**	2,038
Retained earnings		**28,861**	21,845
Total equity attributable to the owners of the Company		**39,318**	30,070
Total equity and liabilities		**183,248**	146,181

The accompanying notes on pages 74 to 101 form part of these Financial Statements.

Approved by the Board on 16 August 2018 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 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
Profit for the year	**–**	**–**	**–**	**–**	**–**
Other comprehensive income/(expense)	**–**	**–**	**(106)**	**–**	**(106)**
Equity settled transactions	**–**	**–**	**–**	**–**	**–**
Share issue	**1**	**1,630**	**–**	**–**	**1,631**
Dividends	**–**	**–**	**–**	**–**	**–**
Balance at 30 April 2018	**51**	**1,710**	**(139)**	**84**	**1,706**

	Brought forward Group £'000	Merger reserve Group £'000	Share based payment reserve Group £'000	Retained earnings Group £'000	Carried forward Group £'000
Balance at 1 May 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
Profit for the year	**–**	**–**	**–**	**14,281**	**14,281**
Other comprehensive income/(expense)	**(106)**	**–**	**–**	**–**	**(106)**
Equity settled transactions	**–**	**–**	**707**	**357**	**1,064**
Share issue	**1,631**	**–**	**–**	**–**	**1,631**
Dividends	**–**	**–**	**–**	**(7,622)**	**(7,622)**
Balance at 30 April 2018	**1,706**	**6,006**	**2,745**	**28,861**	**39,318**

The accompanying notes on pages 74 to 101 form part of these Financial Statements.

Group Statement of Cash Flows

For the year ended 30 April

	Note	2018 Group £'000	2017 Group £'000
Profit before tax from operating activities		**17,966**	16,052
Adjustments to reconcile profit before tax to net cash flows:			
– Depreciation and impairment of property, plant and equipment	6	**6,394**	4,725
– Amortisation and impairment of intangible assets	6	**1,621**	548
– Gain on disposal of property, plant and equipment	6	**(2,203)**	(260)
– Share of equity-accounted investees, net of tax	15	**889**	(217)
– Consideration received	21	**–**	557
– Exchange differences		**(198)**	(238)
– Finance costs	8 & 9	**1,976**	1,636
– Movement in derivative financial instruments	6	**–**	(10)
– Share based payments charge	23	**1,219**	832
Working capital adjustments:			
– (Increase) in trade and other receivables and prepayments		**(23,785)**	(7,895)
– Decrease/(increase) in inventories		**8,816**	(3,049)
– Increase in trade and other payables		**11,801**	12,989
Operating activities:			
– Cash generated from operations		**24,496**	25,670
– Interest received		**38**	3
– Interest paid		**(1,932)**	(1,606)
– Income tax paid		**(3,968)**	(3,234)
Net cash flows from operating activities		**18,634**	20,833
Investing activities:			
– Purchase of property, plant and equipment		**(6,849)**	(4,028)
– Proceeds from sale of property, plant and equipment		**6,658**	2,112
– Purchase of intangible assets		**(844)**	(551)
– Proceeds from sale of intangible assets		**3**	167
– Investment in joint venture	15	**–**	(1,950)
– Acquisition of subsidiary undertakings net of cash acquired	28	**(11,773)**	–
Net cash flows from investing activities		**(12,805)**	(4,250)
Financing activities:			
– Drawdown of bank loans		**9,017**	–
– Debt issue costs paid		**(101)**	–
– Finance leases advanced in respect of prior year purchases of property, plant and equipment		**–**	4,879
– Shares issued	22	**1,631**	24
– Dividends paid	7	**(7,622)**	(6,400)
– Non-current financial assets advanced	27	**(500)**	(1,450)
– Repayment of bank loans		**(812)**	(5,995)
– Repayment of capital on finance leases		**(7,366)**	(5,677)
Net cash flows from financing activities		**(5,753)**	(14,619)
Net increase in cash and cash equivalents		**76**	1,964
Net cash and cash equivalents at start of year		**862**	(1,102)
Net cash and cash equivalents at end of year	18	**938**	862

The accompanying notes on pages 74 to 101 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 2018 were authorised for issue by the Board of Directors on 16 August 2018 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 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, 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:

- Clipper Logistics KG (GmbH & Co.) (Germany)
- Clipper Logistics Sp. z o.o (Poland)
- Servicecare Support Services Limited
- Northern Commercials (Mirfield) Limited
- RepairTech Limited

During the year ended 30 April 2018 the Company acquired the entire issued share capital of Tesam Distribution Limited and RepairTech 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 judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments 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 2018.

The Group Financial Statements have been prepared on a historical cost basis. 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 1 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 2018 are included in note 20 to the Group Financial Statements.

The Group Statement of Financial Position shows total current assets of £97,804,000 and total current liabilities of £114,239,000. Net current liabilities at 30 April 2018 were therefore £16,435,000 (2017: £16,209,000). At the year end, the Group had a committed Revolving Credit Facility of £30,000,000 (of which £9,000,000 was drawn) and an overdraft facility of £8,000,000 (£1,337,000 of which was drawn). The Directors have assessed the future funding requirements of the Group and the Company and compared them to the bank facilities which are 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 2018. 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 ("**CGUs**") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

b. Contracts, customer relationships 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 (5–10 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 (3–5 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 the CGUs 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 2018 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 method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Vehicles on consignment

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

2.12 Trade receivables

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

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

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

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

Notes to the Group Financial Statements continued

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.

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 substantively 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 ("**VAT**"), 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 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. Judgment 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.

d. Sales of services – Property

At certain sites where the Group has entered into leases, arrangements have been entered into with third and/or related parties, under which the Group receives fees for property-related advisory services. Revenue earned from property-related services is recognised in the consolidated income statement at fair value of the consideration receivable, net of VAT.

Management assesses the fees that are applicable to each specific transaction and recognises revenue in the income statement at the time of the underlying transaction. In forming the judgment, the Group considers whether the leases it has entered into are operating leases, whether the future rentals are at market value and accordingly whether the fees can be attributed to delivered property 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 judgment or estimation involved in computing the amounts.

2.22 Leases

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

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

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group 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.

There were no exceptional items in either of the two years ended 30 April 2018.

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.

Notes to the Group Financial Statements continued

2.26 Critical accounting estimates, assumptions and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments 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

Judgment is required when determining the appropriate timing and amount of revenue to be recognised in the value-added logistics segment. The varied contractual terms, costs and performance requirements used to determine revenue can lead to complexity around the calculation of deferred and accrued revenue, and ensuring revenue is recognised in the correct period.

b. Fair value of intangible assets acquired in business combinations

As there is no ready market for intangible assets such as customer relationships and brands, judgment is required in assessing fair value when accounting for a business combination. The factors over which judgment is applied,include: the types of asset to recognise; future cash flows; discount rates; and other items such as forecast customer attrition rates.

Estimates and judgments 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 2015–2017 Cycle	1 January 2019

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.

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and becomes effective for the Group for the year ending 30 April 2019. Applying IFRS 9 will result in changes to the measurement and disclosure of financial instruments and introduces a new expected loss impairment model. The Group does not currently expect adoption of the standard to have a significant impact on its consolidated results or financial position.

IFRS 15 'Revenue from Contracts with Customers' is effective in the Group Financial Statements for the year ending 30 April 2019. The standard provides a more detailed principles-based approach for income recognition than the current standard IAS 18 Revenue. During the year the Group carried out an assessment of its revenue streams and assessed the revenue recognition policies for these goods and services against the requirements of IFRS 15.

Accordingly, based on the Group's assessment, the application of IFRS 15 is not anticipated to have a material impact on the timing of revenue recognition and is not anticipated to have a material impact on the Group's operating profit or financial position. The Group will adopt IFRS 15 on 1 May 2017 using the retrospective approach. Additional disclosures will be required under IFRS 15.

IFRS 16, which incorporates the future recognition of leases, replaces IAS 17 and the associated interpretations IFRIC 4, SIC 15 and SIC 27. Currently, IAS 17 Leases only requires leases categorised as finance leases to be recognised on the balance sheet.

The new standard is effective for annual periods beginning on or after 1 January 2019. It will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model.

As at 30 April 2018, the Group holds a significant number of operating leases which currently, under IAS 17, are expensed on a straight-line basis over the lease term (see note 24). Finance lease obligations as at 30 April 2018 are set out in note 20.

Under IFRS 16, the Group will recognise within the balance sheet a right-of-use asset and a lease liability for future lease payments in respect of all leases unless the underlying assets are of low value or the lease term is 12 months or less. Within the income statement, rental expense on the impacted leases will be replaced with depreciation on the right-of-use asset and interest expense on the lease liability.

Although the impact is yet to be fully quantified, the adoption of the standard will result in a material: increase in property, plant and equipment and corresponding lease liability balances; decrease in operating costs; increase in finance costs; and impact on cash flows from financing and operating activities.

In the current year, amendments to IAS 7 and 12 and those arising from the annual improvements to IFRSs 2014 – 2016 Cycle 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:

	2018 Group £'000	2017 Group £'000
E-fulfilment & returns management services	159,350	129,854
Non e-fulfilment logistics	139,144	121,930
Value-added logistics services	**298,494**	251,784
Commercial vehicles	**103,598**	91,515
Inter-segment sales	(1,977)	(3,172)
Revenue from external customers	**400,115**	340,127

Non e-fulfilment logistics revenue includes £4,200,000 (2017: £nil) in respect of property-related advisory services.

Geographical information – revenue from external customers:

	2018 Group £'000	2017 Group £'000
United Kingdom	351,409	302,730
Germany	21,059	16,103
Rest of Europe	27,647	21,294
Revenue from external customers	**400,115**	340,127

Geography is determined by the location of the end customer. In the year ended 30 April 2018 the Group had no customers that accounted for greater than 10% of the total Group revenue (2017: one).

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

	2018 Group £'000	2017 Group £'000
Revenue from largest single customer	**Not applicable**	35,179

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.

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 2018:

Earnings before interest & tax ("EBIT"):

	2018 Group £'000	2017 Group £'000
E-fulfilment & returns management services	11,874	10,232
Non e-fulfilment logistics	14,786	12,431
Central logistics overheads	(5,688)	(4,832)
Value-added logistics services	20,972	17,831
Commercial vehicles	2,450	2,342
Head office costs	(2,568)	(2,245)
Group EBIT	20,854	17,928

Amortisation of other intangible assets:

	2018 Group £'000	2017 Group £'000
E-fulfilment & returns management services	(462)	(156)
Non e-fulfilment logistics	(632)	(21)
Central logistics overheads	–	–
Value-added logistics services	(1,094)	(177)
Commercial vehicles	–	–
Head office costs	–	–
Group total	(1,094)	(177)

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

	2018 Group £'000	2017 Group £'000
Net finance costs	(35)	(9)
Income tax credit/(expense)	217	(54)
Group total	182	(63)

Operating profit and profit before income tax:

	2018 Group £'000	2017 Group £'000
Operating profit:		
E-fulfilment & returns management services	12,483	9,796
Non e-fulfilment logistics	14,154	12,410
Central logistics overheads	(5,688)	(4,832)
Value-added logistics services	20,949	17,374
Commercial vehicles	2,450	2,342
Head office costs	(2,568)	(2,245)
Operating profit before share of equity-accounted investees	20,831	17,471
Share of equity-accounted investees, net of tax	(889)	217
Operating profit	19,942	17,688
Finance costs	(2,014)	(1,657)
Finance income	38	21
Profit before income tax	17,966	16,052

4. Segment information continued

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

At 30 April 2018:	Segment assets £'000	Segment liabilities £'000
Value-added logistics services	142,765	(69,601)
Commercial vehicles	38,208	(34,365)
Segment assets/(liabilities)	**180,973**	**(103,966)**
Unallocated assets/(liabilities):		
– Cash and cash equivalents	2,275	–
– Financial liabilities	–	(35,883)
– Deferred tax	–	(1,541)
– Income tax assets/(liabilities)	–	(2,540)
Total assets/(liabilities)	**183,248**	**(143,930)**

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)

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

Capital expenditure:

	2018 Group £'000	2017 Group £'000
Value-added logistics services	12,313	19,386
Commercial vehicles	725	851
Total	**13,038**	20,237

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

Depreciation:

	2018 Group £'000	2017 Group £'000
Value-added logistics services	5,701	4,012
Commercial vehicles	693	713
Total	**6,394**	4,725

Amortisation:

	2018 Group £'000	2017 Group £'000
Value-added logistics services	1,616	539
Commercial vehicles	5	9
Total	**1,621**	548

Notes to the Group Financial Statements continued

4. Segment information continued

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

	2018 Group £'000	2017 Group £'000
United Kingdom	80,789	62,409
Germany	4,103	4,617
Rest of Europe	552	240
Deferred taxation assets	–	353
Total	**85,444**	67,619

5. Staff costs

	2018 Group £'000	2017 Group £'000
Wages and salaries	102,032	84,462
Social security costs	9,853	7,791
Pension costs for the defined contribution scheme	1,768	1,474
Share based payments	1,219	832
Total	**114,872**	94,559

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

	2018 Group Number	2017 Group Number
Warehousing	3,056	2,402
Distribution	468	416
Service and maintenance	447	396
Administration	560	526
Total	**4,531**	3,740

Key management compensation (including Executive Directors):

	2018 Group £'000	2017 Group £'000
Wages and salaries	2,873	2,680
Social security costs	396	370
Pension costs for the defined contribution scheme	328	336
Share based payments	1,026	793
Total	**4,623**	4,179

Directors' emoluments:

	2018 Group £'000	2017 Group £'000
Aggregate emoluments excluding share based payments on unvested awards	1,214	1,309
Aggregate gains made by Directors on the exercise of options	72	–
Pension costs for the defined contribution scheme	21	48
Total	**1,307**	1,357

The number of Directors who were accruing benefits under a Group pension scheme is as follows:

	2018 Group Number	2017 Group Number
Defined contribution plans	**2**	3

6. Operating profit

This is stated after charging:

	2018 Group £'000	2017 Group £'000
Depreciation of property, plant and equipment – owned assets	2,976	2,023
Depreciation of property, plant and equipment – leased assets	3,418	2,702
Amortisation of intangible assets (included within administration and other expenses)	1,621	548
Total depreciation and amortisation expense	8,015	5,273
Operating lease rentals:		
– Vehicles, plant and equipment	10,338	8,876
– Land and buildings	20,940	18,069
Auditor's remuneration:		
– Audit of the Group Financial Statements	69	60
– Audit of the subsidiaries	99	82
– Non-audit fees	–	–
Total fees paid to the Group's auditor	168	142

Operating profit is stated after crediting:

	2018 Group £'000	2017 Group £'000
Other net gains:		
– Profit on sale of property, plant and equipment	2,203	260
– Dealership contributions	136	135
– Fair value adjustment to derivative financial instruments	–	10
– Rental income	59	–
Total net gains	2,398	405

7. Dividends

	2018 Group £'000	2017 Group £'000
Final dividend for the prior year of 4.8 pence (2017: 4.0 pence) per share	4,814	4,000
Interim dividend for the year of 2.8 pence (2017: 2.4 pence) per share	2,808	2,400
Total dividends paid	7,622	6,400
Proposed final dividend for the year ended 30 April 2018 of 5.6 pence (2017: 4.8 pence) per share	5,681	4,813

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 7 September 2018. The payment of this dividend will not have any tax consequences for the Group.

8. Finance costs

	2018 Group £'000	2017 Group £'000
On bank loans and overdrafts	547	438
On hire purchase agreements	926	766
Amortisation of debt issue costs	114	97
Commercial vehicle stocking interest	339	299
Invoice discounting	62	–
Other interest payable	26	57
Total interest expense for financial liabilities measured at amortised cost	2,014	1,657

Notes to the Group Financial Statements continued

9. Finance income

	2018 Group £'000	2017 Group £'000
Bank interest	2	–
Other interest	1	3
Amounts receivable from related parties	35	18
Total interest income for financial assets measured at amortised cost	**38**	21

10. Income tax expense

10.1 Tax charged in the income statement:

	2018 Group £'000	2017 Group £'000
Current income tax:		
UK and foreign corporation tax	4,249	3,620
Amounts (over)/under provided in previous years	(230)	90
Total income tax on continuing operations	**4,019**	3,710
Deferred tax:		
Origination and reversal of temporary differences	(355)	(144)
Amounts (over)/under provided in previous years	(2)	48
Impact of change in tax laws and rates	23	(28)
Total deferred tax	**(334)**	(124)
Tax expense in the income statement on continuing operations	**3,685**	3,586

10.2 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.

10.3 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:

	2018 Group £'000	2017 Group £'000
Profit before taxation from continuing operations	**17,966**	16,052
Standard rate of corporation tax in UK	19.00%	19.92%
Tax on profit on ordinary activities at standard rate	3,414	3,198
Share of equity-accounted investees, already net of tax	169	(43)
Expenses not allowable for tax purposes	194	212
Tax (over)/under provided in previous years	(232)	138
Difference in tax rates overseas	117	109
Deferred tax rate difference	23	(28)
Total tax expense reported in the income statement	**3,685**	3,586

10. Income tax expense continued

10.4 Deferred tax in the statement of financial position:

	Brought forward £'000	(Charged)/ credited to income statement £'000	Foreign currency adjustment £'000	(Charged)/ credited to share based payment reserve £'000	Acquisitions £'000	Carried forward Group £'000
Year ended 30 April 2017						
Tax effect of temporary differences due to:						
Share based payments	309	135	–	429	–	873
Other timing differences	58	136	2	–	–	196
Deferred tax assets (gross)	367	271	2	429	–	1,069
Intangible assets	(178)	28	–	–	–	(150)
Accelerated capital allowances	(356)	(156)	–	–	–	(512)
Other timing differences	(35)	(19)	–	–	–	(54)
Deferred tax liabilities (gross)	(569)	(147)	–	–	–	(716)
Net deferred tax	(202)	124	2	429	–	353
Year ended 30 April 2018						
Tax effect of temporary differences due to:						
Share based payments	**873**	**(137)**	**-**	**(155)**	**-**	**581**
Other timing differences	**196**	**131**	**4**	**-**	**70**	**401**
Deferred tax assets (gross)	**1,069**	**(6)**	**4**	**(155)**	**70**	**982**
Intangible assets	**(150)**	**231**	**-**	**-**	**(1,818)**	**(1,737)**
Accelerated capital allowances	**(512)**	**102**	**-**	**-**	**(329)**	**(739)**
Other timing differences	**(54)**	**7**	**-**	**-**	**-**	**(47)**
Deferred tax liabilities (gross)	**(716)**	**340**	**-**	**-**	**(2,147)**	**(2,523)**
Net deferred tax	**353**	**334**	**4**	**(155)**	**(2,077)**	**(1,541)**

The UK corporation tax rate reduced from 20% to 19% with effect from 1 April 2017 and will reduce further to 17% with effect from 1 April 2020. A rate of 17% (2017: 17%) has been applied in the measurement of the Group's UK deferred tax assets and liabilities in the year.

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:

	2018 Group £'000	2017 Group £'000
Profit attributable to ordinary equity holders of the Company	**14,281**	12,466

	2018 Group	2017 Group
Basic weighted average number of shares (thousands)	**100,338**	100,011
Basic earnings per share	**14.2p**	12.5p
Diluted weighted average number of shares (thousands)	**101,358**	101,710
Diluted earnings per share	**14.1p**	12.3p

Notes to the Group Financial Statements continued

12. Intangible assets

	Goodwill Group £'000	Contracts, customer relationships and licences Group £'000	Computer software Group £'000	Total Group £'000
Cost:				
At 1 May 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
Additions	**–**	**–**	**1,060**	**1,060**
Disposals	**–**	**–**	**(3)**	**(3)**
Acquisitions	**2,699**	**9,580**	**740**	**13,019**
Foreign currency adjustment	**–**	**5**	**21**	**26**
At 30 April 2018	**25,951**	**11,623**	**4,089**	**41,663**
Accumulated amortisation:				
At 1 May 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
Charge for the year	**–**	**1,094**	**527**	**1,621**
Disposals	**–**	**–**	**–**	**–**
Foreign currency adjustment	**–**	**5**	**8**	**13**
At 30 April 2018	**–**	**2,252**	**2,193**	**4,445**
Net book value:				
At 1 May 2016	23,252	1,057	589	24,898
At 30 April 2017	23,252	885	613	24,750
At 30 April 2018	**25,951**	**9,371**	**1,896**	**37,218**

The average remaining useful life of contracts and licences at 30 April 2018 is 8.5 years (2017: 5.4 years).

13. Impairment test for goodwill

The carrying amount of goodwill has been allocated to each CGU as follows:

	2018 Group £'000	2017 Group £'000
Value-added logistics services	**20,025**	17,326
Commercial vehicles	**5,926**	5,926
Total	**25,951**	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 2021.

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 2018 as well as confirmed new and ceasing contracts. The key judgment 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 3.3% (2017: 2.5%) to 2028 (2017: 2027). The cash flows have then been discounted using a pre-tax risk adjusted discount rate of between 8.5% and 10.3% (2017: 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

	Freehold property Group £'000	Leasehold property Group £'000	Motor vehicles Group £'000	Plant, machinery, fixtures & fittings Group £'000	Total Group £'000
Cost:					
At 1 May 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
Additions	**–**	**3,640**	**486**	**7,852**	**11,978**
Acquisitions	**3,860**	**102**	**80**	**771**	**4,813**
Disposals	**(3,860)**	**–**	**(768)**	**(651)**	**(5,279)**
Foreign currency adjustment	**–**	**7**	**83**	**180**	**270**
At 30 April 2018	**–**	**8,042**	**4,763**	**63,189**	**75,994**
Accumulated depreciation:					
At 1 May 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
Charge for the year	**34**	**499**	**844**	**5,017**	**6,394**
Disposals	**(34)**	**–**	**(620)**	**(170)**	**(824)**
Foreign currency adjustment	**–**	**3**	**23**	**87**	**113**
At 30 April 2018	**–**	**2,779**	**2,635**	**25,582**	**30,996**
Net book value:					
At 1 May 2016	–	2,170	2,804	20,590	25,564
At 30 April 2017	–	2,016	2,494	34,389	38,899
At 30 April 2018	**–**	**5,263**	**2,128**	**37,607**	**44,998**

Included within property, plant and equipment are amounts held under finance lease contracts. At 30 April 2018, the net book value of these assets was £28,257,000 (2017: £27,314,000). Total additions include £5,129,000 (2017: £13,697,000) under finance lease contracts.

Additions to plant, machinery, fixtures & fittings include £1,587,000 (2017: £1,824,000) in respect of assets in the course of construction.

15. Investment in equity-accounted investees

	2018 Group £'000	2017 Group £'000
Brought forward	**2,167**	–
Subscription for share capital	**–**	1,950
Share of (loss)/profit after tax for the period	**(889)**	217
Carried forward	**1,278**	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 year ended 31 January 2018 is set out below:

	31 January 2018 £'000	31 January 2017 £'000
Current assets	**6,331**	7,874
Non-current assets	**4,359**	4,677
Current liabilities	**(5,001)**	(5,312)
Non-current liabilities	**(2,962)**	(2,905)
Equity attributable to owners of the company	**2,727**	4,334

	Year ended 31 January 2018 £'000	13 weeks ended 31 January 2017 £'000
Revenue	**19,730**	6,624
Operating (loss)/profit	**(1,933)**	560
Interest payable and similar charges	**(70)**	(18)
Income tax credit/(expense)	**396**	(108)
(Loss)/profit for the period	**(1,607)**	434

16. Inventories

	2018 Group £'000	2017 Group £'000
Component parts and consumable stores	**4,901**	4,459
Commercial vehicles	**3,199**	3,225
Commercial vehicles on consignment	**13,999**	22,288
Total inventories net of provision for obsolescence	**22,099**	29,972

See below for the movements in the provision for obsolescence:

	Group £'000
At 1 May 2016	9
Charged for the year	114
Utilised	(36)
At 30 April 2017	87
Charged for the year	**128**
Utilised	**(103)**
At 30 April 2018	**112**

The cost of inventories recognised as an expense amounted to £108,599,000 (2017: £91,072,000).

Included within commercial vehicles is £941,000 (2017: £768,000) relating to assets held under hire purchase agreements.

17. Trade and other receivables

	2018 Group £'000	2017 Group £'000
Trade receivables	**43,769**	24,297
Less: provision for impairment of receivables	**(455)**	(340)
Trade receivables – net	**43,314**	23,957
Other receivables	**3,461**	2,708
Amounts receivable from related parties (see note 27)	**5,785**	522
Prepayments and accrued income	**20,870**	20,541
Total trade and other receivables	**73,430**	47,728

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.

17. Trade and other receivables continued

See below for the movements in the provision for impairment:

	Group £'000
At 1 May 2016	328
Charged for the year	227
Foreign currency adjustment	1
Utilised	(216)
At 30 April 2017	340
Charged for the year	**328**
Foreign currency adjustment	**3**
Utilised	**(216)**
At 30 April 2018	**455**

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 31 days (2017: 22 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 2018	**43,314**	**40,748**	**1,560**	**595**	**411**
30 April 2017	23,957	22,245	816	64	832

18. Cash and cash equivalents

	2018 Group £'000	2017 Group £'000
Cash and cash equivalents	**2,275**	862
Bank overdraft	**(1,337)**	–
Net cash and cash equivalents	**938**	862

19. Trade and other payables

	2018 Group £'000	2017 Group £'000
Trade payables	**33,825**	28,760
Consignment inventory payables	**18,687**	29,230
Amounts payable to related parties (see note 27)	**233**	171
Other taxes and social security	**9,520**	5,372
Other payables	**5,012**	5,103
Deferred consideration for acquisitions	**500**	–
Accruals and deferred income	**34,625**	16,432
Total trade and other payables	**102,402**	85,068

Notes to the Group Financial Statements continued

20. Financial liabilities: borrowings

	2018 Group £'000	2017 Group £'000
Non-current:		
Bank loans	**9,841**	1,330
Obligations under finance leases or hire purchase agreements	**16,823**	18,643
Total non-current	**26,664**	19,973
Current:		
Bank loans	**887**	797
Bank overdraft	**1,337**	–
Obligations under finance leases or hire purchase agreements	**6,995**	6,592
Total current	**9,219**	7,389
Total borrowings	**35,883**	27,362
Less:		
Cash and cash equivalents (see note 18)	**2,275**	862
Non-current financial assets (see note 27)	**1,950**	1,450
Net debt	**31,658**	25,050

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

	2018 Group £'000	2017 Group £'000
In one year or less	**887**	797
Between one and five years	**9,841**	1,330
After five years	**–**	–
Total bank loans	**10,728**	2,127

The principal lender has security over all assets of the Group's UK operations. The Group's principal bank facilities were increased in October 2017 and now total £40,000,000 consisting of:

- a Revolving Credit Facility of £30,000,000 repayable in January 2021; interest rate 1.75% above LIBOR. The amount drawn at 30 April 2018 was £9,000,000;
- a committed overdraft of £8,000,000. The amount drawn at 30 April 2018 was £1,337,000; and
- bonds and guarantees of £2,000,000.

In addition to the Revolving Credit Facility above, other items included within bank loans at 30 April 2018 are as follows:

- other bank loans – £2,079,000 repayable in monthly instalments over periods between 16 and 60 months; interest rates fixed at between 3.72% and 4.80%; and
- unamortised debt issue costs of £351,000 in relation to the principal facilities, which have been deducted from the total outstanding bank loans.

20. Financial liabilities: borrowings continued

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

	2018 Group £'000	2017 Group £'000
Fixed rate leases:		
Minimum lease payments:		
In one year or less	6,822	6,631
Between one and five years	16,922	19,008
After five years	–	–
	23,744	25,639
Interest:		
In one year or less	(738)	(830)
Between one and five years	(853)	(1,194)
After five years	–	–
	(1,591)	(2,024)
Principal of fixed rate leases:		
In one year or less	6,084	5,801
Between one and five years	16,069	17,814
After five years	–	–
	22,153	23,615
Variable rate leases:		
In one year or less	911	791
Between one and five years	754	829
After five years	–	–
	1,665	1,620
Total	23,818	25,235

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 4.7 (2017: 4.5) years. At 30 April 2018 £22,756,000 (2017: £23,636,000) 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.

Changes in liabilities from financing activities:

	Bank loans £'000	Finance leases £'000
Balance at 1 May 2017	2,127	25,235
Changes from financing cash flows		
Drawdown of bank loans	9,017	–
Repayment of bank loans	(812)	–
Payment of finance lease liabilities	–	(7,366)
Debt issue costs paid	(101)	–
Total changes from financing cash flows	8,104	(7,366)
Changes arising from obtaining or losing control of subsidiaries or other businesses	–	–
The effect of changes in foreign exchange rates	2	75
Other changes		
New finance leases in respect of additions to property, plant and equipment	–	4,966
New finance leases in respect of commercial vehicle inventories	–	908
Bank loans in respect of additions to intangible assets and property, plant and equipment	381	–
Finance costs	114	–
Total other changes	495	5,874
Balance at 30 April 2018	10,728	23,818

Notes to the Group Financial Statements continued

21. Provisions

	Onerous contracts Group £'000	Uninsured losses Group £'000	Dilapidations Group £'000	Total Group £'000
At 1 May 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
Utilised	**(92)**	**(213)**	**(206)**	**(511)**
Charged in year	**10**	**213**	**358**	**581**
At 30 April 2018	**17**	**–**	**1,547**	**1,564**

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

	2018 Group £'000	2017 Group £'000
Current	**78**	127
Non-current	**1,486**	1,367
Total	**1,564**	1,494

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 warehouses have leases that expire 19 and 15 years from the balance sheet date and an office lease expires 13 years from the balance sheet date. All other leases expire in 10 years or less.

During the prior year the Company took assignment of a property lease with seven 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

	2018 Company £'000	2017 Company £'000
Allotted, called up and fully paid:		
101,360,523 (2017: 100,022,968) ordinary shares of 0.05 pence each	**51**	50

During the year the Company issued 1,087,555 ordinary shares to satisfy employee share options, for aggregate consideration of £1,381,000; and 250,000 ordinary shares at a price of 100 pence per share to satisfy an option dated 30 May 2014 which was entered into by the Company and the Company's broker Numis Securities Limited. The new shares rank pari passu with all existing ordinary shares in issue. See also note 23.

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 three years. A summary of the principal terms of the PSP, including vesting conditions, is contained in the Directors' Remuneration Report on pages 46 to 60.

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 three-year savings contract, under which the employee could elect to save between £5 and £500 per month.

23. Share based payments continued

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

Date	PSP number	WAEP	Sharesave number	WAEP
Outstanding 1 May 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
Granted during the year	**336,293**	**nil**	**561,980**	**379.74p**
Forfeited during the year	**(176,429)**	**nil**	**(86,400)**	**255.16p**
Exercised during the year	**(106,338)**	**nil**	**(981,217)**	**140.64p**
Outstanding 30 April 2018	**1,647,665**	**nil**	**1,165,834**	**311.64p**

At 30 April 2018, PSP options over 572,532 (2017: nil) and Sharesave options over 85,783 (2017: 4,509) 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:

	2018
Share price at:	
18 January 2018	**470.00p**
13 February 2018	**407.00p**
Expected life of option	**3.5 years**
Volatility	**40%**
Dividend yield	**1.62–1.87%**

The expected life of the options has been estimated as six months beyond vesting date. Volatility has been calculated on a rolling three year period up to the week prior to grant. 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 2018 relating to employee share based payment plans was £1,219,000 (2017: £832,000). The fair value of share options at 30 April 2018 to be amortised in future years was £2,830,000 (2017: £2,052,000).

All share based payments in both years are equity settled.

24. Commitments and contingencies

Operating lease commitments – land and buildings:

	2018 Group £'000	2017 Group £'000
Within one year	**20,807**	19,191
Between one and five years	**59,529**	66,367
After more than five years	**56,754**	77,567
Total minimum lease payments	**137,090**	163,125

Operating lease commitments – vehicles, plant and equipment:

	2018 Group £'000	2017 Group £'000
Within one year	**6,597**	5,844
Between one and five years	**9,243**	9,443
After more than five years	**2**	11
Total minimum lease payments	**15,842**	15,298

Notes to the Group Financial Statements continued

25. Capital commitments

	2018 Group £'000	2017 Group £'000
Authorised and contracted for	**5,500**	2,011
Authorised but not contracted for	**12,359**	2,659
Total capital commitments	**17,859**	4,670

26. Financial instruments and financial risk management objectives and policies

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

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

Credit risk

Credit risk predominantly arises from trade receivables and cash and cash equivalents. The Group has a customer credit policy in place and the exposure to credit risk is monitored on an ongoing basis. External credit ratings are generally obtained for customers; Group policy is to assess the credit quality of each customer before accepting any terms of trade.

Internal procedures take into account 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 London Stock Exchange. Given the high credit quality of counterparties with which the Group has investments, the Directors do not expect any counterparty to fail to meet its obligations.

At 30 April 2018 there were no significant concentrations of credit risk (2017: none). 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 (2017: 50 basis points) on that portion of borrowings affected would be to reduce the Group's profit before tax by £132,000 (2017: £93,000).

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, Polish Zloty 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.

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

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.

	2018 Group £'000	2017 Group £'000
EBIT	**20,854**	17,928
Finance costs (net)	**1,976**	1,636
Interest cover ratio	**10.6**	11.0

	2018 Group £'000	2017 Group £'000
EBIT	**20,854**	17,928
Depreciation and impairment of property, plant and equipment	**6,394**	4,725
Amortisation and impairment of computer software	**527**	371
Earnings before interest, tax, depreciation and amortisation ("**EBITDA**")	**27,775**	23,024
Net debt (note 20)	**31,658**	25,050
Net debt/EBITDA ratio	**1.14**	1.09

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 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
30 April 2018				
Fixed rate borrowings	**6,971**	**6,712**	**10,549**	**24,232**
Floating rate borrowings	**2,248**	**584**	**9,170**	**12,002**
Total borrowings	**9,219**	**7,296**	**19,719**	**36,234**
Trade and other payables	**84,972**	**–**	**–**	**84,972**
Total financial liabilities	**94,191**	**7,296**	**19,719**	**121,206**

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.
- Trade and other receivables/payables: the notional amounts 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

	2018 Book value £'000	2018 Fair value £'000	2017 Book value £'000	2017 Fair value £'000
Non-current financial assets	**1,950**	**1,907**	1,450	1,394
Current financial assets:				
Cash and cash equivalents	**2,275**	**2,275**	862	862
Trade and other receivables	**73,430**	**73,430**	47,728	47,728
Liabilities:				
Bank overdraft	**(1,337)**	**(1,337)**	–	–
Short-term borrowings	**(9,219)**	**(9,219)**	(7,389)	(7,389)
Trade and other payables	**(102,402)**	**(102,402)**	(85,068)	(85,068)
Long-term borrowings	**(26,664)**	**(25,919)**	(19,973)	(19,100)

Long-term borrowings 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.

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

Guiseley Association Football Club, which shares a common director with Clipper Logistics plc, receives sponsorship income from the Group.

Harrogate Road Restaurants Limited, a company which shares a common director with Clipper Logistics plc, receives management and administration services from the Group.

Hamsard 3476 Limited, a company controlled by Steve Parkin, receives property-related services from the Group.

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

Knaresborough Real Estate Limited, a company owned by Steve Parkin, is the landlord of one of the Group's leasehold properties.

Roydhouse Properties Limited is the landlord of two of the Company's leasehold properties and has common directors with Clipper Logistics plc.

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.

Trust Electric Heating Limited, a supplier to the Group, shares a common director with Clipper Logistics plc.

In the prior year, the Group chartered an aircraft from South Acre Aviation Limited, a company owned by Steve Parkin.

Key management compensation is disclosed in note 5.

27. Related party disclosures continued

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

	2018 Group £'000	2017 Group £'000
Non-current financial assets:		
Clicklink Logistics Limited – interest bearing loan	1,950	1,450
Trade and other receivables:		
Clicklink Logistics Limited – trading balance	1,491	282
Knaresborough Investments Limited	–	115
Branton Court Stud LLP	93	125
Hamsard 3476 Limited – revenue	4,200	–
Southerns Office Interiors Limited	1	–
Trade and other payables:		
Clicklink Logistics Limited	168	135
Southerns Office Interiors Limited	63	36
Trust Electric Heating Limited	2	–

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 has been fully drawn in two 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.

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

	2018 Group £'000	2017 Group £'000
Items credited to the income statement:		
Clicklink Logistics Limited – revenue	15,738	4,701
Clicklink Logistics Limited – finance income	35	18
Branton Court Stud LLP	437	125
Hamsard 3476 Limited	4,200	–
Harrogate Road Restaurants Limited	–	2
Knaresborough Investments Limited	285	150
Southerns Office Interiors Limited	23	7
Items charged to the income statement:		
Clicklink Logistics Limited	1,682	410
Guiseley Association Football Club	67	25
Hamsard 3476 Limited	–	–
Knaresborough Investments Limited	8	5
Knaresborough Real Estate Limited	361	345
Roydhouse Properties Limited	865	888
Southerns Office Interiors Limited	33	47
South Acre Aviation Limited	–	7
Trust Electric Heating Limited	4	–
Purchase of non-current assets		
Southerns Office Interiors Limited	70	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	277	3,681

Notes to the Group Financial Statements continued

28. Business combinations

28.1 Tesam Distribution Limited

On 24 May 2017 the Company acquired the entire issued share capital of Tesam Distribution Limited ("**Tesam**") in exchange for cash consideration. Tesam operated as a provider of a variety of warehousing and distribution services to the retail sector. With effect from 30 April 2018 the Tesam operations have been hived-up into Clipper Logistics plc (see note T to the Company Financial Statements).

Purchase consideration and cash flows:

	£'000
Cash consideration paid	11,750
Total consideration payable	**11,750**

	£'000
Analysis of cash flows:	
Cash consideration paid in the year	11,750
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,177
Net cash flow on the acquisition	**(9,573)**

Acquisition:

	Fair value £'000
Assets:	
Property, plant and equipment	4,655
Customer relationships	8,173
Software	740
Trade and other receivables	1,157
Cash and cash equivalents	2,177
Liabilities:	
Trade and other payables	(3,488)
Current tax liabilities	(147)
Current provisions	(1,036)
Deferred tax liabilities	(1,801)
Total identifiable net assets at fair value	**10,430**
Goodwill arising on acquisition	1,320
Total consideration	**11,750**

The goodwill of £1,320,000 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the value-added logistics services segment.

None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, Tesam has contributed £14,810,000 of revenue and £4,871,000 to the profit before tax from continuing operations of the Group.

Professional fees and costs in relation to the acquisition were £159,000 and have been charged to the income statement.

28. Business combinations continued

28.2 RepairTech Limited

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

Purchase consideration:

	£'000
Cash consideration paid	2,500
Deferred consideration paid June 2018	500
Total consideration payable	**3,000**

	£'000
Analysis of cash flows:	
Cash consideration paid in the year	2,500
Net cash acquired with the subsidiary (included in cash flows from investing activities)	300
Net cash flow on the acquisition	**(2,200)**

Acquisition:

	Fair value £'000
Assets:	
Property, plant and equipment	159
Customer relationships	1,384
Other intangible assets	23
Inventories	34
Trade and other receivables	760
Cash and cash equivalents	300
Liabilities:	
Trade and other payables	(611)
Current tax liabilities	(153)
Deferred tax liabilities	(275)
Total identifiable net assets at fair value	**1,621**
Goodwill arising on acquisition	1,379
Total consideration	**3,000**

The goodwill of £1,379,000 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the value-added logistics services segment.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Other intangible assets recognised consist of the acquired order book.

From the date of acquisition, RepairTech has contributed £3,183,000 of revenue and £396,000 to the profit before tax from continuing operations of the Group.

Professional fees and costs in relation to the acquisition were £62,000 and have been charged to the income statement.

Company Statement of Financial Position

At 30 April

	Note	2018 Company £'000	2017 Company £'000
Assets:			
Non-current assets			
Goodwill	D	5,712	5,712
Other intangible assets	D	8,968	194
Intangible assets	D	14,680	5,906
Property, plant and equipment	E	39,381	33,522
Investment in subsidiaries	F	24,605	20,228
Other investments	F	1,950	1,950
Non-current financial assets	S	1,950	1,450
Deferred tax assets	N	–	279
Total non-current assets		82,566	63,335
Current assets			
Inventories	G	466	394
Trade and other receivables	H	62,770	37,947
Cash and cash equivalents	J	892	49
Total current assets		64,128	38,390
Total assets		146,694	101,725
Equity and liabilities:			
Current liabilities			
Trade and other payables	I	67,675	44,920
Financial liabilities: borrowings	J	18,637	15,210
Short-term provisions	M	61	43
Current income tax liabilities		2,136	1,766
Total current liabilities		88,509	61,939
Non-current liabilities			
Financial liabilities: borrowings	J	25,246	18,057
Long-term provisions	M	1,430	1,279
Deferred tax liabilities	N	1,599	–
Total non-current liabilities		28,275	19,336
Total liabilities		116,784	81,275
Equity shareholders' funds			
Share capital	O	51	50
Share premium		1,710	80
Currency translation reserve		(39)	40
Other reserve		851	851
Share based payment reserve		2,745	2,038
Retained earnings		24,592	17,391
Total equity attributable to the owners of the Company		29,910	20,450
Total equity and liabilities		146,694	101,725

Approved by the Board on 16 August 2018 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 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
Profit for the year	**–**	**–**	**–**	**–**	**–**
Other comprehensive income/(expense)	**–**	**–**	**(79)**	**–**	**(79)**
Equity settled transactions	**–**	**–**	**–**	**–**	**–**
Share issue	**1**	**1,630**	**–**	**–**	**1,631**
Dividends	**–**	**–**	**–**	**–**	**–**
Balance at 30 April 2018	**51**	**1,710**	**(39)**	**851**	**2,573**

	Brought forward Company £'000	Share based payment reserve Company £'000	Retained earnings Company £'000	Total Company £'000
Balance at 1 May 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
Profit for the year	**–**	**–**	**14,466**	**14,466**
Other comprehensive income/(expense)	**(79)**	**–**	**–**	**(79)**
Equity settled transactions	**–**	**707**	**357**	**1,064**
Share issue	**1,631**	**–**	**–**	**1,631**
Dividends	**–**	**–**	**(7,622)**	**(7,622)**
Balance at 30 April 2018	**2,573**	**2,745**	**24,592**	**29,910**

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 2018 were authorised for issue by the Board of Directors on 16 August 2018 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 2018. 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)-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' 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 1 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 2018 shows current assets of £64,128,000 (2017: £38,390,000) and current liabilities of £88,509,000 (2017: £61,939,000). Net current liabilities are therefore £24,381.000 (2017: £23,549,000). The Group has access to a non-amortising Revolving Credit Facility of £30,000,000 repayable in 2021 and an overdraft facility of £8,000,000, an aggregate of £38,000,000 of which £10,337,000 was drawn at 30 April 2018 (see note 20 to the Group Financial Statements). The Company's bank overdraft shown in Note J was covered in part 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 with 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, customer relationships 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 (3 to 5 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 substantively 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 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. Judgment is required when determining the appropriate timing and amount of revenue that can be recognised, due to the different contractual arrangements in place.

At certain sites where the Company has entered into leases, arrangements have been entered into with third and/or related parties, under which the Company receives fees for property-related advisory services. Revenue earned from property-related services is recognised in the income statement at fair value of the consideration receivable, net of VAT.

Management assesses the fees that are applicable to each specific transaction and recognises revenue in the income statement at the time of the underlying transaction. In forming the judgment, the Company considers whether the leases it has entered into are operating leases, whether the future rentals are at market value and accordingly whether the fees can be attributed to delivered property services.

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 Judgments and key sources of estimation uncertainty

The preparation of the financial information under FRS 101 requires management to make judgments, 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 judgments 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

Judgment is required when determining the appropriate timing and amount of revenue that can be recognised. The varied contractual terms, costs and performance requirements used to determine revenue can lead to complexity around the calculation of deferred and accrued revenue, and ensuring revenue is recognised in the correct period.

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, customer relationships and licences Company £'000	Computer software Company £'000	Total Company £'000
Cost:				
At 1 May 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
Additions	**–**	**–**	**920**	**920**
Acquisition	**–**	**7,410**	**601**	**8,011**
At 30 April 2018	**8,312**	**8,133**	**2,972**	**19,417**
Accumulated amortisation:				
At 1 May 2016	2,600	723	1,193	4,516
Charge for the year	–	–	158	158
Disposals	–	–	(94)	(94)
At 30 April 2017	2,600	723	1,257	4,580
Charge for the year	**–**	**–**	**157**	**157**
At 30 April 2018	**2,600**	**723**	**1,414**	**4,737**
Net book value:				
At 1 May 2016	5,712	–	414	6,126
At 30 April 2017	5,712	–	194	5,906
At 30 April 2018	**5,712**	**7,410**	**1,558**	**14,680**

On 30 April 2018 the Company acquired the entire trade, assets and undertaking of its subsidiary, Tesam Distribution Limited, at market value. For further detail, see note T.

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 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
Additions	**3,138**	**6**	**6,712**	**9,856**
Acquisitions	**12**	**58**	**555**	**625**
Disposals	**–**	**(50)**	**–**	**(50)**
At 30 April 2018	**5,823**	**1,402**	**56,501**	**63,726**
Accumulated depreciation:				
At 1 May 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
Charge for the year	**332**	**138**	**4,148**	**4,618**
Disposals	**–**	**(46)**	**–**	**(46)**
At 30 April 2018	**1,582**	**1,190**	**21,573**	**24,345**
Net book value:				
At 1 May 2016	1,628	402	18,249	20,279
At 30 April 2017	1,423	290	31,809	33,522
At 30 April 2018	**4,241**	**212**	**34,928**	**39,381**

Included within property, plant and equipment are amounts held under finance lease contracts. At 30 April 2018, the net book value of these assets was £25,825,000 (2017: £24,557,000). The depreciation charged to the accounts in the year in respect of such assets amounted to £2,782,000 (2017: £2,031,000).

Additions to plant, machinery, fixtures & fittings include £1,517,000 (2017: £1,757,000) in respect of assets in the course of construction.

F. Investments

	Subsidiary undertakings £'000	Other £'000
Cost:		
At 1 May 2016	20,188	–
Additions	255	1,950
At 30 April 2017	20,443	1,950
Additions	**15,787**	**–**
At 30 April 2018	**36,230**	**1,950**
Provision for impairment:		
At 1 May 2016 and 30 April 2017	215	–
Write-down in year (see note T)	**11,410**	**–**
At 30 April 2018	**11,625**	**–**
Net book value:		
At 1 May 2016	19,973	–
At 30 April 2017	20,228	1,950
At 30 April 2018	**24,605**	**1,950**

Notes to the Company Financial Statements continued

F. Investments continued

During the year the Company acquired the entire share capital of Tesam Distribution Limited and RepairTech Limited (see note 28 to the Group Financial Statements) and subscribed for further share capital in Clipper Logistics Sp. z o.o.

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.

Company	Nature of business during the year
Servicecare Support Services Limited[1]	Returns management services and online retail
Clipper Logistics KG (GmbH & Co.) (Germany)[2]	Contract distribution and warehousing
Clipper Logistics Sp. z o.o. (Poland)[3]	Contract distribution and warehousing
Tesam Distribution Limited	Contract distribution and warehousing
RepairTech Limited[4]	Technical services
Northern Commercials (Mirfield) Limited[5]	Sale, servicing and repair of commercial vehicles
Genesis Specialised Product Packing Limited	Online 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 28 to the Group Financial Statements for additions during the year.

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. 3 ul. Zernicka, 22, Robakowo, 62-023, Robakowo, Poland
4. 4b Westfield Road, Kineton Industrial Estate, Southam, Warwickshire, CV47 0JH
5. Armytage Road, Wakefield Road Industrial Estate, Brighouse, West Yorkshire, HD6 1PG

G. Inventories

	2018 Company £'000	2017 Company £'000
Component parts and consumable stores	466	394

H. Trade and other receivables

	2018 Company £'000	2017 Company £'000
Amounts falling due within one year:		
Trade receivables	**33,357**	14,840
Other receivables	**105**	114
Prepayments and accrued income	**18,544**	18,464
Amounts receivable from related parties (see note S)	**5,691**	522
Amounts owed by fellow Group companies	**533**	371
	58,230	34,311
Amounts falling due after more than one year:		
Amounts owed by fellow Group companies	**4,540**	3,636
Total	**62,770**	37,947

I. Trade and other payables

	2018 Company £'000	2017 Company £'000
Trade payables	**21,840**	20,588
Other taxes and social security	**7,727**	4,821
Other payables	**2,688**	2,028
Accruals and deferred income	**29,951**	13,869
Amounts payable to related parties (see note S)	**233**	171
Amounts payable to fellow Group companies	**5,236**	3,443
Total trade and other payables	**67,675**	44,920

J. Financial liabilities: borrowings

	2018 Company £'000	2017 Company £'000
Non-current:		
Bank loans	**9,837**	1,300
Obligations under finance leases or hire purchase agreements	**15,409**	16,757
Total non-current	**25,246**	18,057
Current:		
Bank overdrafts	**12,112**	9,263
Bank loans	**860**	770
Obligations under finance leases or hire purchase agreements	**5,665**	5,177
Total current	**18,637**	15,210
Total borrowings	**43,883**	33,267
Less:		
Cash and cash equivalents	**892**	49
Non-current financial assets (see note S)	**1,950**	1,450
Net debt	**41,041**	31,768

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 2018 is £1,337,000 (2017: £nil). Obligations under finance leases or hire purchase agreements are secured by related assets.

K. Bank loans

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

	2018 Company £'000	2017 Company £'000
In one year or less	**860**	770
Between one and five years	**9,837**	1,300
After five years	**–**	–
Total	**10,697**	2,070

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:

	2018 Company £'000	2017 Company £'000
Fixed rate leases:		
Minimum lease payments:		
In one year or less	6,372	5,961
Between one and five years	16,245	17,909
	22,617	23,870
Interest:		
In one year or less	(707)	(784)
Between one and five years	(836)	(1,152)
	(1,543)	(1,936)
Principal of fixed rate leases:		
In one year or less	5,665	5,177
Between one and five years	15,409	16,757
	21,074	21,934
Variable rate leases:	–	–
Total	21,074	21,934

M. Provisions

	Uninsured losses Company £'000	Dilapidations Company £'000	Total Company £'000
At 1 May 2016	–	642	642
Utilised	(145)	(166)	(311)
Consideration received	–	557	557
Charged in year	145	289	434
At 30 April 2017	–	1,322	1,322
Utilised	(213)	(206)	(419)
Charged in year	213	375	588
At 30 April 2018	–	1,491	1,491

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

	2018 Company £'000	2017 Company £'000
Current	61	43
Non-current	1,430	1,279
Total	1,491	1,322

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 Company'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. One key site has a lease that expires 19 years from the balance sheet date and an office lease expires 13 years from the balance sheet date. All other leases expire in 10 years or less.

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

N. Deferred tax

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

	Brought forward £'000	(Charged)/ credited to income statement £'000	(Charged)/ credited to share based payment reserve £'000	Acquisitions £'000	Carried forward Company £'000
Tax effect of temporary differences due to:					
Share based payments	846	**(142)**	**(150)**	**-**	**554**
Other timing differences	45	**20**	**-**	**-**	**65**
Deferred tax assets (gross)	891	**(122)**	**(150)**	**-**	**619**
Intangible assets	–	**-**	**-**	**(1,362)**	**(1,362)**
Accelerated capital allowances	(612)	**(147)**	**-**	**(97)**	**(856)**
Other timing differences	–	**-**	**-**	**-**	**-**
Deferred tax liabilities (gross)	(612)	**(147)**	**-**	**(1,459)**	**(2,218)**
Net Deferred tax	279	**(269)**	**(150)**	**(1,459)**	**(1,599)**

The UK corporation tax rate reduced from 20% to 19% with effect from 1 April 2017 and will reduce further to 17% with effect from 1 April 2020. A rate of 17% (2017: 17%) has been applied in the measurement of the Company's deferred tax assets and liabilities in the year.

O. Share capital

	2018 Company £'000	2017 Company £'000
Allotted, called up and fully paid:		
101,360,523 (2017: 100,022,968) ordinary shares of 0.05 pence each	**51**	50

During the year the Company issued 1,087,555 ordinary shares to satisfy employee share options, for aggregate consideration of £1,381,000; and 250,000 ordinary shares at a price of 100 pence per share to satisfy an option dated 30 May 2014 which was entered into by the Company and the Company's broker Numis Securities Limited. The new shares rank pari passu with all existing ordinary shares in issue. See also note 23 to the Group Financial Statements.

P. 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 2018 was £1,146,000 (2017: £771,000).

Q. Commitments and contingencies

Operating lease commitments – land and buildings:

	2018 Company £'000	2017 Company £'000
Within one year	**17,103**	16,062
Between one and five years	**54,601**	58,514
After more than five years	**55,585**	75,058
Total minimum lease payments	**127,289**	149,634

Operating lease commitments – vehicles, plant and equipment:

	2018 Company £'000	2017 Company £'000
Within one year	**6,457**	5,284
Between one and five years	**9,073**	9,353
After more than five years	**2**	11
Total minimum lease payments	**15,532**	14,648

Notes to the Company Financial Statements continued

R. Capital commitments

	2018 Company £'000	2017 Company £'000
Authorised and contracted for	**5,350**	2,011
Authorised but not contracted for	**12,359**	2,659
Total capital commitments	**17,709**	4,670

S. 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.

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

Guiseley Association Football Club, which shares a common director with the Company, receives sponsorship income from the Company.

Harrogate Road Restaurants Limited, a company which shares a common director with the Company, receives management and administration services from the Company.

Hamsard 3476 Limited, a company controlled by Steve Parkin, receives property-related services from the Company.

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

Roydhouse Properties Limited is the landlord of two of the Company's leasehold properties and has common directors with Clipper Logistics plc.

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.

Trust Electric Heating Limited, a supplier to the Company, shares a common director with Clipper Logistics plc.

In the prior year, the Company chartered an aircraft from South Acre Aviation Limited, a company owned by Steve Parkin.

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:

	2018 Company £'000	2017 Company £'000
Non-current financial assets:		
Clicklink Logistics Limited – interest bearing loan	**1,950**	1,450
Trade and other receivables:		
Clicklink Logistics Limited – trading balance	**1,491**	282
Hamsard 3476 Limited – revenue	**4,200**	–
Knaresborough Investments Limited	**-**	115
Branton Court Stud LLP	**-**	125
Trade and other payables:		
Clicklink Logistics Limited	**168**	135
Southerns Office Interiors Limited	**63**	36
Trust Electric Heating Limited	**2**	–

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 was drawn in two 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.

S. Related party disclosures continued

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

	2018 Company £'000	2017 Company £'000
Items credited to the income statement:		
Clicklink Logistics Limited – revenue	15,738	4,701
Clicklink Logistics Limited – finance income	35	18
Hamsard 3476 Limited	4,200	–
Knaresborough Investments Limited	285	150
Branton Court Stud LLP	359	125
Harrogate Road Restaurants Limited	–	2
Southerns Office Interiors Limited	18	–
Items charged to the income statement:		
Clicklink Logistics Limited	1,682	410
Hamsard 3476 Limited	–	–
Knaresborough Investments Limited	8	5
Roydhouse Properties Limited	865	888
Southerns Office Interiors Limited	28	46
Guiseley Association Football Club	67	25
South Acre Aviation Limited	–	7
Trust Electric Heating Limited	4	–
Purchase of non-current assets		
Southerns Office Interiors Limited	70	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	277	3,681

T. Business combinations

Tesam Distribution Limited

On 24 May 2017 the Company acquired the entire issued share capital of Tesam Distribution Limited ("**Tesam**") in exchange for cash consideration. Tesam operated as a provider of a variety of warehousing and distribution services to the retail sector. With effect from 30 April 2018 the trade, assets and undertaking of Tesam have been hived-up into Clipper Logistics plc.

Acquisition:	Fair value £'000
Assets:	
Property, plant and equipment	625
Intangible assets	8,011
Trade and other receivables	1,002
Cash and cash equivalents	3,405
Liabilities:	
Trade and other payables	(2,920)
Short term borrowings	(899)
Current tax liabilities	(777)
Deferred tax liabilities	(1,459)
Total identifiable net assets at fair value	6,988
Goodwill arising on acquisition	–
Total consideration	6,988

Intangible assets recognised consist of customer relationships and internally generated software.

Return on investment:

	£'000
Original cost of investment	11,750
Residual asset value	340
Investment write-down	(11,410)
Dividends received	12,847
Net earnings in the year	1,437

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:	Buchanan Communications Limited 107 Cheapside London EC2V 6DN

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