Annual Report
and Accounts 2020

Creating solutions and driving collaboration to support growth

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What makes us different

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

Agile and able
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 experienced operational management teams to ensure rapid delivery of effective solutions.

Diverse customer portfolio
Our customer portfolio comprises both large omni-channel operations as well as shared-user sites with growing retailers.

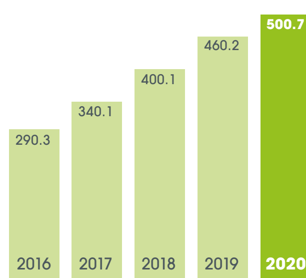
We pride ourselves on being able to operate across the entire retail sector and help start-ups to flourish.

Talented people
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. We see the bigger picture without neglecting the day-to-day detail.

Highlights

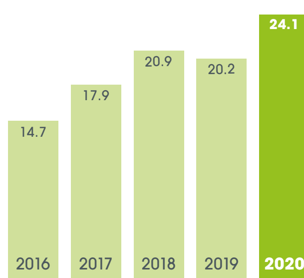
Group revenue
£500.7m

(2019: £460.2m)
+8.8%



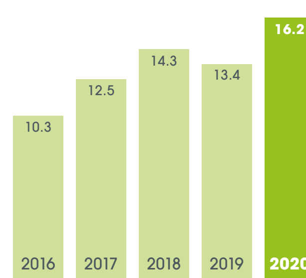
Group EBIT (IAS 17 basis)*
£24.1m

(2019: £20.2m)
+19.1%



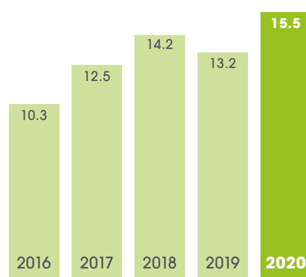
Group profit after tax
£16.2m

(2019: £13.4m)
+20.8%



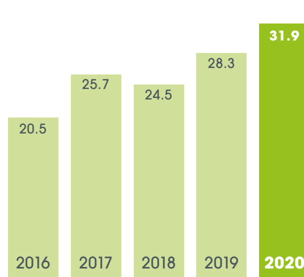
Earnings per share (IAS 17 basis)*
15.5p

(2019: 13.2p)
+17.4%



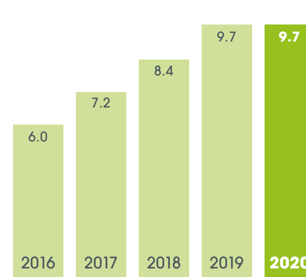
Cash generated from operations (IAS 17 basis)*
£31.9m

(2019: £28.3m)
+12.7%



Dividend per share
9.7p

(2019: 9.7p)
0.0%



* This is an alternative performance measure ("**APM**"), the definition of which can be found on page 37 together with a reconciliation to the statutory measure. This is to aid comparability to the prior year.

Clipper is managed through two distinct operating segments: value-added logistics services (comprising e-fulfilment & returns management services and non e-fulfilment logistics); and commercial vehicles.

Segment and business activity details

E-fulfilment & returns management

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. This business activity also includes our technical services offering which specialises in reverse logistics for electronics retailers and manufacturers.

Business activity revenue

£277m

(2019: £234m)
+18.4%

% of Group revenue

55%

Non e-fulfilment

This business activity includes receipt, warehousing, value-added processing, stock management, picking, packing and distribution of products on behalf of traditional bricks and mortar customers. Clipper does not take ownership of customers' products at any stage.

Business activity revenue

£144m

(2019: £145m)
-1.0%

% of Group revenue

29%

Commercial vehicles

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

Segment revenue

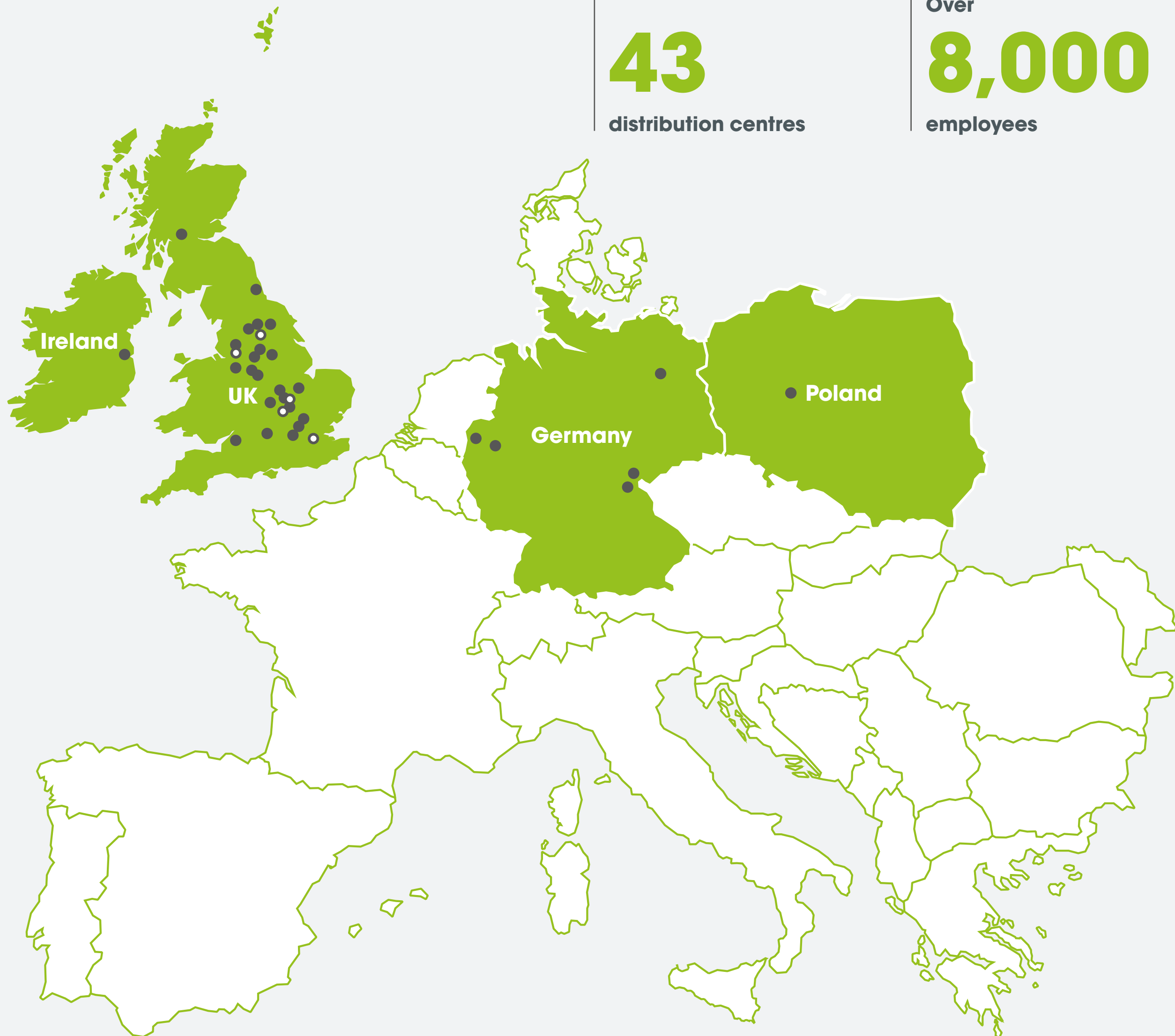
£82m

(2019: £83m)
-0.1%

% of Group revenue

16%

Note: The amounts and percentages shown indicate the contribution to Group revenue by each business area disregarding inter-segment sales.



Our investment case

1. Sector focus
- Clipper is focused on the provision of value-added logistics services to the retail sector.
- By being thought leaders in the sector, we identify trends and opportunities ahead of the curve and develop solutions.

2. Highly attractive presence in online retail
- The UK e-commerce market grew 14.7% year-on-year to June 2020 (source: IMRG).
- 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.

4. Clear growth strategy
- Organic growth in e-commerce-related activities in the UK and Europe.
- Growth of Click and Collect via Clicklink. Rapidly growing presence in mainland Europe.
- Replication of business model into new sectors.

5. Strong financial profile
- Attractive working capital profile.
- Operating profit growth coupled with high cash conversion.

4 days

Responding to a request from Government, mobilisation of the solution took 4 days

200,000 sq. ft.

including setting up a full warehouse management system for an initial 200,000 sq. ft. of warehousing space.

7 days

We additionally created an online solution, working with eBay to support aspects of the primary care network and we had that operation up and running in 7 days.

Case study

NHS

Supporting the NHS

In the 'Clipper Way', demonstrating our agility, Clipper was able to mobilise an initial 200,000 sq. ft. solution within four days. We are currently utilising our logistics capabilities at several locations, thereby easing the pressure on the NHS Supply Chain network.

The aim was to work with our NHS partner and establish a new supply chain for NHS Personal Protective Equipment (**"PPE"**) products.

We are not only delivering to NHS Hospital Trusts, we have also developed an online eBay solution to support healthcare providers, GP surgeries, care homes and others in the primary care network across the country.

Case study
Amara Living

Supporting our customer's growth strategy

Amara, the luxury homeware and accessories e-tailer, now carries over 350 aspirational brands.

Amara's many successes have been built upon its award-winning customer service, with over 85% of stock available for next day delivery.

Clipper began providing outbound services in September 2019. The contract involves Clipper providing bespoke e-fulfilment services for Amara. In the lead-up to the launch day, Clipper had already commenced relief operations to support the relocation of Amara to its Northampton distribution centre, ensuring a seamless customer experience. The relocation involved Clipper extending its existing facility by an additional 140,000 sq. ft. as well as employing an additional 20 staff to support the operation.

Amara stocks a wide range of products, from home accessories to fragrance, furniture and lighting. The Clipper team is handling a variety of products all the time, so picking and packing processes involve specialist product training and high-level knowledge from the distribution centre operatives. What helps is Amara's integration into Clipper's JDA (Blue Yonder) framework combined with Clipper's 'best-in-class' e-fulfilment operation, the advantages of which are cost-effectiveness and speedy deployment.

The benefits for Amara are unparalleled – the location provides easy access to parcel carrier hubs, enabling the company to provide later times for next day delivery than was previously thought possible. Amara has moved from a 3pm cut-off to late evening for next day delivery.

The integration with Clipper provides Amara with a more sophisticated, modern offering that combines speed and efficiency, while the unique flexibility offered by Clipper is an evolution in customer service for the brand. The partnership with Clipper is integrated into Amara's growth strategy.

Cut-off time extended by 5 hours for next day delivery

85%

of Amara's stock is available for next day delivery

Case study
Adnams Brewery

Providing future-proof flexible footprints

Operating from our Rotherham facility, Clipper's solution has provided Adnams with additional storage facilities to alleviate the space constraints that it had previously been experiencing with its existing in-house solution. Clipper's offer of a flexible footprint that can increase in times of seasonality or to accommodate promotional stock build has helped to future-proof the Adnams business as it continues to grow.

The partnership has offered Adnams the ability to improve its e-commerce offerings in terms of cut-off times for next day delivery.

A flexible footprint that can increase in times of seasonality or to accommodate promotional stock

Case study

Hope & Ivy

Helping emerging brands navigate through the intricacies of supply chain management

In Clipper, Hope & Ivy found a partner capable of guiding it through its journey from a small start-up to an established retail brand.

To support Hope & Ivy's growth ambition, Clipper developed a shared-user solution, based in its fashion e-commerce centre of excellence at Ollerton; a 722,000 sq. ft. multi-user logistics facility.

Hope & Ivy is able to purchase more stock with the turn of each new season, and Clipper's on-site services and capacity have already enhanced the customer proposition.

Returns, which had previously taken days to process, are now returned to stock and available for re-sale within 24 hours. It is evident that emerging brands greatly benefit from experienced, committed partners to help them navigate through the intricacies of supply chain management.

Returns processed and returned to stock for re-sale in

24 hours

Case study

Neon Sheep

Delivering a multi-channel solution

Since partnering with Clipper, over a 12 month period, Neon Sheep has increased its stock holding from 700,000 units to 1,400,000 units at peak.

Clipper began working closely with Neon Sheep to understand its business model and growth aspirations. Through a series of workshops, Clipper designed processes and implemented its state-of-the-art warehouse management system.

Neon Sheep needed efficient store management to support its retail and e-commerce operations.

The partnership delivered a multi-channel solution that facilitated a smooth start-up and positioned Neon Sheep to realise its growth potential.

As Neon Sheep's stock holding increased, so did the warehousing space offered by Clipper.

The Milton Keynes facility continues to adapt to the retailer's needs and the ongoing partnership provides scope and capacity for expansion to future-proof Neon Sheep's retail and e-commerce warehousing needs as it continues to grow.

Clipper facilitated a truly collaborative experience – they supported us and enabled our operations to remain open and functioning.

Gordon Knox
Business Transformation and Logistics Director
Superdry

Case study

Superdry

Use of automation to speed up processing

We partnered with Superdry to develop automation solutions to speed up the processing of e-commerce returns, making them available for sale again quickly. We looked at the flexibility robots could offer us in an automated goods-to-person system. The pilot project for handling e-commerce returns was conducted in 2018. After the success of that project, we moved on with planning expansion.

Over 80,000 sq. ft. of warehouse space at our Burton facility is being set out with 1,000 transportable pick-wall modules and 12 pick-to-light stations to facilitate the adoption of the robots. The site is also being prepared for the robot fleet by positioning QR codes on the floor for the robots to follow.

The solution will not only be able to process all existing e-commerce returns but will now also be able to process returns from store. Once live, this will cater for around 50% of the site's outbound activity. The expansion will take us from six robots and 92 modules to 46 robots and 1,000 modules.

This will allow over 32,000 locations to be serviced by robots.

Our plan is then to further expand the solution to include menswear next year. This will involve additional automation projects, redesign of the mezzanine floors as forward reserve storage to enable fast replenishment and reduced handling of goods to the High Productivity Racking area.

32,000

locations served by robots. Use of robots has increased putaway and pick rates, which in turn has increased productivity

99%

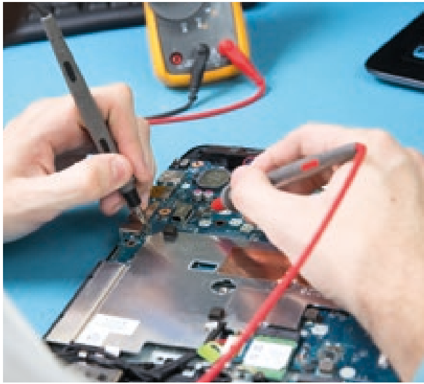
of returns available for resale within 24 hours

Putaway rates increased by

900%

Pick rates increased by

104%



Case study

Argos

Box-in-a-box solution for Argos

In 2019, Servicecare was asked to expand its brown goods electrical operations to also cover white goods. This work was previously being performed by another third party. Servicecare set up a specialist white goods repair centre within an Argos distribution centre at Acton Gate.

13 fully trained Servicecare employees are on site at the Argos facility who can process over 33,000 units per year.

The plan is to further expand white goods repair centres to multiple sites across the UK and Europe, as well as offer additional technical services.

33,000 units

processing capacity at our Argos facility per year

Case study

Joules

Providing logistics services

In early 2020, Clipper entered into a long-term arrangement with the fashion brand Joules.

Clipper now operates Joules' Corby facility, previously an in-house operation.

There will be a multi-million pound investment programme into the operation during 2020 and 2021 to expand capacity, drive efficiency and modernise the facilities.

This will be a fast-moving fulfilment and logistics operation involving inbound deliveries from a variety of UK based and international suppliers over seven days a week and will fulfil orders for the retail, e-commerce and wholesale customers of the Joules brand.

We are delighted to be entering this long-term partnership with Clipper for the operation of our distribution centre in Corby. Through the process we have been impressed with Clipper's capabilities and their cultural alignment with our business.

Marc Dench
CFO, Joules Group plc

44%

increased capacity at Corby site for the Joules contract

Case study

Fresh Start

Breaking down barriers to employment

In our 2019 Annual Report, we discussed the introduction of our 'Fresh Start' programme in July 2018, a program which aims to offer employment to people who would otherwise face barriers to work. The scheme has involved Clipper partnering with several charity organisations geared to support vulnerable people in the workplace, including Tempus Novo (supporting ex-offenders), Emmaus (supporting the homeless), Mencap (supporting the disabled) and Reed in Partnership (supporting the unemployed) among others.

Through the scheme and working closely with our partners, Clipper has been able to provide opportunities such as the one given to Shamas, who was able to secure a position through Tempus Novo. He started work whilst still serving his sentence, through the Release on Temporary Licence Scheme. The partnership between Clipper and Tempus Novo means that he is not only provided with secure employment, he is assigned a caseworker who offers mentoring and support designed to build confidence and trust between employee and employer and to aid reintegration.

Shamas is ambitious and tells us that he plans to progress as far as he can within Clipper. He believes the opportunities are there to progress, as he has seen the way Clipper supports everyone regardless of their background.

With the programme reaching its second birthday in July 2020, Clipper can reflect on its success to date, and with now over 1,050 Fresh Start employees across the Group and a 92% retention rate, it is no wonder that Clipper has received the recognition it has, through several awards including the Employers Network for Equality & Inclusion Impact through Innovation Award and the Road Haulage Association Diversity Award among others.

“We set up our Fresh Start programme just over two years ago and I have been constantly amazed by the successes of our Fresh Starters – whether that's with our Mencap Fresh Starters smashing picking and packing records, or somebody like Shamas who has bought into the Team Clipper values and has started to forge a path for himself within the business. It is rewarding to see. We're pleased for him and wish him all the best moving forward within Clipper.”

Richard Cowlishaw
Group HR Director

10

charity partners involved in Fresh Start

1,050

employees recruited under the Fresh Start initiative

92%

retention rate for Fresh Start employees at Clipper

As Chairman of Clipper Logistics plc, I am pleased to present our 2020 financial results.

The Group is well positioned to continue to deliver strong returns to our shareholders.

Group Revenue
£500.7m
2019: £460.2m
+8.8%

In the financial year ended 30 April 2020 the Group achieved a milestone, with revenue exceeding £0.5 billion. This has arisen through organic growth, particularly in e-fulfilment, and returns management.

As the retail sector evolves, we continue to identify key emerging trends and drive innovation such that we can continue to support our partners with 'best-in-class' solutions.

On 23 March 2020, the Government announced the 'lockdown' and consequent closure of non-essential retail outlets. This resulted in a diminution in activity in not only high street retail, but also in online demand. However, demand for online fulfilment quickly recovered and rose to unprecedented levels. We recognised those trends and ensured that we had in place sufficient resources to satisfy rapidly increasing demand for e-fulfilment and returns management activity. We further re-deployed our distribution networks to support the demands placed on food retailers by the pandemic to help feed the nation.

Clipper was approached by the NHS Supply Chain for assistance with provision of PPE to hospitals and other care providers in light of the growth of the pandemic. I am immensely proud of the achievements of our teams, in developing a solution within four days, to establish a separate supply chain for the distribution of PPE to nearly 600 hospitals. We further quickly developed, in conjunction with eBay, an online portal to enable care providers, care homes and other organisations to order PPE online, and to provide fulfilment of these orders.

Recent research would indicate that COVID-19 has led to a permanent upward shift in the transition of retail online. Given our already strong pipeline in e-fulfilment, returns management and Click and Collect, Clipper is extremely well positioned to continue to deliver on these trends.

We look into the new financial year with confidence. The Group will continue to focus on our four strategic pillars; to build our market-leading customer proposition to expand the customer base; develop new, complementary products and services; continue European expansion; and explore acquisition opportunities.

I am delighted that we have commenced significant new contracts with high-profile customers such as Amara, Joules, N Brown, the NHS, SLG and the Very Group.

We have achieved strong organic growth with PrettyLittleThing.com, Neon Sheep, Levi Strauss, Sports Direct, Vestel and Ginger Ray.

Our European business continues to enjoy very strong organic growth with customers including Westwing and s.Oliver.

In addition, our technical services operation is performing well, having secured contracts with Amazon, John Lewis and the Very Group for the management of electrical product returns.

The commercial vehicles business saw a return to normalised levels of profitability, until the government imposed lockdown as a result of the COVID-19 pandemic.

The Group is well positioned to continue to deliver strong returns to our shareholders as the trends toward online retailing continue.

Group results

Group revenue increased by 8.8% to £500.7 million for the year ended 30 April 2020 (2019: £460.2 million), and Group EBIT (IAS 17 basis)[1] was £24.1 million (2019: £20.2 million), growth of 19.1%. Group EBIT [1] inclusive of IFRS 16 was £32.5 million. Diluted earnings per share were 15.8 pence for the year ended 30 April 2020 (2019: 13.1 pence), an increase of 20.6%. Basic earnings per share were 15.9 pence (2019: 13.2 pence), an increase of 20.5%.

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 acquisitions that enhance Group performance and shareholder value. We explored potential acquisitions during the year; however, on the conclusion of our internal due diligence processes, they were not pursued as they did not meet the Group's strategic objectives.

1. This is an alternative performance measure (**"APM"**), the definition of which can be found on page 37 together with a reconciliation to the statutory measure. This is to aid comparability to the prior year.

We have recently made new appointments to enhance our Senior Management Team.

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, particularly in the light of the challenges presented by COVID-19.

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 Christine Cross (Senior Independent Director), Dino Rocos and Stuart Watson, our Independent Non-Executive Directors.

Christine Cross joined the Board on 3 June 2020 and Dino Rocos on 1 January 2020. Stephen Robertson stood down from the role of Senior Independent Director on 3 June 2020, having completed his second three-year term. Mike Russell stood down from the Board on 28 February 2020, having served on the Board of Clipper and its former parent company prior to IPO for nine years.

I would personally like to thank Stephen and Mike for their commitment and valuable contribution over the years. I also would like to welcome Christine and Dino to the Board.

Dividends

The Board is recommending a final dividend of 6.2 pence per share, making a total dividend in respect of the year ended 30 April 2020 of 9.7 pence (2019: 9.7 pence).

The proposed final dividend, if approved by shareholders, will be paid on 5 October 2020 to shareholders on the register at the close of business on 11 September 2020.

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, and is rapidly growing its operations in Europe. Recent contract wins, together with a strong pipeline of new business activity and the further evolution of our Click and Collect proposition, we believe 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 support its clients 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

Section 172(1) statement

The Board considers the interests of the Group's employees and other stakeholders, including the impact of its activities on the community, environment and the Group's reputation, when making decisions. The Board, acting fairly between members, and acting in good faith, considers what is most likely to promote the success of the Group for its shareholders in the long term.

We have identified our key stakeholders as:

Customers

We foster long-term relationships with our customers, providing innovative 'best-in-class' solutions. In doing so, we ensure that we meet our contractual obligations underpinned by service level agreements. Our business units engage daily with our customers. The Board is made aware of important matters around performance, future requirements and opportunities through monthly CEO and operational reports.

Employees

The recruitment, retention and development of our employees are fundamental to the ongoing success and growth of the Group. Open and regular communication across the Group remains a priority on the HR agenda as we continue to seek new and innovative ways to ensure everyone remains up to date. During the year we launched our staff survey 'Your Voice' aimed at obtaining staff feedback, the results of which were shared with the Board.

Read more about how we engage with our employees on pages 26 to 29.

Suppliers

We have mechanisms in place to ensure our suppliers are responsible and continue to perform at the levels we expect from them. We ensure that our obligations in preventing modern slavery and human trafficking within our supply chains are met.

Our finance function monitors the Group's payment practices in line with Government requirements, stability and suitability and we ensure that our supply decisions meet our sustainability objectives (see pages 30 to 31).

Communities and the environment

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

We are committed to limiting the impact of our operations on the environment (see page 30). We are pleased to report that our greenhouse gas ("**GHG**") emissions have continued to fall year-on-year as a result of initiatives such as LED lighting in our distribution centres (see page 30). As a responsible business, we consider ourselves an integral part of the communities in which we operate. See page 31 for examples of how we encourage a positive impact through facilitating local initiatives.

Shareholders

As a Board, we ensure that we deliver long-term value to our shareholders. We proactively engage with our major shareholders and are always available to them. We have an annual calendar of roadshows where we meet our investors one-on-one. Our brokers facilitate further engagement with our shareholders. Further information on how we create long-term value for our shareholders is referenced below.

The Group's strategy and business model:
+ **Pages 18 to 21**

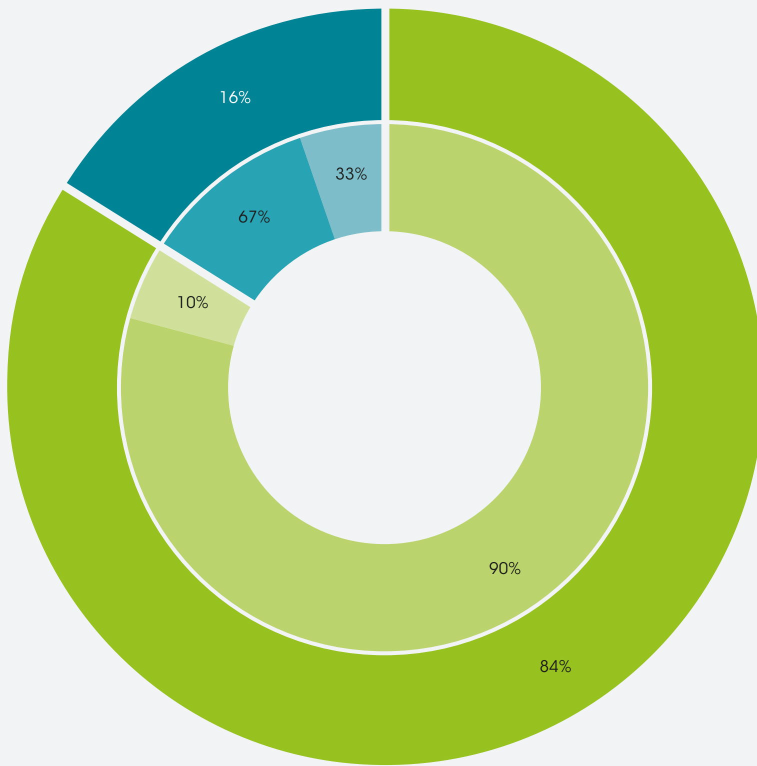
How we manage risk:
+ **Pages 22 to 25**

Our approach to corporate governance:
+ **Pages 40 to 69**

Principal decisions taken during the year:
+ **Pages 40 to 69**

The Group serves markets in the UK – where 91% of Group revenue is generated – and in mainland Europe.

Where we generate our revenue



Logistics

Total	**84%**
UK retail	90%
Other EU Logistic	10%

Commercial vehicles

Total	**16%**
UK sales	67%
UK aftersales	33%

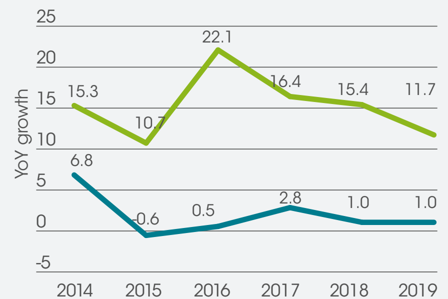
UK retail

75.6% 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

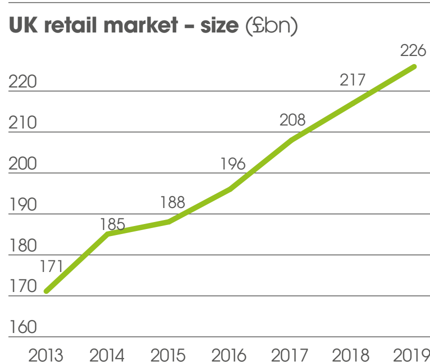
The UK retail market (excluding food and automotive fuel) was worth £221.6 billion in 2019, having grown from £217.5 billion in 2018, growth of 1.9% (source: ONS). Within this, whilst traditional bricks and mortar retail stores still account for most retail sales in the UK, internet sales are growing at a much faster rate.

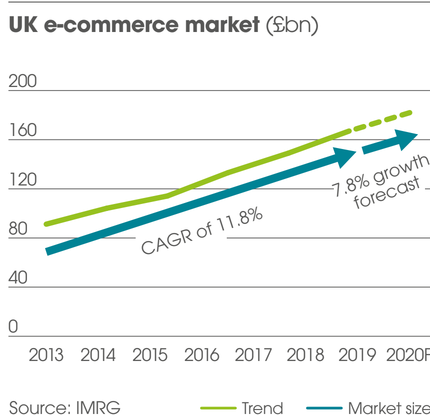
Year-on-year growth in UK retail sales (%)

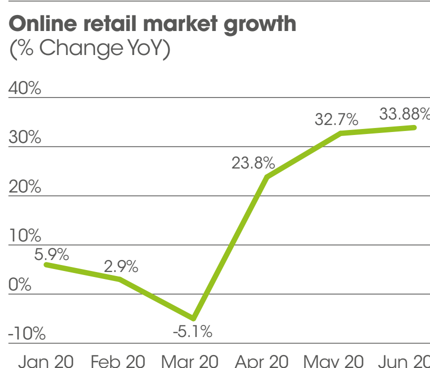


Source: ONS — Internet — Store

According to IMRG, the UK's total e-commerce market (which includes food and travel) has grown from £0.8 billion in 2000 to £167 billion in 2018 and £178 billion in 2019 (11.8% annual compound growth over a seven year period). IMRG initially forecast a further 7.8% growth. The full impact of COVID-19 and lockdown from March 2020 saw a shift from high street to online sales in Q2. Year-on-year growth in 2020 was 14.7% for the first six months of 2020 with the month of June increasing by 33.9%. The Group's strength in e-commerce sees us







well positioned to take advantage of this market growth.

Recent market trends

COVID-19

The current COVID-19 pandemic has seen a seismic shift in the way consumers spend money. Following the Prime Minister's announcement on 16 March 2020 to avoid all non-essential shops, bars, restaurants and other indoor leisure venues, businesses operating traditional bricks and mortar high street stores saw a significant decrease in sales. Retail sales fell by 5.1% in March 2020 – the largest monthly fall in more than thirty years (source: ONS). Clothing stores saw the biggest drop of any store type, falling by more than a third (34.8%) when compared to February 2020.

With a significant number of people remaining at home due to the lockdown implemented by the UK Government, online sales, on the other hand, saw record increases between March and June 2020. Online sales as a proportion of all retailing reached a record of 33.4% in May 2020 followed by 31.8% in June 2020 (source: ONS). Clothing retailers made up the largest proportion of all non-food online sales in April and May as consumers switched from high street to online.

Whilst the UK retail market remains in a short-term period of uncertainty, consumer confidence appears to be on the rise with a 13.9% increase in retail sales in June 2020 compared to May 2020.

Retailers that adopt a flexible omni-channel retail model and provide sustainable fulfilment options are best placed to succeed in the current economic climate. The expectation is that e-commerce operations will expand in terms of stockholding and footprint within warehouse spaces as retailers drive to offer a full range of products online.

As the transmission of COVID-19 continues to slow and the measures introduced by the UK Government ease, there is expected to be more emphasis on retail peak periods, such as Black Friday, Cyber Monday and Boxing Day sales, with consumers looking to make the most of offers and retailers looking to make up for sales lost earlier in the year.

The changing face of the high street

UK retail continues to experience those challenges faced in 2019, namely consumers switching to online shopping and the relatively unknown impact of Brexit. More recently, the impact of the Government imposed lockdown has seen most high street stores close their doors to consumers, forcing more consumers than ever before to shop online. 2019 also saw numerous high profile brands enter administration: Cath Kidson, Oasis, Warehouse and Laura Ashley to name a few. Throughout 2019, the UK retail industry saw 124 high street retailers enter administration after 125 in 2018. Of these, 28 represented large retailers compared to 26 in 2018 (source: Deloitte).

Overall nearly 16,000 shops across the UK in 2019 have closed as a result of rising costs, political and economic uncertainty and changes in consumer spending habits. There is evidence, however, that forward thinking retailers are able to take advantage of omni-channel and personalise their approach, which allows retailers to get closer to their customers. There has also been an increase in independent and discount retailers to take advantage of changing consumer habits.

Yet this comes at a cost. Many retailers are unable to invest in the infrastructure and technology required to cost-effectively service omni-channel and this is where centralised systems and collaborative networks come to the fore.

Returning to a thriving high street is in everybody's interest, and the UK Government will likely create new initiatives or re-launch previous projects, including the Future High Streets Fund, the Future Cities Catapult and Smart Cities UK events.

Our Markets continued

74%

of Millennials claim purchases are influenced by social media (source: RetailDrive)

73%

of consumers say they would change their consumption habits to reduce their environmental impact (source: KPMG Global Retail Trends)

66%

of global consumers have expressed a willingness to pay more for sustainable goods

Online retail
Whilst the high street has continued to face challenges and had been 'closed down' for a period of several weeks to all non-essential stores, online sales continue to grow. In 2019, 60% of the UK's population shopped online and the consumers' favourite items to buy online were clothes and sports goods (source: ONS). During 2019, online sales saw a 19% growth (source: Statista) and have maintained strong levels of growth despite the current COVID-19 pandemic. In June 2020, online retail sales saw the highest growth rate since March 2008; increasing by over 33% (source: IMRG). The predicted annual market growth of online retail is 21% (source: IMRG).

Forward thinking retailers are also thinking of new ways of appealing to consumers and take advantage of the changing retail landscape. In April, John Lewis launched a platform to provide its in-store services online, including a virtual nursery, home design services and style advice through video calls. Innovation is considered key to unlocking the benefits and reaping the rewards of online retail.

Elsewhere in the market, retailers who sell products that usually require intensive face to face contact with consumers are diversifying into new ways of interacting, such as online consultations. Retailers are therefore able to personalise the consumer's experience and optimise choice from the comfort of their home.

Industry experts predict that people are now being forced to adopt a new way of shopping, and now they've got a taste of the ease and convenience of e-commerce, they won't be quick to return to the physical experience (source: Metapack).

Many retailers have made significant investments to meet demand during the COVID-19 pandemic which suggests it is unlikely just to drop to pre-COVID-19 levels once lockdown is lifted; in fact, we expect much of this to continue as a result of the Brexit transition period as the UK leaves the EU.

Delivery of online sales has now become part of the brand experience, with shoppers looking to purchase goods faster than before. 43% of online consumers choose next day delivery, with long delivery times being a key reason for brand abandonment (source: Consumer Brand Loyalty Survey).

Consumers also expect retailers to provide delivery services for free. 73% of consumers are dissuaded from purchasing online where a delivery charge is applied.

The Department of Transport is considering a compulsory charge on all deliveries to combat harmful emissions. In the future, retailers will need to balance customer's needs with their environmental responsibilities.

Consumers are seeking an end-to-end retail experience which ultimately impacts their purchasing decisions. Retailers who innovate and accommodate these requirements are expected to flourish in the changing retail environment.

Returns management
Shoppers have high expectations as to how they should be able to make returns.

Retailers are judged on the quality of their returns experience with 69% of shoppers confirming that the quality of the returns service strongly influences the retailers they will shop with. 92% of customers who received a good returns experience make repeat purchases (source: IMRG).

Returns continue to present a significant cost to retailers. 63% of consumers state that a free service is critical when returning goods, compared to 54% last year (source: KMPG). Returns therefore require significant attention from retailers. Consumer returns cost British stores £7.0 billion last year (source: IMRG).

In 2020, almost half of consumers bought one or more of the same products with the aim of returning them at a later stage in 2020 compared to 34% in 2018.

Three in ten businesses complain that shoppers have used their items before sending them back. Fashion retailers have found that returned goods may need treatment before they are 'shop-floor' ready again, 19% of retailers are taking measures to stop so-called 'serial returners'. Enforcing rules and restrictions can be difficult to do even in the most buoyant of markets and retailers need to strike the balance between containment of costs and keeping the consumer on side.

Recently, we have seen an increase in the introduction of 'try before you buy' schemes from some online retailers. Due to the restrictions in place as a direct consequence of the COVID-19 pandemic, online retailers have extended their returns window from 30 days to between 45 and 90 days, meaning stock is now with the customers up to three times longer than before (source: IMRG). This has meant retailers have needed to ensure items are back in stock safely and quickly to meet the increased demand from customers.

Customer experience

There were more casualties in British business in 2019 than any of the last five years and a look at the retailers who have called time shows a clear trend: a failure to evolve with the all-important end customer. As consumers, fuelled by information available online, shoppers can compare and contrast both product and price. They can select who they want to engage with, judging retailers on their social values and ethical practices – and vocalising their distaste if they don't comply (source: KPMG).

Retailers are aware of this, and many have changed their propositions and underlying ethos to appeal. But in a fiercely competitive market, stand-out retailers with staying power have nudged closer than ever to their customers and are moving fast to stay ahead of their expectations.

With customers now increasingly aware of their brand choices and clear preferences for interaction interface and purchase channels, retail brands must also adopt a good mix of online and in-store strategies such as a detailed and user-friendly online presence along with innovative design, product placement, sales, billing and packaging practices in-store to offer customers a positive shopping experience.

For a long time, the evidence has been well documented that customer experience is the single most important game changer for business success. Whilst visiting a retail brand's website hasn't changed too much, the techniques and tactics to promote the website are increasing. Social networking platforms have been quick to take advantage of this change in advertising. 80% of Generation Z and 74% of Millennials claim that purchases are influenced by social media (source: Retail Dive), therefore suggesting retailers need to take advantage of these new channels to enhance brand awareness.

Looking forward into the remainder of 2020, it will be particularly challenging for retailers who don't adapt to the changing market conditions. Retailers will need to ensure that they meet customers' needs and offer the expected retail experience, which traditionally commences from the moment the customer enters the store.

Although the UK lockdown has largely been lifted, shoppers remain cautious, with the expectation that many will be more inclined to shift their permanent shopping habits to online (source: Retail Gazette).

Conscientious consumerism

As 2020 continues, it has reinforced how e-commerce has changed the way in which customers consume; choice goes beyond the local shopping centre and has reached global proportions. The retail industry is at the beginning of another consumer revolution, as customers pay closer attention to where products are coming from, and how they are produced, packaged and shipped, focusing on their impact on the environment. 37% of consumers (of which 73% were Millennials) claim to base their retail decisions on retailers' sustainability policies (source: KPMG Global Retail Trends).

We are actively engaged with our customers' and partners' growing desire for a sustainable supply chain. Plastic-free packaging, ethically sourced sustainable fashion and eco-brands are terminology embedded in our modern society.

Within the UK retail market, perception and awareness of the environmental impact of shopping is for the first time split almost 50:50 between online and high street as UK consumers have become more interested in the greener and sustainable method of shopping (source: IMRG).

The prevalence of mobile technology and the ubiquitous nature of how we see customers using this technology not only to shop but to promote brands, voice opinions and interact with the retailer in real-time, highlights both opportunity and risk to have the right product, packaging and experience. There are growing numbers of retailers and brands building their proposition on charitable causes, green credentials, or doing social good. COVID-19 has amplified the importance of corporate social responsibility for all links in the supply chain.

When it comes to purchasing behaviour, it has become abundantly clear that consumers care. From a speech which sparked the debate for a whole new younger generation at the United Nations Climate Action Summit, to documentaries entitled 'War on Plastic', global society has united. The majority (73%) of consumers say they would definitely or probably change their consumption habits to reduce their impact on the environment (source: Nielsen).

One of the most pressing issues is waste from the fashion industry, which is predicted to cost the UK economy £4.48 billion by 2050. As clothing consumption rises in line with GDP projections, as many as 2.48 trillion fashion items will be produced over the next 30 years (source: Drapers).

As retailers aim to take advantage of market opportunities, they are also conscious that consumers are becoming increasingly concerned with a company's ethical and environmentally friendly practices.

Brexit

Uncertainty surrounding Brexit has been largely removed with the December 2019 election result, with the timetable for trade negotiations set out and an a confirmed end to the transition period of 31 December 2020 expected. In the interim, COVID-19 has forced retailers to re-think their supply chains, ensuring continuity of operations and mitigating risks of future shocks for a completely different reason. As a result, the plans which might have already been in place or under development for Brexit have now been tested and developed. The importance of UK based suppliers and having UK stockpiles is now evident across all sectors, to ensure continuity of supply to end consumers.

Brexit presents an opportunity for initiatives to improve the sustainability and performance of retailers whilst limiting the environmental impact of global supply chains. Retailers may consider the options of 'UK production' or keeping more stock locally, which will have the added benefit of appealing to the new generation of environmentally conscious consumers.

There is a risk that tariffs may be introduced on certain products if the UK were to leave without a deal. There is also a potential impact of currency fluctuations of the pound against the Euro and US Dollar on sales and purchases outside of the UK. Retailers are already looking at alternative sources to mitigate these impacts and try to reduce any price increases that could be passed on to shoppers.

Commercial vehicles

16% 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 or contraction for new vehicles. The market sectors in which the commercial vehicles division operates experienced registrations growth of 3.5% in the calendar year 2019 compared with the prior year, as shown in Table 1 on page 17.

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 on page 17 shows how the number of commercial vehicles on UK roads has changed over the most recent two calendar years. The 2.4% growth in commercial vehicle numbers on the road coupled with the 3.5% growth in the number of new vehicle registrations year-on-year implies that those vehicles that are on the road are, on average, newer than in the previous year.

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.

16%

of the Group revenue is derived from the UK commercial vehicles market

1,399

new vehicle sales in our commercial vehicles division in the year ended 30 April 2020

2.4%

growth in commercial vehicles on the road

Table 1

New commercial vehicle registrations	2019	2018	% change
Light commercial vehicles up to 3.5t	**365,778**	357,325	+2.4%
Rigid	**26,344**	23,812	+10.6%
Articulated	**22,191**	19,287	+15.1%
	414,313	400,424	+3.5%

Source: SMMT

Table 2

Commercial vehicles on UK roads	2019	2018	% change
Vans	**4,527,724**	4,407,561	+2.7%
Trucks	**607,998**	605,393	+0.4%
	5,135,722	5,012,954	+2.4%

Source: SMMT

7.2%

annual growth rate over the next four years of the German online market

€557bn

expected retail sales in Germany in 2020

15.3%

of Group revenue is derived from Europe

Other markets

Other EU Logistics

Omni-channel retail solutions are as important in mainland Europe as they are in the UK, as retailers look to ensure global consistency across their brand.

Clipper's logistics facility for ASOS in Poland performs the same services and to the same standard prescribed by the customer as its logistics facility in the UK, just as Clipper's logistics facility for Zara in the UK performs exactly the same services and to the same standard as Zara's other logistics facilities around the globe.

The online market in Germany is expected to show an annual growth rate of 7.2% over the next four years, resulting in a market volume of €96.6 billion by 2024 (source: Statista).

That said, there are significant differences in consumer preferences and behaviours between geographical markets, and we must remain alert to these differences:

- Germany hasn't seen the same level of retail store closures as the United Kingdom. Two years ago, the German retail trade association HDE warned that some 50,000 stores would likely close by the end of 2020 as a result of changing shopping habits. High rates of employment, immigration and rising wages have all boosted consumer spending, allowing traditional retailers to maintain their growth targets. So, not even a quarter of HDE's projected store closures have, so far, taken place. However, the economy is now slowing, prompting several retail analysts to predict a surge in store closures. Overall, HDE forecasts retail sales to grow to €557 billion in 2020 with e-commerce increasing by 9.0% to €63 billion. HDE's location monitor report in 2020 highlights that consumer consumption patterns are shifting from traditional bricks and mortar stores to spending more online.
- Germany had a Click and Collect adoption rate of 51% in 2019 compared to the UK rate of 81% (source: Salesforce), 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.

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.

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

Key inputs

Thought leadership and innovation
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.

Enduring relationships
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.

Technologically advanced
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.

Effective financial management
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

High level contractual certainty
Clipper provides customers with services. We operate open book or minimum volume guarantee contract terms for 94% of our UK logistics customers, giving us a high level of contractual certainty.

Mutually beneficial long-term relationships
We also operate closed book contracts for customers, many of whom we have worked with for several years.

Talent and expertise
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 cost competitive position and continue to strengthen our brand.

Innovative solutions
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.

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.

Opportunity
How can we help?

Exploration
We analyse and identify the customer's business challenges

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

Implementation
We create and implement a bespoke logistics solution

Innovative solutions (continued)

As the retail landscape changes 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.

Commercial vehicle dealerships

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

Fleet procurement benefits

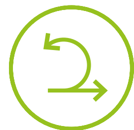
Whilst Northern Commercials is not heavily dependent on the logistics division of the Group, it provides Clipper with flexibility over fleet procurement, and margins on servicing activity are retained within the Group.

Improve
- Business performance improvement and implementation
- Win/win analysis

Revise
- Identify actions
- Process improvements
- Reporting and analysis

Review
- Daily/monthly/annually

Underpinned by our values



Agility

Ability

Credibility

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 61% in 2020.

Employees

Over 8,000 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.

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 PrettyLittleThing, Ginger Ray, Levi Strauss, Vestel, the Mountain Warehouse brand Neon Sheep, Tech Data and Sports Direct in the UK and Mountain Warehouse in Poland.

New contracts went live in the year with Shop Direct, Amara Living, Hope & Ivy, N Brown, SLG, the NHS, Joules and New Girl Order.

Further details of the above contract wins can be found in the Operating and Financial Review on pages 32 to 37.

What's next?

We will see the full year benefit from new contracts won in the year ended 30 April 2020, such as Shop Direct, Amara Living, the NHS and Joules.

Clipper has an extensive potential customer pipeline and will continue to work with these prospects to secure further new contract wins. We are also expected to capitalise on new customer pipelines within mainland Europe during the year to 30 April 2021.

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

We expanded our electrical repairs service for Argos in the year ended 30 April 2020 to include white goods. This is a box-in-a-box solution where a specialist white goods repair centre has been created within the Argos distribution centre. Providing services directly within the distribution centre reduces transportation and provides a more efficient service.

We trialled a goods-to-person robotic solution for Superdry in our Burton warehouse, which has been expanded during the year ended 30 April 2020 and is expected to continue to expand in the year ending 30 April 2021. This also has the intention of reducing reliance on labour and improving efficiencies.

As part of the business combination, we acquired an automation solution which improves the productivity at our Raven Mill site and also reduces reliance on labour.

Multiple supplier deliveries into stores are inefficient for retailers. We have introduced a John Lewis supplier consolidation programme which piggy-backs on the existing Clicklink service, thereby reducing cost to the retailer whilst also reducing inefficiency at a store level.

Brexit has presented additional warehousing and labelling challenges to some of our customers, particularly those engaged in tobacco-related activities. We have extended our service offerings in this area to several customers.

The COVID-19 pandemic has also presented additional warehousing challenges, in particular the new NHS contract entered into in the year ended 30 April 2020. We were able to meet the needs and provide required solutions quickly.

Further details of the above projects can be found in the Operating and Financial Review on pages 32 to 37.

What's next?

We are developing collaborative trilateral solutions between various of our Clicklink customers. These collaborations will allow the customers to mutually benefit from opportunities in the Click and Collect market space.

Clipper is working on other mechanisation/semi-automation projects for various existing customers and is developing a customer-agnostic returns operation for both existing and new customers. Clipper will continue to innovate and develop solutions for the problems that retailers face in the ever-changing technology-enabled retail environment.

Continue European expansion

How will this be achieved?

Through development of Clipper's operations in Germany and Poland, which consist of retail logistics and transport solutions with a significant and growing element of e-fulfilment and returns management.

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-retailers and multi-channel high street retailers).

Performance

Full year effect and improved activity levels from the Westwing operation which was extended in the prior year as well as new operations for Mountain Warehouse based in Poznań.

The contractual scope of our Polish operation for Westwing was extended in the year, significantly increasing the amount of work we are performing for Westwing.

In the prior year, we commenced additional operations for Mountain Warehouse in newly committed warehouse space in a building adjacent to our existing Poznań operations.

Mountain Warehouse also owns the Neon Sheep brand, for whom we commenced a UK operation in the prior year, demonstrating further our cross-border credentials for multi-national customers.

Both operations have continued to grow in the year ended 30 April 2020.

Further details of the above contract enhancements can be found in the Operating and Financial Review on pages 32 to 37.

What's next?

The Mountain Warehouse operation in Poland is set to further expand in the year ending 30 April 2021 with the introduction of a new e-commerce operation.

Clipper continues 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 shareholders through 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 a new operation consisting of an existing facility and team at Raven Mill in Oldham. This has been successfully integrated into the Group and has been immediately earnings-enhancing.

We explored potential acquisitions during the year; however, on the conclusion of our internal due diligence processes, they were not pursued as they did not meet the Group's strategic objectives.

What's next?

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

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:

Operational

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.

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 reduced management focus on day-to-day operations 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 to minimise disruption to the operation during periods of major project activity. Contractual key performance indicators ("**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 result in significant penalties, reputational damage and/or 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 reports to 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. As a result of the COVID-19 pandemic, additional procedures and policies have been implemented to ensure that our people remain safe. Internal health and safety audits are carried out regularly to ensure these procedures are being complied with.
Employees We rely heavily on agency labour, particularly in peak activity periods. Continued uncertainty around the free movement of labour ahead of Britain's full exit from the European Union could severely compromise the resource available to UK logistics. Additionally, competition for labour in the vicinity of our facilities and distribution centres 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, universities and communities including through its Fresh Start initiative; has family friendly policies; and is supporting industry-led initiatives to encourage wider interest in logistics. Clipper has consciously reduced its reliance on agency labour in the year by increasing its permanent headcount. This added job security reduces the temptation for workers to move from Clipper, even if they were able to find another role for a slightly higher hourly rate. 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 through substandard operational delivery or more attractive propositions from our competitors may lead to contracts not being renewed, 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. We strive to continually improve through sharing learnings across the business, particularly in the aftermath of new project implementations. In addition, regular brand health reviews are carried out. These 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, as applicable. 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.
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.
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.

Principal Risks and Uncertainties continued

Operational continued

Risk:	Mitigation:
Brexit impact on customer behaviour Failure to prepare for the UK's future trading relationship with the EU (whatever form that may take) results in disruption to and creates uncertainty around our business. Any disruption or uncertainty could have an adverse effect on our business, financial results and operations. The UK entered the standstill transition period on 31 January 2020 and uncertainty over the longer-term trade issues could remain until 31 December 2020 and potentially beyond.	Our presence in Continental Europe offers our customers a ready-made solution should customers wish to relocate their operations out of the United Kingdom. Our expertise in running multi-user sites and Clipper's investment in a multi-user IT system reduces the initial outlay required by our customers for major capital investments.
Financial resilience of customers Difficult UK retail market conditions in 2019 and 2020 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, 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.
COVID-19 The recent outbreak and global spread of COVID-19 may have a significant and prolonged impact on global economic conditions, disrupt the supply chains of our customer base, result in labour shortages, increase employee absenteeism and adversely impact our operations. Governments and public bodies in affected countries have introduced emergency measures such as travel bans, quarantines and public lockdowns. Should these continue for an extended period of time, they would increase pressure on our customers' supply chains and our operations. In addition, any economic downturn could result in reduced consumer confidence and reduced spending which would impact volumes handled at our facilities.	The safety and wellbeing of our colleagues has been and continues to be our overriding priority. The Board is monitoring events closely with regular Board oversight evaluating the impacts and designing appropriate response strategies. The availability of cash resources and committed facilities, together with strong cash flows, support the Group's liquidity and longer-term viability. A number of steps are being taken to maintain sufficient liquidity, for example, significantly reducing capital investment over the year and reducing discretionary spend. Furthermore, we have deferred payments for VAT, payroll tax, corporation tax, rent and rates, and furloughed staff where we could not re-deploy them elsewhere in the Group. Our teams are working tirelessly to implement specific actions to minimise disruption during these challenging times. Our business continuity and crisis management plans have been mobilised in all parts of the Group and additional measures have been implemented, including re-deployment of colleagues where possible, securing additional supply chain capacity to meet changes in demand, implementing changes to shift patterns, additional cleaning, hygiene and social distancing measures, and extending support to colleagues at increased risk. The protective mechanisms within our customer contracts mitigate the impact of increased costs arising as a result of COVID-19. Our commercial vehicles business was operating at a significantly reduced level during the lockdown period, with only essential services being carried out. From June 2020 operations began to return to normal levels.
Cyber security Failure to prepare or deal with any cyber security attack within the Group could potentially impact the Group's operational performance and reputation through regulatory action and/or penalties.	The Group continuously reviews the controls in place in relation to cyber security. The Group ensures that all anti-virus and gateway protection is up to date with an enterprise level provider. Staff members are provided with adequate training and communications to ensure any potential cyber threats are reported in a timely manner. Currently, the Group is developing Cyber Essentials accreditation and penetration testing to ultimately lead to ISO27001 accreditation. In addition, an IT Risk and Security manager has been hired to drive the continual review of IT solutions in line with supportable parameters.

Legal, Financial & 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. General data protection regulations ("**GDPR**") bring 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. The GDPR Steering Committee ensures all parts of the Group are GDPR compliant. External specialist advice is sought to ensure technical compliance with financial, taxation, listing and other technical regulations or 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.

Risk:	Mitigation:
Government policy 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, the majority 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 on to customers.
Financial liquidity Inadequate cash resources could leave the Group unable to fund its growth plans, thus affecting future financial performance.	The Group has continually assessed its funding requirements in the context of its existing operations and growth plans. Since the year end the Group renewed its facilities for a further three years. 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 is resourced where necessary. Our acquisition due diligence always includes 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 provisions 30 and 31 of the 2018 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 2023. 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 the Group's risk register, the forecasts were reworked to include the individual impact of the scenarios detailed below. In addition, the cumulative effect of all of the following scenarios occurring at once was also modelled:

1) The loss of use of a large operational site due to a disaster in August 2020.
2) A 10% reduction in the UK retail market.
3) A 5% reduction in activity in commercial vehicles as a result of scenario 2.
4) The loss of a significant transport client to insolvency in August 2020.
5) The loss of the largest client to insolvency in February 2021.
6) The loss of a major contract in April 2021.

The major assumptions in the model are as follows:

- Short-term warehousing capacity is available (at incremental cost) to maintain a level of service to customers.
- The operational site is rebuilt in 12 months.
- New customers from the business development pipeline take up the capacity to replace the loss of the major customers within 8 to 18 months.
- The transport activity is not replaced.
- The loss of a major contract is replaced from the business development pipeline within 12 months.
- All hire purchase asset financing relating to the loss of the major customers is repayable immediately on the cessation of the current contracts.

Only in the cumulative stress-tested scenario were covenants and headroom breached.

The occurrence of this scenario is considered to be very remote. The Board is aware of a number of mitigating actions which can be taken, should there be a drop in the Group's trading expectation. These include delaying capital expenditure unless underwritten by open book customers, not taking on additional sites, negotiating extended terms with suppliers, refinancing the business, reducing agency labour spend and not paying a dividend.

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 2023.

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 towards a common goal.

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

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

Our Human Resources (**"HR"**) 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.

Clipper directly employs over 8,000 people in the UK and 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 104).

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 with our Group-wide intranet further improving communication channels within the Group. The use of social media is becoming ever-more popular and is used both internally and externally.

In 2019, we also launched Perkbox, which aims to reward, incentivise and engage employees at all levels within the Group and to improve the overall employee experience. Perkbox provides all employees with a platform to access discounts and benefits from big name brands.

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

In February 2020, we also launched our staff survey 'Your Voice' which aimed to obtain staff feedback across the Group to ensure Clipper is continuously improving and meeting staff expectation. The survey is expected to be completed every two years. The survey received over 3,000 responses from around the Group with positive results. The below table shows the results received and the levels of engagement across various categories.

Whilst pleased with results, 'deep dives' are now in place to work collaboratively with the workforce in defining areas for improvement.

Colleague engagement levels are high across all areas measured (%)

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, we continue to drive our Fresh Start programme, which brings together a number of charity partners who represent different minority groups – Mencap, Reed in Partnership, Scope and Tempus Novo to name but a few. Now in its third year, Fresh Start aims to provide work and career opportunities for those who may otherwise face challenges entering the job market.

We have employed over 1,050 people from various backgrounds through Fresh Start. 20% of those employed were rehabilitated offenders. As at 30 April 2020, the retention rate of Fresh Start employees was 92%. Fresh Start employees now make up over 13% of all employees. With current issues of Brexit and COVID-19 impacting labour availability, Fresh Start has meant we have been able to continue meeting our customers' demands.

As part of our commitment to Fresh Start, we have taken several steps to ensure the success of the programme, including:

- achieving Disability Confident Employer status;
- auditing sites to ensure we are fit for purpose;
- nominating Fresh Start Champions for each site to be both a safe point of contact and an ambassador for the scheme;
- training mental health first aiders for each site; and
- offering flexible and alternative shift patterns to increase access to employment.

Fresh Start has evolved to not only provide employment but also ensure that we are offering sufficient vocational experience to make candidates employment ready.

This not only underpins our commitment to corporate social responsibility but also gives us greater recruitment opportunities going forward.

In 2019, Clipper won the CILT Award for Excellence for our achievements working with candidates through the Fresh Start programme and for championing diversity.

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 levy.

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. To further enhance our senior executives, in 2020 we have two senior team members undertaking their MBA qualifications.

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

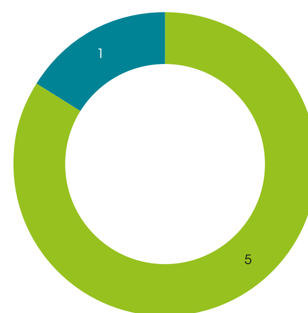
With our ever-growing vehicle fleet, the continuous development and improvement of driver skills is paramount. Our dedicated team of driver trainers ensures that every one of our drivers is fully trained and undertakes regular professional driver update training. Our dedicated driver training simulator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

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 strive 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.

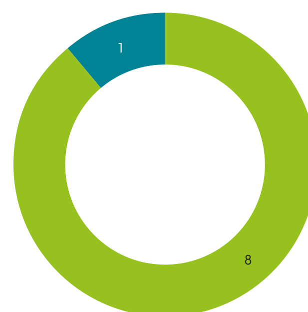
These principles are included in our staff handbook, induction training and management programme, and their impact is reflected in our truly diverse workforce. We have comprehensive policies which embrace the challenges of modern-day living and support work/life balance. We are happy to consider requests for flexible working and, wherever possible, will agree shift patterns which facilitate a balance between work and family life.

Gender diversity



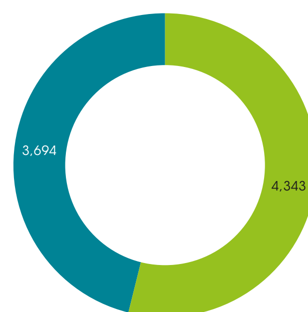
Board

Total	6
Male	5 (84%)
Female	1 (16%)



Other senior management

Total	9
Male	8 (89%)
Female	1 (11%)



Total employees

Total	8,037
Male	4,343 (54%)
Female	3,694 (46%)

Equal opportunities (continued)

As part of our commitment, we undertake regular independent audits of our workforce against SMETA and Ethical Trading Initiative standards to assess our supply chain activities, including labour rights, health and safety, the environment and business ethics. We follow a strict programme which includes ethical audits of all of our labour providers and a rolling programme of audits across our sites. We also have a preferred supplier list of labour providers which is vetted and audited on a regular basis. In 2019/20, no major issues were identified across our sites.

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 with a number of graduates in various disciplines recruited. In the year ended 30 April 2020, we employed 15 Degree Apprentices. In total we have 200 members of staff currently registered on an apprenticeship programme, which is all funded by the apprenticeship levy.

In partnership with Sheffield Hallam University, we have developed a bespoke management degree tailored to the specific needs of our organisation, which forms part of the Clipper Management Degree Apprenticeship programme.

Current Degree Apprentices also work towards a qualification in leadership and management, to further enhance the technical training they receive. From this, we will see our first Degree Apprentices graduate in summer 2021. We also have two senior members of staff who are currently Executives in Residence at Sheffield Hallam Business School as testament to the strong partnership between Clipper and Sheffield Hallam University.

As part of our commitment to engage with schools, we have taken 'Business on the Move' into both primary and secondary schools. This educational supply chain game is a versatile learning resource which helps to build interest in logistics at an early age and change the shape of logistics recruitment in the long term.

Over
8,000
employees

87.7%
of employees satisfied with development opportunities at Clipper

13%
of workforce recruited through Fresh Start

20%

of an apprentice's time spent in 'off-the-job' training

The 'Clipper Degree': inspirational teaching and switching to online

Introduction

In February 2018 Clipper was looking to create a relationship with a UK university with the aim of building collaboration to develop its workforce, now and in the future. Following an exhaustive search Clipper identified Sheffield Hallam University as its preferred partner. Clipper wanted to recruit school leavers and enable existing employees who never had the opportunity to go to university to enhance their learning and development.

Using the Government apprenticeship funding, Clipper and Sheffield Hallam University created the 'Clipper Degree', based upon the Chartered Manager Degree Apprenticeship standard. The first cohort of students were recruited over the summer of 2018 and commenced work with Clipper and their studies at Sheffield Hallam in the autumn of 2018.

In 2019, the Clipper Degree was re-validated to be based on the newly introduced Supply Chain Leader Apprenticeship standard. The students study various topic areas including: business, finance, marketing and human resources, as well as a variety of supply chain specialisms (e.g. network design, capacity planning, forecasting, inventory and supply chain technology) to ensure they receive a cross section of business theories tailored to Clipper's and the industry's needs. Upon completion of each study block the students return to Clipper to complete their assessment and apply the learning to their day job.

The teaching staff deliver a range of assessments to ensure apprentices get a balance of different types of assessment and a combination of group and individual work. The assessments include presentations, business reports, essays, phase tests and 'real life' project work that is an actual issue from the apprentice's workplace. Apprentices benefit, but so does Clipper as the project recommendations are implemented into the Clipper site.

To ensure continuity of teaching, specialist tutors deliver the different topic areas. Many of the tutors have won the Sheffield Business School Inspirational Teacher Awards, a prestigious annual award for creative and innovative teaching nominated by students and apprentices.

When lockdown hit in March 2020, the tutors moved immediately to delivering online lessons and were able to deliver the same seamless teaching. This includes the use of video technologies in lectures and seminars. Even a phase test was conducted online, and the results were on a par with those of previous years delivered face to face.

As an apprentice, the students are required to spend 20% of their time in 'off-the-job' learning. Time at the University counts towards this, but the apprentices are also engaged in applying new learning back in the workplace. The apprentices also attend 'away days' at a Clipper site where they get to witness other operational processes. They are also expected to attend additional learning sessions specific to the Clipper business, for example the quarterly Sheffield Business School Management Lecture, delivered by a senior business leader.

Regular review

The apprentices each have a dedicated Work Based Learning coach allocated to them. The coach supports the apprentice and keeps track of the different aspects of the apprenticeship which might require a little extra work. This involves a minimum of four meetings per year with each apprentice and their Clipper mentor. The Course Leader also monitors the apprentice's performance for both the degree and apprenticeship with Clipper management on a quarterly basis to ensure that both Clipper and the University are fully aligned. The Course Leader also provides an update of the progress of each apprentice for the monthly Clipper Board meeting.

Masters study

In addition to recruiting and developing staff on the Clipper Degree, some of Clipper's more senior staff have also taken advantage of the levy to look at ways in which they can develop and improve their knowledge and skills. Two of Clipper's directors and senior managers have signed up to Sheffield Hallam's MBA, funded through the apprenticeship levy, which teaches them the latest in theories, but also assesses how they apply this theory within their everyday working environment.

Developing the partnership

In a wider context, Sheffield Business School is committed to building a vibrant community of academics, students, apprentices and professional people who work together to deliver programmes of study, research, continual professional development and consultancy. The 'Executive in Residence' programme allows professionals to make an important contribution to this community and facilitate the process of business engagement between the University and the outside world. Richard Cowlishaw (Group HR Director, Clipper) and Jennifer Guy (Head of Learning & Development, Clipper) have been bestowed as Executives in Residence and regularly support the University through various initiatives including: advising on employability requirements of graduates; delivering guest lectures; hosting student projects and representing the University at civic events.

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 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 2020, Scope 1 emissions declined by 2.93% in comparison to the prior year; a result of further fuel efficiencies across the Group. During the year, the Group aimed to improve the electrical lighting across multiple sites. This has resulted in the installation of LED lighting in 12 of our sites where there wasn't any previously. We have also installed lighting motion sensors to ensure that lights are only being used when they are required rather than continuously.

We have also installed gas heaters connected to energy management systems thereby enabling sites to become more efficient and cost-effective.

Prior to the COVID-19 pandemic, the diesel fuel usage increased in line with increased activity. However, a small reduction was seen in March and April 2020, reducing usage to below the prior year. The Group also continues to mitigate the increase in fuel by ensuring that deliveries to sites are completed using the most efficient route and vehicle capacities are utilised as much as possible.

Total emissions per £ million of revenue decreased by 7.54%. Scope 2 emissions have increased in the year, mainly as a result of taking on a new site in Oldham and increased activity in our Sheffield site. The increase has been mitigated by a reduction in kWh usage at other sites.

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 Apr 20	Year ended 30 Apr 19
Total Scope 1	**32,555**	33,535
Total Scope 2	**9,205**	7,994
Total tCO_2e	**41,760**	41,529
Emissions/£m revenue	**83.4**	90.2

Scope 1 (direct) GHG emissions are derived from the consumption of gas, oil and vehicle fuel. Scope 2 (electricity indirect) GHG emissions are derived from the consumption of purchased electricity.

Awards

Health and safety is core to Clipper's relentless pursuit of its zero harm vision. The welfare, safety and security of our staff is, without doubt, the over-arching mandate of the Clipper organisation. As a result, the year ended 30 April 2020 has been a tremendous year for Clipper in terms of external accreditation. Clipper received awards across 21 individual sites as well as Clipper Group as a company from the Royal Society for the Prevention of Accidents ("**RoSPA**"). Clipper received the Gold RoSPA award along with eight individual sites. 13 further sites received the Silver RoSPA award.

Waste recycling

The Group carefully considers which raw materials to use and uses recycled/ recyclable products where possible. 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.

Solar power

Through our commitment to reduce our energy consumption and GHG emissions, solar panels are now installed at a number of our sites.

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.

We also perform store consolidation activities for John Lewis suppliers through our Clicklink joint venture, thereby reducing road miles.

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

A trial is currently underway which utilises longer semi-trailers in our trunking operations. These trailers are double decked and two metres longer than our standard 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.

Energy efficient vehicles

Clipper has implemented a fleet of compressed natural gas powered vehicles, and this will deliver savings of circa 750 tonnes of CO_2 per annum. To further support this initiative, we currently use two electric 7.5 tonne vehicles within our fleet.

Additionally, Clipper has taken delivery of an electric powered 12 tonne rigid at one of our sites which will save circa 100 tonnes of CO_2 per annum.

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 ensures 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 UK. Clipper audits its agency suppliers for legislative compliance, including compliance with the Modern Slavery Act 2015. It further complies with audits conducted by its customers.

Following a review of the effectiveness of the steps we have taken to ensure that there is no slavery or human trafficking in our supply chains, we intend to take the following further steps to combat slavery and human trafficking:

1. We will continue to identify, monitor and assess any key risk areas in our supply chains and will introduce processes to address such key risks as applicable.
2. Working with our behavioural auditing partners, we will continue to develop and augment the rigour of the Ethical Auditing process to ensure that we are interrogating all relevant areas of our supply chain.

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:

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

Technical Services

The speed at which technology changes and advances means devices quickly become obsolete, causing additional strain on resources and the treatment of hazardous electronic waste. This is a particular issue within our Technical Services activity.

We at Clipper have unrivalled expertise in the UK consumer electronics service sector. We specialise in B2B returns (Servicecare) and B2C services (RepairTech), providing a complete service offering across the UK and Europe that is backed by extensive manufacturer accreditations.

Technical Services operates from four locations: Oldham, Burton-on-Trent, Southam and Düsseldorf (Germany).

We have the necessary permits to undertake preparatory treatment of waste, securely store hazardous/non-hazardous waste, and repair and refurbish WEEE (Waste Electrical and Electronic Equipment). This complete solution ensures that each client's business always meets the requirements of current legislation and provides total traceability.

Non-financial information statement

The Group includes information on certain environmental, social and governance matters in its Strategic Report in accordance with sections 414CA and 414CB of the Companies Act 2006.

The following tables summarise the key areas of disclosure.

Reporting requirement	Page
Environmental matters	30 to 31
Employees	26 to 29
Social	26 to 31
Human rights	31
Anti-corruption and anti-bribery	49

Additional information	Page
Business model	18 to 19
Principal risks and how they are managed	22 to 25
Non-financial key performance indicators	37

Group revenue in the year grew to £500.7 million with e-fulfilment & returns management services growing by 18.4%.

Group performance for the year ended 30 April 2020

On 1 May 2019, the Group applied IFRS 16 – a new accounting standard effective for the year ended 30 April 2020. The Group applied the modified retrospective approach with no restatement of prior year comparatives. To aid comparability to the prior year, the discussion of the results is excluding the impact of IFRS 16 ("**IAS 17 basis**") unless otherwise stated. This is now considered an alternative performance measure, the definition of which can be found on page 37.

The Group continued to make good progress in the financial year ended 30 April 2020. Group revenue grew by 8.8% to £500.7 million. Group EBIT[1] for the year was £24.1 million compared to £20.2 million in the prior year, an increase of 19.1%.

Revenue growth was very strong in e-fulfilment & returns management services, where revenue of £277.0 million was 18.4% ahead of the previous year. Non e-fulfilment revenues marginally declined by 1.0% to £143.8 million, whilst revenue from commercial vehicles remained flat year-on-year.

EBIT[1] in both operating segments grew significantly in the financial year ended 30 April 2020. Value-added logistics services increased by 18.4% to £24.9 million and the commercial vehicles segment increased by 72.6% to £2.0 million.

Group revenue

Revenue	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
E-fulfilment & returns management services	277.0	233.9	+18.4%
Non e-fulfilment logistics	143.8	145.3	-1.0%
Total value-added logistics services	420.8	379.2	+11.0%
Commercial vehicles	82.5	82.6	-0.1%
Inter-segment sales	(2.6)	(1.6)	
Group revenue	500.7	460.2	+8.8%

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

Group revenue increased by 8.8% to £500.7 million, with strong growth of 11.0% in value-added logistics services being partly offset by a marginal decline in commercial vehicles.

Group revenue growth of £40.5 million was largely attributable to growth in the e-fulfilment & returns management business activity, which grew by 18.4%.

There was no property-related consultancy revenue in the year ended 30 April 2020 (2019: £3.1 million).

Group EBIT[1]

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
E-fulfilment & returns management services	17.6	13.6	+29.9%
Non e-fulfilment logistics	14.2	13.0	+9.1%
Central logistics overheads	(6.9)	(5.5)	+24.7%
Value-added logistics services	24.9	21.1	+18.4%
Commercial vehicles	2.0	1.1	+72.6%
Head office costs	(2.8)	(2.0)	+42.4%
Group EBIT (IAS 17 basis)[1]	24.1	20.2	+19.1%
IFRS 16 adjustments	8.4	–	–
Group EBIT (IFRS 16 basis)[1]	32.5	20.2	+60.6%

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

Group EBIT[1] grew by 19.1% to £24.1 million in the year ended 30 April 2020 (2019: £20.2 million). This growth is in part attributed to the revenue growth in the year of 8.8%. In addition there are some material non-underlying factors impacting EBIT[1] in both years. Of the £3.9 million increase:

- £3.5 million of favourable contribution resulted from a negative goodwill credit arising on a business combination in the year ended 30 April 2020 (see note 29 to the Group Financial Statements). This has been split equally between e-fulfilment & returns management services and non e-fulfilment logistics with £1.75 million in each. There was no similar contribution to EBIT[1] in the prior year;
- for the prior year, EBIT[1] benefited from a £3.1 million contribution from property-related consultancy activities. There was no similar contribution to EBIT[1] in the year ended 30 April 2020; and
- in the prior year, there was a credit to the income statement of £1.2 million in respect of share based payment accruals built up in previous years. In the year ended 30 April 2020 there is a share based payment charge of £0.3 million. This represents a swing of £1.5 million.

1. This is an alternative performance measure (**"APM"**), the definition of which can be found on page 37 together with a reconciliation to the statutory measure. This is to aid comparability to the prior year.

Excluding these items, underlying EBIT[1] increased by £5.0 million (31.4%) in the year ended 30 April 2020 compared to the prior year. The table below normalises the effect of these impacts:

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
EBIT[1]	**24.1**	20.2	+19.1%
Property-related consultancy	**–**	(3.1)	
'Negative goodwill'	**(3.5)**	–	
Share based payments	**0.3**	(1.2)	
EBIT[1] (excluding non-underlying factors)	**20.9**	15.9	+31.4%

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

EBIT[1] is the primary KPI by which the management team assesses corporate performance. EBIT[1] is assessed against Board approved budgets.

EBIT[1] 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 value added logistics segment 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[1] is a more relevant measure of financial performance than EBIT[1] margin (%).

Segmental trading overview

Clipper is managed through two distinct operating segments, being value-added logistics services and commercial vehicles. The value-added logistics services segment is further subdivided into two business activities, being e-fulfilment & returns management services and non e-fulfilment logistics.

Value-added logistics services

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
Revenue	**420.8**	379.2	+11.0%
EBIT[1]	**24.9**	21.1	+18.4%
EBIT[1] (excluding non-underlying factors)	**21.6**	17.6	+22.7%

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

Revenue in the year ended 30 April 2020 within the value-added logistics services operating segment was £420.8 million, representing growth on the previous year of 11.0%.

This growth is due to a combination of the full year impact of new contracts won in the prior year, revenue growth in Continental Europe, new contracts won in the year ended 30 April 2020 and growth in existing customers in the UK.

These revenue items had a positive impact on EBIT[1]. EBIT[1] excluding non-underlying factors grew by £4.0 million to £21.6 million, growth of 22.7% in the year ended 30 April 2020. The trading factors contributing to the growth in this segment are covered in more detail below.

Reported EBIT[1] benefited from:

- £3.5 million of favourable contribution from a 'negative goodwill' credit arising on a business combination in the year ended 30 April 2020 (see note 29 to the Group Financial Statements). There was no similar contribution to EBIT[1] in the prior year;
- a £3.1 million contribution to EBIT[1] from property-related consultancy activities in the prior year. There was no similar contribution to EBIT[1] in the year ended 30 April 2020; and
- a share based payment charge in 2020 of £0.2 million (2019: credit of £0.4 million).

The following table normalises this:

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
EBIT[1]	**24.9**	21.1	+18.4%
Property-related consultancy	**–**	(3.1)	
Share based payments	0.2	(0.4)	
'Negative goodwill'	**(3.5)**	–	
EBIT[1] (excluding non-underlying factors)	**21.6**	17.6	+22.7%

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

E-fulfilment & returns management services

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
Revenue	**277.0**	233.9	+18.4%
EBIT[1]	**17.6**	13.6	+29.9%
EBIT[1] (excluding non-underlying factors)	**15.8**	13.6	+16.2%

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

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 Click and Collect activities (through the Clicklink joint venture) and Technical Services.

Revenues from e-fulfilment & returns management services increased by 18.4% from £233.9 million for the year ended 30 April 2019 to £277.0 million for the year ended 30 April 2020, with EBIT[1] excluding non-underlying factors growing by 16.2% to £15.8 million. Reported EBIT[1] was 29.9% higher than in the previous year. Included within reported EBIT[1] was £1.8 million of 'negative goodwill' relating to the business combination.

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
EBIT[1]	**17.6**	13.6	+29.9%
'Negative goodwill'	**(1.8)**	–	
EBIT[1] (excluding non-underlying factors)	**15.8**	13.6	+16.2%

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

1. This is an alternative performance measure (**"APM"**), the definition of which can be found on page 37 together with a reconciliation to the statutory measure. This is to aid comparability to the prior year.

This growth continues the double digit percentage EBIT[1] growth of prior years, and delivers against our stated objective of being a market leader in the provision of value-added services across the e-fulfilment sector.

Performance in e-fulfilment & returns management services benefited from:

- the part year impact of operations commenced during the year ended 30 April 2020, including: Shop Direct, N Brown, Hope & Ivy, Simba Sleep, the Nutmeg online operation for Morrisons, Amara Living and Joules. The impact of these activities will not be fully realised until the year ending 30 April 2021;
- the full year impact of operations commenced during the year ended 30 April 2019, including: boohoo.com subsidiary PrettyLittleThing, Ginger Ray, Levi Strauss, Vestel and Tech Data in the UK; and
- volume growth and extension of services on existing contracts, including with ASOS, Love Crafts, Zara, Inditex and Browns in the UK, in part driven by particularly strong organic growth in the UK e-fulfilment market due to the continuing shift in retail trends towards online trading, and European growth in logistics services for Westwing, Smiffy's and s.Oliver, and technical returns services for Amazon.

Whilst we experienced some organic revenue decline with certain of our customers, overall revenue growth was strong.

Prior to COVID-19, Clicklink, our joint venture with John Lewis, was benefiting from the impact of price increases secured in the previous year and the onboarding of new customers onto the network. The Group was expecting it to generate a positive contribution to EBIT[1] in the year ended 30 April 2020. As a result of Government measures introduced in response to COVID-19 and the lockdown that was implemented through the closure of non-essential retail stores, Clicklink contributed a loss of £0.2 million in the year ended 30 April 2020. Since the year end, Clicklink has reduced the losses incurred through re-deployment of staff and resources and has returned to profitability. Recently a three year forecast was completed for Clicklink which demonstrated a significant growth trajectory. Since the year end, we have commenced activities with new customers including Arcadia and T.M. Lewin which we expect to further drive EBIT[1] growth in the year ending 30 April 2021.

Non e-fulfilment logistics

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
Revenue	**143.8**	145.3	-1.0%
EBIT[1]	**14.2**	13.0	+9.1%
EBIT[1] (excluding non-underlying factors)	**12.4**	9.9	+25.3%

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

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.

Revenue from non e-fulfilment operations marginally declined by 1.0% for the year ended 30 April 2020, from £145.3 million to £143.8 million. Included in the year ended 30 April 2019 was £3.1 million of property-related income; therefore underlying revenue grew by 1.0%.

Reported EBIT[1] grew by 9.1% to £14.2 million in the year ended 30 April 2020. EBIT[1] in this business activity benefited from £1.8 million of negative goodwill in the year ended 30 April 2020.

Property-related income reduced from £3.1 million in the year ended 30 April 2019 to £nil in the year ended 30 April 2020. As a result, EBIT[1] excluding non-underlying factors increased by 25.3% to £12.4 million in the year ended 30 April 2020.

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
EBIT[1]	**14.2**	13.0	+9.1%
Property-related consultancy	**–**	(3.1)	
'Negative goodwill'	**(1.8)**	–	
EBIT[1] (excluding non-underlying factors)	**12.4**	9.9	+25.3%

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

The following factors contributed positively to the EBIT[1] growth:

- the full year effect of the activities commenced in the prior year, including new activities for Halfords out of the new Crick warehouse, for Sports Direct out of various UK locations, for Levi Strauss out of Northampton and for Neon Sheep out of Milton Keynes;
- organic volume growth and extensions to service offerings with existing customers, including Asda, Morrisons, Liberty and Halfords. This was partly offset by some organic decline with certain other retail customers driven by high street market conditions and the loss of a significant product range from our M&S activities in Peterborough; and
- part year contributions from new activities commenced in the current year, with SLG and the NHS. Such activities will generate a full year of contribution in the year ending 30 April 2021.

The following factors had an adverse impact on revenue year-on-year:

- various contracts ceased in the year ending 30 April 2020, including: Bench (due to liquidation); Links of London (due to liquidation); C&A (due to a Brexit-related relocation); M&S Swadlincote activities (due to the activities being taken in-house by M&S); and Go Outdoors and Whistles (contracts which were not renewed on reaching the end of the term).

Whilst EBIT[1] excluding non-underlying factors increased, costs on one specific closed book contract continued to make an adverse contribution to EBIT[1], as we were unable to recover the fixed costs of the operation through unit rates. This contract is currently being renegotiated to give more favourable terms to Clipper going forward.

1. This is an alternative performance measure (**"APM"**), the definition of which can be found on page 37 together with a reconciliation to the statutory measure. This is to aid comparability to the prior year.

Central logistics overheads

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
EBIT[1]	**(6.9)**	(5.5)	+24.7%
Share based payment charges	**0.2**	(0.4)	
EBIT[1] (excluding non-underlying factors)	**(6.7)**	(5.9)	+13.6%

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

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 increased by £1.4 million (24.7%), from £5.5 million in the year ended 30 April 2019 to £6.9 million in the year ended 30 April 2020.

Included within EBIT[1] for the year ended 30 April 2020 is a share based payment charge of £0.2 million. In the previous year there was a share based payment credit of £0.4 million representing a swing of £0.6m. Adjusting for this, central logistics overheads have increased by £0.8 million year on year.

We have continued to invest in the operational support and back office functions of the business to accommodate revenue growth, thereby increasing the overhead base.

Overall share based payment charges

Share based payment charges of £0.3 million have been recognised in the income statement for the current year (2019: £1.2 million credit) primarily to central logistics overheads and head office costs (as appropriate) in respect of the Sharesave Plan and the Performance Share Plan ("**PSP**") (see note 25 to the Group Financial Statements and page 60 of the Directors' Remuneration Report).

Commercial vehicles

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
Revenue	**82.5**	82.6	-0.1%
EBIT[1]	**2.0**	1.1	+72.6%

The commercial vehicles business, Northern Commercials (Mirfield) Limited, operates Iveco and Fiat commercial vehicle dealerships from five dealership locations and has three sub-dealers. Main dealerships are located in Brighouse, Manchester, Northampton, Dunstable and Tonbridge. The business operates across the north of England and into Wales, through the Midlands, and into the South East.

Commercial vehicles revenue for the year ended 30 April 2020 declined just 0.1% to £82.5 million despite operating a significantly reduced service operation from 23 March 2020 due to the COVID-19 pandemic.

New vehicle sales increased by £1.2 million for the year ended 30 April 2020, having sold 1,399 new vehicles. However, this increase in revenue was more than offset by a reduction in revenue in other parts of the business, namely aftersales and parts sales.

EBIT[1] for the year increased by 72.6% to £2.0 million, partially due to improved manufacturer bonuses.

Head office costs

	Year ended 30 Apr 2020 £m	Year ended 30 Apr 2019 £m	% change
EBIT[1]	**(2.8)**	(2.0)	+42.4%
Share based payments	**0.1**	(0.8)	
EBIT[1] (excluding non-underlying factors)	**(2.7)**	(2.8)	-3.6%

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

Head office costs represent the cost of certain Executive and Non-Executive Directors, plc compliance costs and the costs of the plc head office at Central Square, Leeds.

Head office costs increased by £0.8 million (42.4%), from £2.0 million in the year ended 30 April 2019 to £2.8 million in the year ended 30 April 2020. The year-on-year increase in head office costs is largely due to the £0.9 million swing in share based payments (see above) – which contributed a credit of £0.8 million in the year ended 30 April 2019 and incurred a charge of £0.1 million in the current year.

Overview of profit and loss performance for the year ended 30 April 2020

The revenue and EBIT[1] performance of the Group are as discussed above. The other aspects of the Group income statement are discussed below.

Net finance costs

Net finance costs for the year ended 30 April 2020 on an IAS 17 basis[1] increased by 27.1% to £2.7 million (2019: £2.1 million), the increase being largely as a result of increased interest costs on hire purchase and finance lease agreements previously recognised under IAS 17 following significant capital expenditure in the year ended 30 April 2019, and to a lesser extent increased interest costs on the commercial vehicles stocking lines.

On an IFRS 16 basis, a financing charge of £8.0 million has been recognised for the first time this year in respect of the interest on lease liabilities. Net finance costs were £11.1 million for the year ended 30 April 2020 (2019: £2.1 million).

Profit Before Tax and Amortisation ("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 on an IAS 17 basis was £21.3 million (£20.1 million PBT plus £1.2 million amortisation of other intangible assets) for the year ended 30 April 2020, an increase of 17.8% on the year ended 30 April 2019 PBTA of £18.1 million (£16.9 million PBT plus £1.2 million amortisation of other intangible assets).

Taxation

The effective rate of taxation of 19.5% (2019: 20.8%) is higher than the average standard UK rate of corporation tax applicable in the year of 19.0% (2019: 19.0%) 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 2020 was £16.2 million (2019: £13.4 million), an increase of 20.8%.

Earnings per share

Earnings per share were 15.5 pence for the year ended 30 April 2020 (2019: 13.2 pence) on an IAS 17 basis[1]. Adjusted to remove amortisation of intangible assets arising on consolidation, earnings per share were 16.6 pence (2019: 14.2 pence).

On an IFRS 16 basis earnings per share were 15.9 pence.

1. This is an alternative performance measure (**"APM"**), the definition of which can be found on page 37 together with a reconciliation to the statutory measure. This is to aid comparability to the prior year.

Current trading and outlook

In the year ending 30 April 2021, we expect revenue to benefit from:

- the full year effects of the new operations brought on line in the logistics segment. As noted previously, the Group commenced activities on a number of new contracts in the year ended 30 April 2020;
- growth with existing customers, either organically – particularly with those in e-commerce who will benefit from market growth – or through new service lines for those customers;
- growth from conversion of some of the opportunities on our new business pipeline, including in mainland Europe. 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 2022 and beyond; and
- operations which have either recently commenced after the year end or other known new activities which are at various stages of planning. The annualised impact of these activities will not be fully delivered until the year ending 30 April 2022.

The Board is confident that the Group is strongly positioned to grow in the future.

Balance sheet and cash flow

Capital expenditure and fixed assets

We incurred expenditure of £22.9 million in the year ended 30 April 2020 (2019: £26.4 million) on intangible assets, property, plant and equipment and right-of-use assets. £22.1 million of this was incurred in the logistics services segment (2019: £25.8 million) and £0.8 million (2019: £0.6 million) in the commercial vehicles segment.

Approximately £6.7 million (2019: £7.7 million) of the additions were purchased in cash and £5.7 million (2019: £18.7 million) were purchased through hire purchase and finance agreements as would be previously recognised under IAS 17.

Noteworthy capital additions in the year were: an additional mezzanine floor at our Northampton shared user facility to support growth, fitout of our Peterborough site to house the Sports Direct operation, a new mezzanine floor in our Peterborough facility, automation kit at our Raven Mill site and fitout for the Amara Living operation at Northampton. Within Europe, we invested in racking, sprinkler systems and a pick tower.

In the year ended 30 April 2020, we disposed of assets with a net book value of £0.4 million, on which we generated a profit on disposal of £0.1 million.

In the prior year, we disposed of assets with a net book value of £0.4 million, on which we generated a profit on disposal of £0.1 million.

Clipper's outstanding capital expenditure commitment at 30 April 2020 was £3.6 million (2019: £8.6 million), reflecting the timing of investments in new and existing customer contracts.

Cash flow

Cash generated from operations was £66.8 million (2019: £28.3 million).

IFRS 16 resulted in a £34.9 million increase in cash flows generated from operating activities with an equal and opposite impact on cash flows generated from financing activities in the year ended 30 April 2020. Therefore excluding the impact of IFRS 16 cash generated from operations was £31.9 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 net favourable impact on 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.

In the year ended 30 April 2020, we generated £1.3 million of cash inflow from working capital (2019: £0.6 million inflow).

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, interest payments and share issues. Taking each of these in turn:

- dividends paid in the year ended 30 April 2020 amounted to £10.2 million, an increase of 13.8% on the prior year (2019: £8.9 million), and in line with our stated dividend policy;
- cash flows arising from the drawdown and repayments of bank loans were a £1.2 million inflow in the year ended 30 April 2020 (2019: £7.3 million), the drawdown being used to fund additions of non-current assets in the year;
- cash purchases of fixed assets amounted to £6.7 million in the year ended 30 April 2020 (2019: £7.7 million), with a further £43.3 million (2019: £10.4 million) of cash used to repay leases. The IFRS 16 impact was £33.8 million. Finance leasing and hire purchase funding remains an attractive means of funding for Clipper, as the future cash outflows can be funded through future cash inflows on open book contracts. Sales of non-current assets generated £0.5 million in the year ended 30 April 2020 (2019: £0.5 million);
- included within investing activities is £2.9 million of cash outflow relating to the business combination (see note 29.1 to the Group Financial Statements);
- corporation tax of £3.5 million was paid in the year ended 30 April 2020 (2019: £4.3 million), the decrease being driven by the deferment of a corporation tax payment on account during the COVID-19 pandemic;
- interest paid increased by £1.0 million to £3.0 million in the year ended 30 April 2020 (2019: £2.0 million), primarily due to increased borrowing levels on HP contracts and stocking lines; and
- cash inflows of £0.114 million were generated from shares issued in the year ended 30 April 2020, compared to £0.350 million in the prior 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.

1. This is an alternative performance measure (**"APM"**), the definition of which can be found on page 37 together with a reconciliation to the statutory measure. This is to aid comparability to the prior year.

Net debt

In addition to EBIT[1], net debt[4] is considered a KPI for the Group. The Group had £45.1 million of net debt[4] outstanding at 30 April 2020 (2019: £45.9 million) (see note 21 to the Group Financial Statements), a decrease of £0.8 million. The decrease in net debt[4] was driven primarily by a reduction in HP and finance lease contracts of £3.0 million offset by a £1.3 million increase in bank loans. It is 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 2020, Clipper had £35.4 million (2019: £34.9 million) of capital contracted to be recovered from open book customers over the remaining term of the customer contracts.

Impact of IFRS 16

IFRS 16 was implemented in the year ended 30 April 2020. On transition, a right-of-use asset of £204.2 million was recognised which included a transfer from property, plant and equipment of £39.7 million and we recognised lease liabilities of £36.6 million in current liabilities and £184.1 million in non-current liabilities (see note 30 to the Group Financial Statements). Finance leases recognised in the year ended 30 April 2019 were reclassified from financial liabilities: borrowings to lease liabilities. There was also a deferred tax asset arising on transition of £3.9 million.

The 'statutory' measure of EBIT[1] includes the impact of IFRS 16 for the first time in the year ended 30 April 2020; the Group having transitioned to IFRS 16 on 1 May 2019. Those costs which would have been reported as straight-line operating lease rentals in prior periods are now replaced by straight-line depreciation and reducing balance interest components. Consequently, results for the year ended 30 April 2020 on a statutory basis are not directly comparable with those reported for prior periods. Operating lease rentals of £34.9 million have been added back and depreciation of £32.9 million has been deducted (of which £6.4 million relates to leases previously recognised under IAS 17), together improving 'statutory' EBIT[1] by £8.4 million. At 30 April 2020, right-of-use assets were £186.2 million and lease liabilities were £38.4 million in current liabilities and £163.9 million in non-current liabilities; of which £30.3 million relates to leases previously recognised under IAS 17. IFRS 16 resulted in a £34.9 million increase in cash flows generated from operating activities with an equal and opposite impact on cash flows generated from financing activities in the year ended 30 April 2020.

Alternative performance measures ("APMs")

APMs are used by the Board to assess the Group's financial performance, for analysis and for incentive-setting purposes. These measures are not defined by International Financial Reporting Standards ("**IFRS**") and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. The Operating and Financial review has used APMs to aid comparability to the prior year.

APMs should be considered in addition to and are not intended to be a substitute for IFRS measurements. The table below reconciles APMs to statutory measures as defined by IFRS.

	Year ended April 2020 £m					Year ended April 2019 £m		
	Statutory IFRS 16	IFRS 16 impact	IAS 17 basis	Non-underlying items[2]	Excluding non-underlying items	Statutory IAS 17	Non-underlying items[3]	Excluding non-underlying items
Revenue	500.7	–	500.7	–	500.7	460.2	(3.1)	457.1
EBIT[1]	32.5	(8.4)	24.1	(3.2)	20.9	20.2	(4.3)	15.9
Net debt[4]	217.1	(172.0)	45.1			45.9		
Net finance costs	11.1	(8.4)	2.7			2.1		
Cash generated from operations	66.8	(34.9)	31.9			28.3		
Earnings per share (pence)	15.9	(0.4)	15.5			13.2		
Diluted earnings per share (pence)	15.8	(0.5)	15.3			13.1		

1 EBIT is defined as operating profit, including the Group's share of operating profit in equity-accounted investees and before the amortisation of intangible assets.
2 Non-underlying items in the year ended 30 April 2020 were £3.5 million negative goodwill release relating to the IFRS 3 business combination (see note 29.1 to the Group Financial Statements) and a charge relating to share based payment accruals of £0.3 million.
3 Non-underlying items in the year ended 30 April 2019 were £3.1 million contribution from property-related consultancy activities and credit to the income statement of £1.2 million in respect of share based payment accruals.
4 Net debt is defined as financial liabilities: borrowings less cash and cash equivalents less non-current financial assets and leases previously classified as finance leases and hire purchase agreements under IAS 17.

David Hodkin
Chief Financial Officer

The Strategic Report on pages 2 to 37 was approved by order of the Board.

Marianne Hodgkiss
Company Secretary
21 August 2020

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 as Chief Executive Officer of the Group in May 2014. He joined Clipper in 2006 as Managing Director of the UK logistics division.

Tony studied Architectural Engineering at University, is a Chartered Fellow of the Institute of Logistics, a Fellow of the Institute of Couriers and is a highly experienced logistics professional with over 30 years of experience in both the in-house and third party sectors.

Tony has a particular interest in solution design and innovation and is a strong believer in supply chain collaboration, but equally believes that talent development and outstanding customer care should be at the heart of all good businesses.

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 and 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.

Christine Cross
Senior Independent
Non-Executive Director from
3 June 2020

Christine was appointed to the Board on 3 June 2020.

Christine is a highly experienced non-executive director, with FTSE 100 and FTSE 250 experience, and currently holds non-executive directorships with Coca Cola European Partners plc and Hilton Food Group plc (where she chairs the remuneration committees), and Zooplus AG. Previously, Christine served as a non-executive director on the boards of several retailers, including Next plc and Fenwick Ltd, and was chief retail advisor to PwC for five years.

Prior to this Christine had a 15 year executive career at Tesco where she was involved in a programme of acquisitions, and the establishment of a global direct sourcing operation, together with the leadership of Tesco's UK and International clothing business.

Christine is Chair of the Remuneration Committee, and a member of the Audit and Nomination Committees.

Stuart Watson
Independent
Non-Executive Director

Stuart Watson joined the Group as Non-Executive Director in March 2019.

Stuart is a Chartered Accountant and was a partner with Ernst & Young from 1998 until retiring from the partnership in 2017. Stuart was an audit partner working mainly with listed and private equity backed companies and was the senior partner for Yorkshire and the North East. He is also a member of the Council of the University of Bradford and of the University's audit committee.

Stuart is Chairman of the Audit Committee and is a member of the Nomination Committee and the Remuneration Committee.

Dino Rocos
Independent
Non-Executive Director from
1 January 2020

Dino joined the Group as Non-Executive Director on 1 January 2020, and was appointed to be a member of the Nomination, Remuneration and Audit Committees on that date.

Dino is a Fellow of the Chartered Institute of Logistics and a highly experienced supply chain leader bringing with him over forty years' retail industry experience at the UK's leading omni-channel retailer, John Lewis Partnership, where he served for many years as a senior management board member with responsibility for the development of supply chain strategies working within the industry to develop propositions, capabilities and fulfilment solutions.

Dino has recently been appointed as the Group's designated Non-Executive Director with responsibility for engagement with the workforce ("**Workforce Representative**").

Stephen Robertson
Senior Independent
Non-Executive Director until
3 June 2020

Stephen joined the Group as Non-Executive Director in 2014, and became Clipper's Senior Independent Non-Executive Director in March 2019. 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.

Stephen was a member of the Nomination Committee, Remuneration Committee and Audit Committee.

Stephen stepped down from the Board on 3 June 2020, having completed his second three year term as a Non-Executive Director.

Mike Russell
Independent
Non-Executive Director until
28 February 2020

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.

Mike was Chairman of the Remuneration Committee, and a member of the Nomination Committee and the Audit Committee.

Mike stepped down from the Board on 28 February 2020, having served for nine years on the Board of Clipper and its former parent company prior to IPO.

Corporate Governance Report

> The Board is committed to high standards of corporate governance across the Group.

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 2020. 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. During the year, the Company followed an approach which complied with the main provisions of the UK Corporate Governance Code (the "**Code**"). The report which follows describes how the Company has applied these provisions during the year ended 30 April 2020.

Compliance with the Code

In July 2018 the Financial Reporting Council published a revised version of the Code (the "**2018 Code**") which applies to premium listed companies in respect of accounting periods commencing on or after 1 January 2019. This applied to the Company in the financial year ended 30 April 2020. 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 2020, except for provision 13 (see the Division of responsibilities section on page 41).

This report, which incorporates reports from the Nomination and Audit Committees on pages 46 to 49 together with the Strategic Report on pages 1 to 37, the Directors' Remuneration Report on pages 50 to 64 and the Directors' Report on pages 65 to 68, describes how the Company has applied the Principles of the Code.

Board leadership and Company purpose

During the year the Board consisted of three Executive Directors and three Non-Executive Directors (except for the period 1 January 2020 to 28 February 2020 where there were four Non-Executive Directors). On 1 January 2020 Dino Rocos was appointed as a Non-Executive Director. On 28 February 2020 Mike Russell stepped down from the Board.

Subsequent to the year end, on 3 June 2020 Stephen Robertson stepped down from the Board and was replaced by Christine Cross, who took over from Stephen as Senior Independent Non-Executive Director, Remuneration Committee Chair, and a member of the Audit and Nomination Committees.

The above changes were part of a planned succession and rotation process following an internal Board review.

Biographies and profiles of the current members of the Board appear on pages 38 and 39. Our new Board members have undertaken a thorough induction process, including one-to-one meetings with all Senior Management Team ("**SMT**") and Board members, brokers and advisors, as well as a full suite of site visits.

The Board is responsible for providing effective and entrepreneurial leadership, to promote the long-term sustainable success of the Group, generating value for shareholders and contributing to wider society. The Board is responsible for establishing the Company's purpose, value and strategy, and ensuring that these are aligned with the Group's culture. The Board ensures that the necessary financial and human resources are in place for the Company to meet its objectives, and measure performance against them. 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. In order to meet its responsibilities to shareholders and other stakeholders, the Board engages with and encourages participation from these parties.

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 2020, 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 joint corporate brokers, Numis Securities and Shore Capital, 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.

Where relevant, committee chairs seek engagement with shareholders on significant matters – an example of this is in respect of the proposed changes to the Directors' Remuneration Policy detailed on pages 51 to 52. Major shareholders and proxy advisors were consulted on the proposed changes prior to the publication of this report, in order to explain more fully the rationale behind the changes, and to seek their support for the revised policy ahead of the AGM in the autumn.

Stakeholder engagement
As detailed in the Strategic section of this report on page 11, the Board considers the views of its wider stakeholders in Board discussions and decision making, in order to fulfil its responsibilities under section 172 of the Companies Act 2006.

The Board considers the Group's employees and wider workforce to be integral to the success of the Group, and the Group's most valuable asset. As such, engagement with the workforce is of vital importance to the Board. Further detail about the Group's engagement with employees is shown on page 26 to page 29.

During the year ended 30 April 2020, the Group used a combination of methods for engaging with the workforce, which comprised the following:

- staff councils at each site, where issues could be raised and fed back to the Central HR team;
- providing access to an independent employee feedback and complaints hotline called 'SeeHearSpeakUp', where employees and agency workers can log concerns. These are reported back to management (anonymously if requested) so that an investigation can be undertaken and appropriate action taken to address the concerns; and
- an employee survey to assess employee engagement, and to ascertain any key areas of concern and set a forward action plan.

The Group HR team provides a summary to the Board on a quarterly basis (or more frequently if there is a specific issue that needs to be highlighted) detailing the key issues raised through the staff councils and SeeHearSpeakUp. The Board considers these issues and the remedial action required, and feedback from the Board is provided to staff via the staff councils and intranet, detailing the action instructed by the Board to remedy the issues.

Subsequent to the 30 April 2020 year end, Dino Rocos was appointed as designated workforce Non-Executive Director, and is working closely with the Group HR Director and Chair of the Remuneration Committee to drill down into the results of the employee engagement survey and provide guidance on suggested actions. Working with the Group HR Director, Dino will ensure that the Group complies with its obligations in respect of engagement with the workforce, in order to ensure that engagement and satisfaction within the workforce is as high as possible, with everyone working to achieve the Group's objectives.

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 or she 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/her business interests and those of his/her 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 when situational conflicts arise and are reported to it by Directors. A register of such situational conflicts is maintained and will be reviewed by the Board going forward.

Division of responsibilities

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. The Executive Chairman is also responsible for facilitating constructive Board relations and the effective contribution of all Non-Executive Directors, and ensuring that all Directors receive accurate, timely and clear information. Tony Mannix is the Chief Executive Officer and is responsible for implementing the Board's strategy and leading the SMT. The role is distinct and separate to that of Executive Chairman and clear divisions of accountability and responsibility have been agreed by the Board.

The Code indicates at provision 13 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, as recommended under provision 12. The Chairman has met with individual Non-Executive Directors on a one-to-one basis throughout the year, at which meetings Board performance and other appropriate matters were discussed.

Role of the Senior Independent Director
The Code indicates (at provision 12) 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 and shareholders 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.

During the year ended 30 April 2020, Stephen Robertson was Senior Independent Director. On 3 June 2020 Stephen Robertson stepped down from the Board, and Christine Cross was appointed in his place as Senior Independent Director.

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. The Senior Independent Director also meets with the Executive Chairman on a weekly basis and holds quarterly meetings with other Non-Executive Directors with no Executive Board member present.

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.

Prior to his appointment, the Board carefully considered whether Dino Rocos would meet the test of independence based on the circumstances shown in provision 10 of the Code as impairing or appearing to impair independence, and concluded that, notwithstanding his previous business relationship with the Company by virtue of his previous directorship of Clicklink (Clipper's joint venture with John Lewis), and previous position within the senior management team at John Lewis, he was considered independent in character and judgment.

As part of the Board evaluation process carried out during the year, independence was assessed, and all Non-Executive Directors continue to be considered independent. The Board believes that the current directorate supports its ability to develop the Group's operations.

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 the key Committees available on the Company's website. Separate reports for each of the Nomination, Audit and Remuneration Committees are included in this Annual Report and Accounts from pages 46 to 64.

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, and prior approval of the Board must be obtained.

Appointment letters for Non-Executive Directors 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. Each Non-Executive Director has to notify and seek Board approval prior to taking on a future plc commitment and give assurance that they have the requisite time to devote to their fiduciary responsibilities within Clipper.

Role of the Company Secretary
Marianne Hodgkiss is the Company Secretary. The role of the Company Secretary, under the direction of the Executive Chairman, is to advise the Board on all governance matters. This includes supporting the Executive Chairman and Non-Executive Directors as appropriate, managing Board and 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.

Composition, succession and evaluation

Election of Directors
The Board has established a Nomination Committee to lead the process for appointments and succession planning for both Board and Senior Management Team positions. As required by the Code, the majority of members of the Nomination Committee are Independent Non-Executive Directors. Further detail about the role and responsibilities of the Nomination Committee is shown in the Nomination Committee report on page 46.

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.

As recommended by the 2018 Code, notwithstanding the Company's Articles, the Directors have determined that all Directors shall retire from office annually at the AGM, and shall be eligible for re-appointment at that same AGM.

At the 2020 AGM Steve Parkin, Tony Mannix, David Hodkin and Stuart Watson will be offering themselves for re-election, and Dino Rocos and Christine Cross will be offering themselves for election. The Company's AGM will be held at Clipper Logistics, 11th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL on 30 September 2020 at 11.00am.

In light of the prevailing Government guidance in relation to COVID-19, it is proposed that the AGM be convened with the minimum quorum of shareholders present in order to conduct the business of the meeting. This will be facilitated by Clipper Logistics plc.

In the interests of protecting the health and safety of our shareholders, colleagues and the wider public, shareholders will not be admitted to the AGM. Details of how to vote by proxy are contained within the Notice of Meeting that will be published shortly.

Appointment of non-executive directors

The Code indicates (at provision 20) that open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. Given the timing of Stephen Robertson's departure, and the wish to augment the Board quickly, house brokers were approached for recommendations of independent non-executive director of who could chair the Remuneration Committee and fulfil the role of Senior Independent Director. An internal capability review and interview process was conducted, as a result of which Christine Cross was selected. A full process of succession planning is now in place to facilitate future appointments through an external search consultancy and/or open advertisement process.

Board evaluation

The Code indicates (at provision 21) 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 effectiveness of the Board is essential to the success of the Group. During the year an internal evaluation process was undertaken. The evaluation process was based on a series of questions devised for the purpose by the Senior Independent Director and the Company Secretary and circulated to the Directors. The process reviewed issues such as: the assessment and monitoring of the Company's strategy; the mix of knowledge and skills on the Board; succession; and the effectiveness of the Board and the Directors. Separate questionnaires were devised for each of the Audit, Remuneration and Nomination Committees, and circulated to Committee members.

The results were collated by the Company Secretary and considered by the Senior Independent Director who discussed the results with the Executive Chairman. The performance of the Board as a whole and of each of its principal Committees was considered.

The full (anonymised) results of the evaluation were shared with the Board, and key actions to undertake to enhance or maintain performance of the Board and Committees have been agreed and will be monitored throughout the current financial year.

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

It is the Company's intention to undertake an externally facilitated Board evaluation in 2021 and this process will be led by the Senior Independent Director.

Training and development

There have been two appointments to the Board since the last AGM: Dino Rocos as Independent Non-Executive Director and Christine Cross as Senior Independent Director. The Group has an induction and training process for new Directors. New Directors receive a detailed induction on joining the Board, including meeting other members of the Board and the SMT. New Directors are 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 update training to the Directors and SMT on related party transactions, insider dealing and The Market Abuse Regulation, the 2018 Code and The Companies (Miscellaneous) Reporting Regulations 2018 (with a specific focus on directors' duties). This is supplemented by advice and training provided, where required, by the Company Secretary. A full training audit will be undertaken as part of the 2021 Board evaluation.

Board activity during the year ended 30 April 2020

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 AGM.

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.

It includes a rolling agenda of reports from the Nomination Committee, the Audit Committee and the Remuneration Committee together with various other key operational, strategic, governance and risk topics. The latter are regularly updated to ensure the Board is responsive to the operational and strategic issues affecting the business. The Board was due to hold an Operational Strategy Day in April 2020, which had to be postponed as a result of COVID-19. A Corporate Strategy Day has been held in July 2020 to review the Group's merger and acquisition strategy and market position, and the postponed Operational Strategy Day is due to be held later in 2020. The Board does not delegate key strategic, operational and financial issues or other matters specifically reserved for the Board.

Corporate Governance Report continued

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

Strategy and management

- review of Group strategy and current positioning;
- approval and consideration of strategic initiatives and plans, including major new contracts;
- consideration of potential acquisitions;
- Brexit and its continued impact;
- automation and Artificial Intelligence, and their role in the business;
- a potential 'take private' of Clipper following a possible offer from Sun Capital;
- European strategy review;
- review of transport capabilities;
- health and safety record;
- implementation of enhanced workforce engagement methods, and methods of feedback to the Board, and then from the Board to the workforce;
- re-development and re-launch of external website;
- refresh of intranet to enhance employee engagement;
- review of the SMT structure, and promotions within the team;
- talent and capability review;
- management bonus scheme structure;
- gender pay gap report, and actions to understand and address the pay gap;
- recruitment and talent development;
- payroll and time and attendance ("**T&A**") system review, including management of payroll and T&A function;
- corporate social responsibility actions;
- brand health;
- IT strategy review;
- preparation for the Operational Strategy Day; and
- impact of COVID-19 on the business.

Financial and contracts

- review of the performance and management of certain contracts;
- discussion of accounting treatment of specific items;
- financial review, including performance against market consensus;
- review and approval of budgets and mid year financial re-forecast;
- review and approval of the FY19 Annual Report and FY20 Half Year Report;
- consideration and approval of final and interim dividends; and
- approval of capital projects and contracts of material importance.

Governance

- consideration of conflict approval request by one Non-Executive Director (request withdrawn);
- audit tender;
- legal and governance updates, including changes under the 2018 Code and reporting obligations under The Companies (Miscellaneous) Reporting Regulations 2018, which applied to the Group from the financial year commencing 1 May 2019;
- Board and committee evaluation;
- enhancement of management information provided to Board, including ad-hoc updates between Board meetings;
- training and advice from broker regarding possible offer for the Company, and procedures that needed to be followed;
- externally provided update training on corporate governance, including s172 requirements, workforce engagement, diversity, Hampton Alexander Review and The Market Abuse Regulation;
- update training on related party transactions;
- implementation and monitoring of actions recommended by an independent review of the Company's corporate governance practices;
- changes to joint broker arrangements;
- appointment of new Non-Executive Director;
- changes to committee membership and chairpersonship; and
- launch date change for Sharesave (due to being under potential offer during normal launch window).

In addition to the matters above, the Board held weekly update calls during April and May to discuss the impact of COVID-19 on the business.

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 2021. 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.

The Board will also continue to take action to ensure compliance with the new requirements under the 2018 Code and The Companies (Miscellaneous) Reporting Regulations 2018.

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 ten meetings and various Board Committee meetings were also held with attendance as follows:

Director	Role	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Steve Parkin	Executive Chairman	9/10			3/3
Tony Mannix	Chief Executive Officer	9/10			
David Hodkin	Chief Financial Officer	10/10			
Stephen Robertson	Senior Independent Non-Executive Director	10/10	4/4	3/3	3/3
Stuart Watson	Independent Non-Executive Director	10/10	4/4	3/3	3/3
Dino Rocos[1]	Independent Non-Executive Director	2/2	1/1	2/2	0/0
Mike Russell[2]	Independent Non-Executive Director	8/10	3/3	1/2	3/3

1 Appointed 1 January 2020.
2 Resigned 28 February 2020.

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

Board packs are distributed a minimum of five working days in advance for Directors to review their papers prior to the meeting. Directors make every effort to attend all Board and applicable Committee meetings, as evidenced by the strong attendance records over many years. Exceptionally, if in-person attendance is not possible, dial in meetings are permissible. Where, exceptionally, a Director is unable to attend a meeting, it is Board policy that the Chair and/or the Company Secretary will, as soon as possible, brief the Director fully on the business transacted at the meeting and on any decisions that have been taken. In addition, the views of the Director are sought ahead of the meeting and conveyed to those attending by the Chair and/or the Company Secretary as appropriate.

In addition to the Board and Committee meetings, and in line with the Code, the Senior Independent Director holds meetings at least annually with the Non-Executive Directors without the Executive Directors present, and did so on ten occasions during the year to 30 April 2020.

Nomination Committee Report

> I am pleased to present the report of the Nomination Committee for the year ended 30 April 2020.

Steve Parkin
Chairman, Nomination Committee

Committee Chairman's introduction

The Nomination Committee (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 operated in the year ended 30 April 2020, and how it intends to carry out its responsibilities in the year ahead.

Composition

The Code recommends that a majority of the members of a nomination committee should be independent non-executive directors. The Nomination Committee is chaired by Steve Parkin and its other members are Christine Cross, Dino Rocos and Stuart Watson. During the year to 30 April 2020, Stephen Robertson and Mike Russell were also members of the Committee.

Roles and responsibilities

It is intended that the 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 Senior Management Team, 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 Committee is responsible for evaluating and making recommendations to the Board on:

- the balance of skills, knowledge and experience of the Board and committees;
- 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
- succession planning for Board and senior management positions.

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 diversity 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. The Committee and Board instruct all executive search firms to ensure that any short lists put forward for Board or senior management roles include a diverse range of candidates. 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 2020

The Committee met three times during the financial year and considered, inter alia, the following matters:

- succession planning for the Executive Director roles;
- the recruitment of a new Independent Non-Executive Director following Mike Russell's indication of his wish to retire;
- the size and composition of the Board, with regard to the changes under the 2018 Code which mean that the requirement for at least half of the Board to be independent non-executive directors will apply to all companies, not just FTSE 350;
- the structure of the Senior Management Team, and appointments and promotions within this team;
- the Board evaluation process; and
- changes to Committee memberships and chairpersonships.

With effect from 1 January 2020, Dino Rocos was appointed Independent Non-Executive Director, and became a member of the Nomination, Remuneration and Audit Committees.

On 28 February 2020, Mike Russell retired as a Director, and Stephen Robertson took over from him as Chair of the Remuneration Committee.

Shortly after the 30 April 2020 year end, on 3 June 2020, Stephen Robertson resigned as a Director, and was replaced by Christine Cross, who now chairs the Remuneration Committee, and is a member of the Nomination and Audit Committees. Christine also replaced Stephen as Senior Independent Non-Executive Director.

Audit Committee Report

> In this report, I explain the Committee's role in ensuring that shareholder interests are properly protected in relation to financial reporting and internal control.

Stuart Watson
Chairman, Audit Committee

Committee Chairman's introduction

I am pleased to present the Audit Committee's report for the year ended 30 April 2020.

The Audit Committee ("**Committee**") considers that it has acted in accordance with its terms of reference. The primary function of the Committee is to assist the Board in fulfilling its responsibilities to protect the interests of shareholders regarding 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 requirements of 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.

In particular, in the year under review IFRS 16 'Leases' has come into force and we have considered the impact of both Brexit and the COVID-19 pandemic. We also held a tender for audit services during the year and as a result RSM UK Audit LLP was appointed as our auditor.

The Committee welcomes constructive engagement with shareholders on significant matters related to the Committee's areas of responsibility. The Chair can be contacted via the Company Secretary.

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 Stuart Watson. Stuart and Stephen Robertson served on the Committee throughout the year under review. Mike Russell served on the Committee until he resigned on 28 February 2020 and Dino Rocos joined the Committee on his appointment as a Non-Executive Director on 1 January 2020. Stephen Robertson resigned as a Director on 3 June 2020 and Christine Cross was appointed as a Director and joined the Audit Committee on the same date.

The Directors consider that Stuart Watson has recent and relevant financial experience in accordance with the Code, and that the Committee as a whole has relevant experience in the sector in which the Group operates. 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, and any formal announcements relating to financial performance;
- 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 Results remains with the Board.

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

Activities in the year ended 30 April 2020

During the year, the Committee met four times. Following the year end the Audit Committee has held one further scheduled meeting. A summary of the main areas dealt with by the Committee is set out below:

Financial Statements

- review of the Financial Statements and narrative reporting in the Annual Report and Accounts for 2019 and 2020, and in the Half Year Results to 31 October 2019, with particular reference to the reports being fair, balanced and understandable;
- review of the key judgments and significant estimates together with accounting matters such as going concern in the Annual Report and Accounts for 2019 and 2020, and in the Half Year Results to 31 October 2019;

- review of the Stock Exchange announcements for the Full Year Results for 2019 and the Half Year Results to 31 October 2019; and
- consideration of the findings from the external audit for the year ended 30 April 2019.

Control environment and risk management

- review of risk management policies and the updated risk register, including consideration of the impact of both COVID-19 and the UK's exit from the EU;
- review of the going concern and viability assessments and the statement of compliance, including determination of the assessment period and the robustness of the scenarios tested;
- review of the Group's assessment of its internal control environment, including review of the completed internal control self-assessments; and
- discussion around the Code on risk management, internal control, viability and going concern.

External audit

- discussion with the auditor over the audit planning, with particular reference to significant risks highlighted in the planning documents, together with the audit scope and timetable;
- meetings with the auditor without management present, to consider any potential areas of concern;
- approval of the terms of appointment, areas of responsibility and duties;
- approval of the auditor's remuneration in respect of the year ended 30 April 2020;
- auditor's confirmation of independence;
- review of auditor's effectiveness; and
- conducting an audit tender which resulted in the appointment of RSM UK Audit LLP as auditor.

The Committee reviewed its own terms of reference which were considered to be satisfactory. The Committee and the Board were satisfied that the Committee and its members operate effectively individually and collectively.

Financial reporting significant risks

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 addressed 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.

IFRS 16 'Leases' implementation

The Group has a significant number of leases, including those previously classified as operating leases. The treatment of these leases on implementation of IFRS 16 is significantly different to the previous basis, and there is a risk of misstatement on first time adoption.

Key estimates and judgments in implementing IFRS 16 were reviewed, as were financial reporting disclosures and the use of alternative performance measures in explaining the impact of adopting the new standard.

Management override of controls

Management is in a unique position and could override controls that otherwise operate effectively.

To mitigate this risk, the Board is made aware of any non-recurring material transactions.

Related party transactions

There is a risk that not all related party transactions are appropriately identified, accounted for and disclosed in the Financial Statements. Related party relationships may present a greater opportunity for management to override controls that otherwise operate effectively.

To mitigate these risks, during the year ended 30 April 2020 the Board implemented new controls and procedures around related party transactions, which were recommended as part of a wider independent review of the Company's corporate governance practices.

Accounting for a business combination

During the year the Company entered into contracts that constituted a business combination; i.e. with the three elements of a business as defined in IFRS 3: inputs, processes and people that have the ability to create outputs.

Under International Financial Reporting Standards, the Group is required to assess the fair value of assets and liabilities acquired and liabilities assumed and specifically to identify any intangible assets.

External auditor

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.

Following the 30 April 2020 year end, 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 RSM UK Audit LLP proved effective in its role as external auditor. 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.

The audit was subject to a tender during the year and as a result RSM UK Audit LLP was appointed. The current audit engagement partner has served for one year. 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.

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 RSM UK Audit LLP is not impaired.

Furthermore, RSM UK Audit 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 FRC's ethical standards (including in relation to the supply of non-audit services).

RSM UK Audit LLP received £nil in respect of non-audit work for the Group in the year ended 30 April 2020 (2019: KPMG LLP £nil).

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 nature of those 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 mean 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 provision 25 of the Code.

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 Board's 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 Senior Management Team who are responsible for the principal business units, confirming that controls and risk management processes in their business units have been operated satisfactorily. These returns are reviewed by the Committee and challenged where appropriate. The Group Financial Controller 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.

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

The Board, with advice from the 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. These processes have been in place throughout the financial year ended 30 April 2020 and up to the date of approval of the Financial Statements for the year ended 30 April 2020. Further details of risk management frameworks and specific material risks and uncertainties facing the business can be found on pages 22 to 25.

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 of actions 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 Board, with the advice of the Committee, is satisfied that this has been achieved.

The responsibilities of the Directors and external auditor are set out on pages 69 and 75 respectively.

Stuart Watson
Chairman, Audit Committee

Directors' Remuneration Report

In this report, I set out our proposed new Remuneration Policy, and how it will operate to incentivise management to deliver on the growth opportunities for Clipper and enhance shareholder value.

Christine Cross
Chair, Remuneration Committee

Committee Chair's introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2020.

I became the Chair of the Remuneration Committee (the "**Committee**") when I took over this role from Stephen Robertson in June 2020, following his resignation from the Board. I would like to thank Stephen for his work in the role of Committee Chair at Clipper, and also Mike Russell, who was Committee Chair until 31 December 2019. In a further change, we are pleased that Dino Rocos has also joined the Committee following his Board appointment on 1 January 2020.

I would like to thank our shareholders for the continued support which they showed for the Committee at our 2019 AGM when our Directors' Remuneration Report was approved by 97.7% of shareholders' voting.

At the 2020 AGM, to be held on 30 September 2020, shareholders will be asked to approve two resolutions related to directors' remuneration matters:

- to approve the updated Directors' Remuneration Policy (please see page 51); and
- to approve the Directors' Remuneration Report.

The vote on the Directors' Remuneration Report is our normal annual advisory vote on such matters. If approved by our shareholders, the Directors' Remuneration Policy will apply for a maximum of three years from the 2020 AGM and will replace the Directors' Remuneration Policy previously approved at the 2017 AGM.

I hope that our shareholders remain supportive of our approach to executive pay at Clipper and vote in favour of the resolutions on remuneration matters to be tabled at the 2020 AGM.

Pay for performance in the year ended 30 April 2020

Reported EBIT (prior to IFRS 16 adjustments) increased by 19.1% to £24.1 million in the financial year ended 30 April 2020. However, the threshold level of target for our Annual Incentive Plan ("**AIP**") was not considered achieved by the Committee. Accordingly, no annual bonuses will be paid to our Executive Directors in respect of the year ended 30 April 2020.

With regard to our January 2018 Performance Share Plan ("**PSP**") awards (for which the three financial year performance period ended on 30 April 2020), the minimum performance threshold was not achieved and the awards will not vest in January 2021.

The Committee exercised what it regards as normal commercial judgment in respect of directors' remuneration throughout the year (and in all cases in line with the Company's Directors' Remuneration Policy). There were no other exercises of judgment or discretion by the Committee in the year which require additional disclosure in this report.

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: Remuneration Policy

Our Directors' Remuneration Policy ("**Policy**") will reach its triennial renewal point at our 2020 AGM. Seeking to renew the Policy against the background of the impacts of COVID-19 and the changes within Clipper's Senior Management Team is challenging. However, we are putting forward proposals for the renewal of the Policy which we believe are:

- appropriate and address several 'market good practice' themes of UK executive pay practice; and
- in shareholders' best interests as they will provide new (but still modest compared to broader market levels) incentive pay opportunities which will seek to drive enhanced performance across a wider range of performance metrics at Clipper.

Our revised proposals on incentives (AIP and PSP) are explained in more detail below, but reflect the following contexts:

- As is explained in more detail in the Strategic Report on pages 12 to 17, the Group's performance during the COVID-19 period has been resilient:
  - Government support programmes were utilised as little as possible.
  - The Group continues to use its expertise in supporting the e-commerce related activities of retailers, as well as expanding cross sector to utilise its wider supply chain capabilities as companies adapt to the impacts of COVID-19. New initiatives have included major projects providing supply chain support to the NHS, including the warehousing and distribution of PPE to hospitals and an online portal for fulfilling orders for PPE to GP surgeries, small care homes and home care providers.
- Against this background, the Committee believes that it is very important for our Senior Management Team to be incentivised appropriately to deliver on these opportunities for Clipper and enhance shareholder value. This applies not just to our three Executive Directors (Executive Chairman, Chief Financial Officer and Chief Executive Officer) but also to additional roles below the Board which Clipper view as vital to our ability to maximise our business' potential in the next few years – this includes our Deputy Chief Executive Officer and Chief Operating Officer, and our recently appointed Head of European Operations and M&A (together, the "**Executive Committee**", or "**Ex-Co**").

Summary of proposed new policy

The opportunities available within the Company's AIP and PSP for Executive Directors will be increased as follows:

- AIP maximum will increase from 50% of salary to 90% of salary.
- PSP annual award will increase from 100% of salary to 150% of salary (which is the current policy maximum, although practice has been to make awards at 100% of base salary).

These changes move the Clipper incentive potentials to levels which are still modest to broader market levels, although an increase from the maximums set at IPO in 2014. They are, accordingly, the first increases since IPO and are expected to apply for three years to the 2023 AGM.

The new levels will allow appropriate incentivisation of both the Executive Directors and the wider Ex-Co.

To balance this, deferral, shareholding guidelines and post-employment shareholding will be applied in line with Investment Association and UK Code guidance:

- Two year post-vesting deferral on all PSP awards, with enhanced malus and clawback provisions.
- 200% of salary share ownership guideline for Executive Directors.
- 100% for the remaining Ex-Co, to be built within five years of joining and consisting of both bought and vested shares.
- Two year post-cessation application for share ownership guidelines.
- Threshold vesting levels for PSP reduced to 15% (from 25%).

The performance measures for our incentive plans will be expanded to produce a more balanced scorecard:

AIP		PSP	
Current	**Proposed**	**Current**	**Proposed**
Adjusted EBIT (100% weighting)	Adjusted EBIT (56% weighting (50% salary))	Adjusted EPS (100% weighting)	Adjusted EPS (45% weighting)
	Free Cash Flow (22% weighting (20% salary))		Relative Total Shareholder Return ("**TSR**") vs FTSE SmallCap (ex IT) (30% weighting)
	Personal metrics (22% weighting (20% salary))		Basket of ESG measures* (25% weighting)

* For the year ending 30 April 2021 these metrics will include CO_2 and social programmes, which include our Fresh Start programme for providing employment for under-represented groups, including rehabilitated former offenders, people with disabilities and other people who can face barriers to entry into employment.

It is Clipper's intention to maintain its practice of setting demanding metrics for both the AIP and PSP (see the six year history of pay outcomes for the Executive Chairman since the 2014 IPO on page 63). Additionally, all incentive plans at Clipper are subject to the overriding discretion of the Committee and the Committee fully expects to apply downwards discretion to reduce outcomes in any case where we consider that incentive plan outcomes are not aligned to the experience of all our stakeholders, who we take to include our shareholders, our employees and the wider communities in which we operate our business.

The 'market good practice' features of the new policy will be as follows:

- The Executive Chairman will no longer receive shares under the PSP, and in will instead have his PSP award settled in cash. This addresses issues raised by our shareholders over a number of years regarding the inclusion of our Executive Chairman in a shares-settled PSP given the size of his continuing shareholding and the related complexities of the 'Concert Party' rules.
- Accordingly, going forwards both our Executive Chairman and our Chief Financial Officer (as members of the 'Concert Party' at Clipper) will continue to participate in our PSP, but on a cash-settled basis only. To ensure affordability, their maximum out-turns under the PSP will be capped at 150% of base salary (i.e. they cannot benefit from upwards share price movements, which will be reflected in the performance of their actual shareholdings, but award values will reduce in line with share price falls).
- Pension contributions for all Executive Directors (including new appointees in the future) will be aligned to the employer contribution rate available to the majority of the workforce, which is currently 3%. Our Executive Chairman is already at this level and our Chief Executive Officer and Chief Financial Officer will move to this level by 1 January 2023.

Taking a step back, the Committee appreciates that in 2020 and in the wider contexts of the impact of COVID-19 on the UK economy, the changes which we are proposing are sensitive. However, the key reason for bringing in these proposals at this time is to better frame our policy (and wider outlook on pay) as being performance-driven, and for this to be applied consistently across our Senior Management Team. We believe this is in our shareholders' best interests; for example, the policy as revised should, we believe, provide an appropriate framework for any future Senior Management Team successions, whether internal or external. Without a good framework of incentive opportunities, any candidates would be likely to look for higher base salaries which we are clear would not be in line with our wider obligations towards shareholders. We want any successor candidates for our Senior Management Team to 'buy into' Clipper and our pay outlook, rather than for Clipper to have to 'buy them' with above market and higher salaries.

The Directors' Remuneration Policy as set out below is subject to shareholder approval at the AGM on 30 September 2020 and will take effect from that date. The prior Directors' Remuneration Policy was approved by the Company's shareholders at the Company's AGM on 25 September 2017 and is available for inspection in the Company's 2017 Annual Report and Accounts via its website at: www.clippergroup.co.uk/report-accounts/.

Revised Executive Director Remuneration Policy table

The Committee undertook a review of Clipper's Remuneration Policy in 2020 and is proposing a number of changes to the Policy. Details of the proposed changes are highlighted in the table below:

Element and purpose	Policy and operation	Maximum	Performance measures	Changes from previous policy
Base salary This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution.	Base salaries will be reviewed each year by the Remuneration Committee. The Remuneration Committee does not strictly follow data but uses it as a reference point in considering, in its 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	No changes.
Benefits To provide benefits valued by recipients.	The Executive Directors may receive a car allowance or company car, fuel allowance, private family medical cover and insurance benefits. The Remuneration Committee reserves discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice. Where appropriate, the Group will meet certain costs relating to Executive Director relocations (although payment of relocation expenses is limited to a period of two years).	It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year-to-year, but the provision of benefits will operate within an annual limit of £100,000 (plus a further 100% of base salary in the case of relocations). The Remuneration Committee will monitor the costs in practice and ensure that the overall costs do not increase by more than the Remuneration Committee considers appropriate in all the circumstances.	N/A	No material change; clarified the period for payment of relocation expenses.

Element and purpose	Policy and operation	Maximum	Performance measures	Changes from previous policy
Pension To provide retirement benefits.	Executive Directors can receive pension contributions to personal pension arrangements, or if a Director is impacted by annual or lifetime limits on contribution levels to qualifying pension plans, the balance can be paid as a cash supplement.	The maximum employer's contribution is limited to 15% of base salary. Any new Executive Director will be aligned to the employer's pension contribution rate available to the majority of employees.	N/A	Included in the policy the commitment made in the Directors' Remuneration Report in the 2019 Annual Report and Accounts that newly appointed Executive Directors will have employee-aligned contribution rates. As a matter of policy implementation, all Executive Directors will move to this rate by 1 January 2023.
Annual Incentive Plan 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 90% of base salary per annum 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. The Committee also has a standard power to apply its judgment to adjust the formulaic outcome of all AIP performance measures to take account of any circumstances (including the performance of the Company, any individual or business) should it consider that to be appropriate.	Increase in individual award limit to 90% of base salary. Clarified Committee's ability to adjust formulaic outcomes of performance metrics.

Element and purpose	Policy and operation	Maximum	Performance measures	Changes from previous policy
Long-Term Incentives ("LTI") To motivate and incentivise delivery of sustained performance over the long term, and to promote alignment with shareholders' interests, the Group operates a Performance Share Plan.	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. Where technical provisions (including the Concert Party rules) make it preferable in shareholders' interests to do so, awards may be settled in cash, capped at the maximum PSP level allowed (150% of base salary), and with any reduction in share price between the date of grant and date of vesting being reflected in the cash-settled award. 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. All PSP awards are subject to a two year holding period post vesting.	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 15% of awards vest for attaining the threshold level of performance conditions. The Committee also has a standard power to apply its judgment to adjust the formulaic outcome of all PSP performance measures to take account of any circumstances (including the performance of the Company, any individual or business) should it consider that to be appropriate.	No material changes. Clarified that awards may be settled in cash where preferable to do so for Concert Party reasons, capped at the maximum PSP level allowed, and with award values reducing in line with share price falls. Clarified Committee's ability to adjust formulaic outcomes of performance metrics. Threshold vesting limit reduced to 15% (from 25%). Holding period (which has applied to new awards from July 2018) included within the policy.

Element and purpose	Policy and operation	Maximum	Performance measures	Changes from previous policy
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.	200% of salary for all Executive Directors. The Remuneration Committee reserves the power to amend (but not reduce) these levels in future years. Guideline to apply for two years from leaving the Board (lower of 200% or actual shareholding at time of leaving).	N/A	Increase in guidelines to 200% of salary. Guidelines to apply for further two year period post cessation.
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 per calendar month). The options vest on the third anniversary of the commencement of the savings period.	Consistent with normal practice, such awards are not subject to performance conditions.	No changes.
Non-Executive Director fees To enable the Group to recruit and retain Non-Executive Directors of the highest calibre, at the appropriate cost.	The fees paid to Non-Executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity. The fees payable to the Non-Executive Directors are determined by the Board.	Fees are paid monthly in cash. Any increases made will be appropriately disclosed.	N/A	No changes.

Notes to the Policy table

1. Malus and clawback

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

- there has been a material misstatement of the Group's financial results;
- the assessment of performance targets is based on an error or inaccurate or misleading information or assumptions;
- circumstances warranting summary dismissal;
- circumstances of corporate failure (liquidation or administration of the Company); 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 (including any related tax liabilities settled by the Company) may technically come within the applicable rules and so the Remuneration Committee expressly reserves the right for the Remuneration Committee to authorise such activities within its agreed policies.

4. Differences between the policy on remuneration for Directors from the policy on remuneration for 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 and as described in the policy table.

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 to 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 (amounts normally pro-rated).	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 (on such reasonable basis as the Committee decides), subject to standard Committee discretions to vary time pro-rating.

The Company has the 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 either an executive or non-executive role, the individuals are permitted to retain any income earned for acting as director.

Statement of consideration of employment conditions elsewhere in the Group

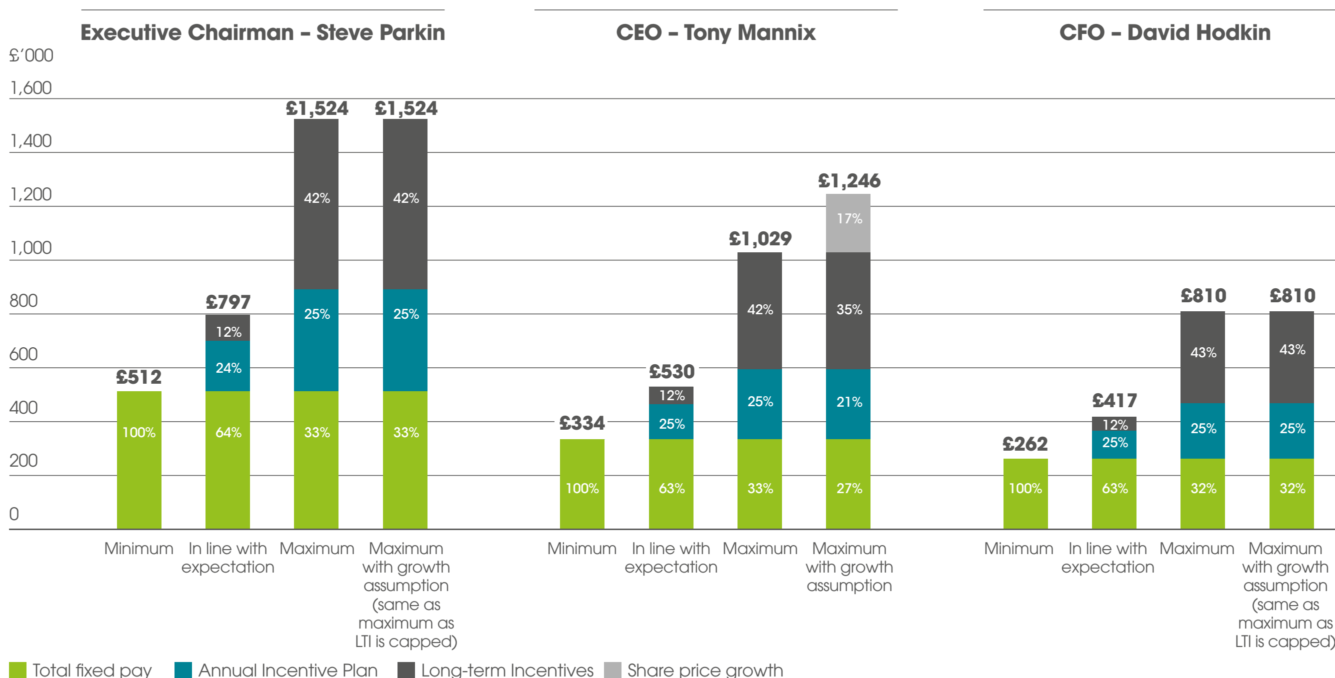
Pay and employment conditions generally in the Group are taken into account when setting Executive Directors' remuneration. The Committee receives regular updates on overall pay and conditions in the Group, including (but not limited to) changes in base pay and any staff bonus pools in operation. There 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. Prior to the publication of this report, the Committee has consulted with major independent shareholders and proxy advisory bodies regarding the proposed changes to the Policy.

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:

<table>
<tr><td rowspan="4">Minimum</td><td colspan="5">
• Consists of base salary, benefits and pension.
• Base salary is the salary to be paid in the year ending 30 April 2021.
• Benefits measured as benefits paid in the year ended 30 April 2020 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).</td></tr>
<tr><td>£'000</td><td>Base salary</td><td>Benefits</td><td>Pension</td><td>Total fixed</td></tr>
<tr><td>Steve Parkin</td><td>421</td><td>81</td><td>10</td><td>512</td></tr>
<tr><td>Tony Mannix</td><td>289</td><td>16</td><td>29</td><td>334</td></tr>
<tr><td></td><td>David Hodkin</td><td>228</td><td>1</td><td>33</td><td>262</td></tr>
<tr><td>In line with expectation</td><td colspan="5">Based on what the Director would receive if performance was on-target (excluding share price appreciation and dividends):
• AIP: consists of the on-target bonus of 45% of salary.
• LTI: consists of the threshold level of vesting (15% vesting), plus the fair value of full investment in the Sharesave Plan (£1,200).</td></tr>
<tr><td>Maximum</td><td colspan="5">Based on the maximum remuneration receivable (excluding share price appreciation and dividends):
• AIP: consists of maximum bonus of 90% of base salary.
• LTI: consists of the face value of awards (150% of salary), plus the fair value of full investment in the Sharesave Plan (£1,200).</td></tr>
<tr><td>Maximum with growth</td><td colspan="5">Applies the same assumptions as the Maximum scenario, but with a further assumption of 50% share price growth where LTIs are to be settled in shares; at Clipper only the CEO will receive a shares-settled LTI and LTIs for the Executive Chairman and CFO will be cash-settled and capped at 150% of base salary.</td></tr>
</table>

Part B: Report on Remuneration for the Year Ended 30 April 2020

Audited information

Single figure table

	Salary year ended 30 April		Benefits[1] year ended 30 April		Annual bonus[2] year ended 30 April		Long-term incentives[3] year ended 30 April		Pension contributions[4] year ended 30 April		Total year ended 30 April	
£'000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Steve Parkin	**421**	411	**81**	70	**nil**	nil	**nil**	nil	**10**	10	**512**	491
Tony Mannix	**289**	282	**16**	18	**nil**	nil	**nil**	nil	**29**	28	**334**	328
David Hodkin	**228**	222	**1**	2	**nil**	nil	**nil**	nil	**33**	33	**262**	257

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 2020 are set out below.
3. The 2020 values for long-term incentives reflect a nil vesting for PSP awards granted in January 2018 (performance period of financial years ending 30 April 2018 to 30 April 2020), which are due to vest in January 2021. The performance conditions required Basic EPS, after adjustment, for the year ended 30 April 2020 of between 18.7 pence and 22.85 pence, and the minimum level was not achieved.
4. David Hodkin's and 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 2020

Performance for the AIP was measured against EBIT[1] for the year ended 30 April 2020.

Performance measure	Threshold performance level for 2020 AIP	Maximum performance level for 2020 AIP	Performance level attained for 2020 AIP	AIP attained as a % of base salary
EBIT[1] for financial year to 30 April 2020	£24.2m	£27.6m	Below threshold	nil

1. As adjusted for certain matters in the Committee's judgment.

Non-Executive Directors' fees

	Fees year ended 30 April		Benefits[1] year ended 30 April		Total year ended 30 April	
£'000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Stuart Watson[2]	**47**	5	**1**	–	**48**	5
Dino Rocos[3]	**16**	–	**0**	–	**16**	–
Stephen Robertson[4]	**65**	50	**7**	3	**72**	53
Mike Russell[5]	**40**	48	**–**	–	**40**	48

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. Stuart Watson was appointed to the Board on 26 March 2019.
3. Dino Rocos was appointed to the Board on 1 January 2020.
4. Stephen Robertson resigned as a Director on 3 June 2020.
5. Mike Russell resigned as a Director on 28 February 2020.

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 20 August 2020	**At 30 April 2020**
Steve Parkin	**25,140,820**	25,140,820
David Hodkin	**1,113,196**	1,113,196
Tony Mannix	**946,786**	946,786
Stuart Watson	**4,000**	4,000
Dino Rocos	**–**	–
Christine Cross	**–**	–
Stephen Robertson[2]	**not applicable**	9,410

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).
2. Stephen Robertson resigned as a Director on 3 June 2020.

Share plan interests

Performance Share Plan:

	Options held at 1 May 2019	Options granted	Options lapsed	Options exercised	Option grant price (p)	Options held at 30 April 2020	Earliest exercise date	Latest exercise date
Steve Parkin	597,795	nil	108,012	nil	nil	489,783	14/01/2018	15/01/2029
Tony Mannix	362,242	nil	60,007	nil	nil	302,235	14/01/2018	15/01/2029
David Hodkin	288,021	nil	48,005	nil	nil	240,016	14/01/2018	15/01/2029

Sharesave Plan:

	Options held at 1 May 2019	Options granted	Options lapsed	Options exercised	Option grant price (p)	Options held at 30 April 2020	Earliest exercise date	Latest exercise date
Steve Parkin	4,740	–	–	–	379.74	4,740	01/04/2021	30/09/2021
Tony Mannix	7,025	–	–	–	193.34 and 379.74	7,025	01/04/2021	30/09/2022
David Hodkin	4,740	–	–	–	379.74	4,740	01/04/2021	30/09/2021

Notes to the share plan interests:

1. The range of market prices of shares in Clipper Logistics plc during the year ended 30 April 2020 was 130 pence to 314 pence. The closing price on 30 April 2020 was 213 pence.
2. None of the Directors paid for the award of options.
3. Subsequent to the 30 April 2020 year end, the Committee determined that the PSP awards granted in January 2018 (performance period of financial years ended 30 April 2018 to 30 April 2020), which were due to vest in January 2021, would not vest. The performance conditions required Basic EPS, after adjustment, for the year ended 30 April 2020 of between 18.7 pence and 22.85 pence, and the minimum level was not achieved. As a result, the PSP options held at 20 August 2020 were as follows: Steve Parkin: 403,181, Tony Mannix: 224,090, and David Hodkin: 194,090.
4. The extant PSP awards were those that were granted in January 2015 and which vested in January 2018, and those granted in January 2019 which are subject to performance conditions based on diluted Adjusted EPS growth of 9.2% CAGR (25% vests) to 16.75% CAGR (100% vests). The targets will be measured over three financial years to 30 April 2021 and there will be straight-line vesting between these thresholds.
5. 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.
6. The options under the Sharesave Plan were granted under an HMRC tax-advantaged plan and are therefore not subject to performance conditions.

Unaudited information

Remuneration Committee

The members of the Committee during the year were:

- Stephen Robertson (Chair from 1 January 2020);
- Mike Russell (Chair from 7 March 2019 until 31 December 2019);
- Stuart Watson; and
- Dino Rocos (from 1 January 2020).

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.

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.

In addition, the Committee has ensured that the Company's remuneration policy and its implementation are consistent with the six factors set out in provision 40 of the Code:

Clarity	Our policy is well understood by our senior executive team and has been clearly articulated to our shareholders and representative bodies.
Simplicity	The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our executive remuneration policies and practices are straightforward to communicate and operate.
Risk	Our policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via (i) the balanced use of both AIP and PSP which employ a blend of financial, non-financial and shareholder return targets, and (ii) malus/clawback provisions within all our incentive plans.
Predictability	Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits.
Proportionality	There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive pay ensures that poor performance is not rewarded.
Alignment to culture	Our executive pay policies are fully aligned to Clipper's culture; our PSP is including ESG metrics for the first time in 2020 which directly links an aspect of pay to our commitments to the environment and society.

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 2020 were £35,000. 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 2021

Executive Directors

Base salary

- Steve Parkin's base salary for the year ending 30 April 2021 is £421,352 (2020: £421,352, 0% increase). Tony Mannix's base salary for the year ending 30 April 2021 is £288,558 (2020: £288,558, 0% increase), and David Hodkin's base salary for the year ending 30 April 2021 is £227,919 (2019: £227,919, 0% increase).

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 (2.4%). These are unchanged from the financial year ended 30 April 2020. During the year, a review will be initiated to ensure that all incumbent Executive Directors are aligned to the employer contribution rate available to the majority of the workforce at Clipper (currently 3%) by 1 January 2023 and any new directors will automatically assume a workforce pension contribution rate.

Benefits

- Details of the benefits received by Executive Directors are set out in note 1 to the single figure table on page 59.
- There is no intention to introduce additional benefits in the financial year ending 30 April 2021.

Executive Directors (continued)

Annual Incentive Plan for the year ending 30 April 2021

- Subject to approval of the revised policy at the 2020 AGM, the AIP maximum is 90% of base salary.
- Performance measures for the AIP in the year to 30 April 2021 will be as follows:

Adjusted EBIT (56% weighting (50% salary))	Free Cash Flow (22% weighting (20% salary))	Personal metrics (22% weighting (20% salary))
• Continuing profit KPI for the Group.	• FCF important for resilience and capacity to pay dividends.	• To allow reward for strategic actions taken that will be 'lead indicators' of good financial performance in future years.

- 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 in advance. 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, including appropriate disclosure in relation to all personal metrics considered.

Performance Share Plan for the year ending 30 April 2021

- Subject to approval of the revised policy at the 2020 AGM, the PSP annual award to Executive Directors will be in respect of 150% of base salary.
- The participation of the Executive Chairman and the Chief Financial Officer will be settled as a cash award (capped at 150% of base salary); the participation of the Chief Executive Officer will be a traditional shares award over shares worth 150% of base salary as at the time of award.
- Performance measures for PSP awards made in the year ending 2021 will be as follows:

Adjusted Diluted EPS (45% weighting)	Relative TSR (30% weighting)	Basket of ESG metrics (25% weighting)
• Performance range to be determined prior to award and disclosed appropriately in the announcement to the Stock Exchange when these awards are made.	• Measured relative to FTSE SmallCap (ex Investment Trusts). • Vesting range of median to upper quartile.	• For awards made in the year ending 30 April 2021 these metrics will include CO_2 (15%) and social programmes (10%), including our Fresh Start programme for providing employment for under-represented groups, including rehabilitated former offenders, people with disabilities and other people who can face barriers to entry into employment. Further details will be added in the directors' remuneration report for the year ending 30 April 2021.

- For all metrics:
  - performance will be measured over three financial years to 30 April 2023; and
  - threshold vesting for each metric will be 15% of that part of the award.

Non-Executive Directors

Fees

The base fee payable to each Non-Executive Director is as follows:

- Christine Cross – £65,000 (Senior Independent Director and Remuneration Committee Chair);
- Dino Rocos – £55,000 (Independent Director and Workforce Representative); and
- Stuart Watson – £55,000 (Independent Director and Audit Committee Chair).

- The fees reflect the following elements: base fee, £47,500; Committee Chair/Workforce representative, £7,500; Senior Independent Director, £10,000.

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	2020	2019	% change
Remuneration paid to all employees of the Group[1]	**180,831**	138,400	+30.7%
Distributions to shareholders	**10,166**	8,934	+13.8%

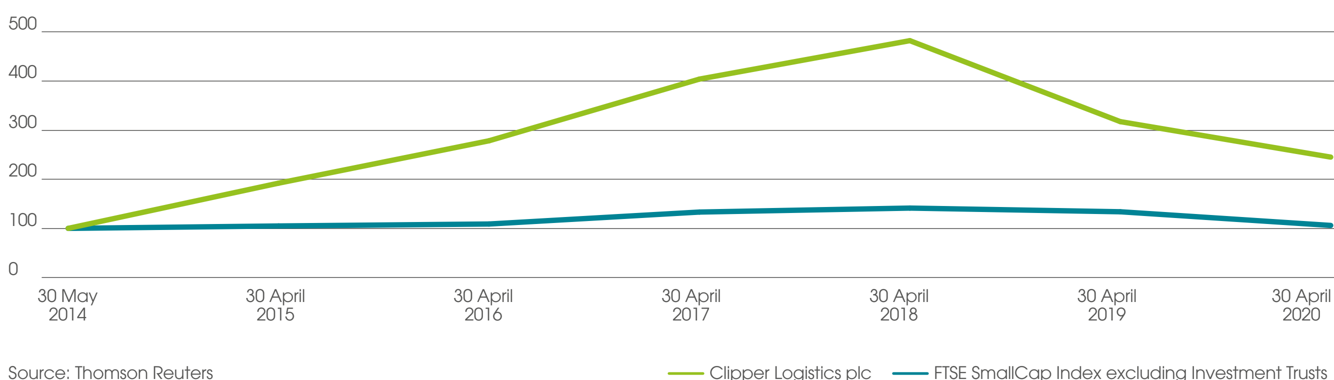
1. Total remuneration reflects overall employee costs. See note 5 to the Group Financial Statements for further information.

Comparative Total Shareholder Return

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 the Company is a constituent of this index.

Total Shareholder Return Index (30 May 2014 = 100)



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

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

	Single figure of total remuneration (£'000)	Annual variable element award rates against maximum opportunity	Long-term incentive vesting rates against maximum opportunity
Year ended 30 April 2020: Steve Parkin	**512**	**0.0%**	**0.0%**
Year ended 30 April 2019: Steve Parkin	491	0.0%	0.0%
Year ended 30 April 2018: Steve Parkin	493[1]	0.0%	0.0%
Year ended 30 April 2017: Steve Parkin	1,574	0.0%[2]	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. Figure conformed to total stated in single figure table after re-calculation for non-vesting of LTIs.
2. 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 UK Group staff between the year ended 30 April 2019 and the year ended 30 April 2020.

Year-on-year % change	Salary	Taxable benefits	Annual bonus
Executive Chairman	2.4%	15.7%	n/a
All UK employees	5.1%	7.7%	-6.4%

The salary increase of 5.1% shown above for all UK employees is higher than the standard pay award granted in the year ended 30 April 2020 due to the impact of the increase in the National Living Wage of 6.2% from April 2020. A number of employees on apprenticeships also completed their first year of the apprenticeship, and consequently moved from year one apprenticeship wage rates to the National Living Wage rate for their age, which further inflated the year-on-year salary change shown above.

Executive Chairman to employee pay ratio

The table below shows how the Executive Chairman's single figure remuneration (as taken from the single figure remuneration table on page 59) compares to equivalent single figure remuneration for full-time equivalent (**"FTE"**) UK employees, ranked at the 25th, median and 75th percentile.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option B	27.2:1	24.6:1	22.0:1

Notes to the Executive Chairman to employee pay ratio:

1. Option B (based on the gender pay gap reporting disclosures) was preferred as this data was already prepared on a Group basis.
2. In line with the gender pay gap reporting regulations, pay for the 25th percentile, median and 75th percentile employees was calculated with reference to 5 April for each financial year.
3. The ratios shown are representative of the FTE 25th percentile, median and 75th percentile pay for employees within the Group at the gender pay gap reference date.
4. FTE pay has been calculated using the gender pay gap reporting methodology.
5. The Committee believes the median pay ratio for 2020 to be consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole as at the reference date.

The total pay and benefits and the salary component of total pay and benefits for the employee at each of the 25th percentile, the median and the 75th percentile are shown below:

	Salary			Total pay and benefits		
Year	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2020	£18,439	£19,652	£22,786	£18,809	£20,835	£23,238

AGM voting results

Details of the votes on remuneration matters held at the 2019 AGM (and 2017 AGM in respect of the Remuneration Policy) are as follows:

Resolution	Votes for	% for	Votes against	% against	Total votes	Withheld
Approve Directors' Remuneration Report	87,154,235	97.67%	2,076,320	2.33%	89,230,555	5,787
Approve Remuneration Policy (2017 AGM)	87,807,973	99.03%	858,214	0.97%	88,666,187	0

Service contracts summary

Each Executive Director has a service contract of indefinite duration with a notice period of 12 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:

- Christine Cross: 3 June 2020
- Dino Rocos: 1 January 2020
- Stuart Watson: 21 March 2019

This report was reviewed and approved by the Board on 21 August 2020 and signed on its behalf by:

Christine Cross
Chair, Remuneration Committee

Directors' Report

The Directors are pleased to present their report and the audited Financial Statements of Clipper Logistics plc for the year ended 30 April 2020.

The Corporate Governance Report on pages 40 to 45 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 37).

Directors

The names and biographies of the current Directors of the Company are set out on pages 38 to 39 of this Annual Report.

The following Directors served the Company during the year ended 30 April 2020:

Name	Position
Steven (Steve) Nicholas Parkin	Executive Chairman
Antony (Tony) Gerard Mannix	Chief Executive Officer
David Arthur Hodkin	Chief Financial Officer
Stuart William Watson	Independent Non-Executive Director
Constantino (Dino) Rocos[1]	Independent Non-Executive Director
Stephen Peter Robertson[2]	Senior Independent Non-Executive Director
Michael (Mike) John Russell[3]	Independent Non-Executive Director

1. Dino Rocos was appointed to the Board on 1 January 2020.
2. Stephen Robertson resigned as a Director on 3 June 2020.
3. Mike Russell resigned as a Director on 28 February 2020.

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 32 to 37, along with the financial position of the Group, its cash flows and liquidity.

In addition, note 27 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 £16.2 million (2019: £13.4 million). The results are discussed in greater detail in the Operating and Financial Review on pages 32 to 37 and set out in the Group Income Statement on page 76.

The Directors are recommending the payment on 5 October 2020 of a final dividend of 6.2 pence per ordinary share to shareholders on the register at the close of business on 11 September 2020 which, together with the interim dividend of 3.5 pence per ordinary share paid on 6 January 2020, results in a total dividend for the year of 9.7 pence per share (2019: 9.7 pence).

Articles of Association

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

Directors' share interests

Details of the Directors' interests in the Company's shares are included in the Directors' Remuneration Report on page 60.

Directors' indemnities

The Company provided indemnities to each of its Directors during the year ended 30 April 2020 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 50 to 64.

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 24 to the Group Financial Statements on page 103.

During the year the Company issued 47,893 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.

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.

As the five year period has elapsed, there are now no restrictions applicable.

Authority to purchase own shares
As at 20 August 2020, 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 re-appointment.

As recommended by the 2018 Code, notwithstanding the Company's Articles, the Directors have determined that all Directors shall retire from office annually at the AGM, and shall be eligible for re-appointment at that same AGM.

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 24.72% of the issued share capital of the Company and, together with its concert parties, controls 38.81% 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 are capable of carrying on their 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 20 August 2020, 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 30 to 31 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. The Company has commenced a workforce engagement programme in line with the 2018 Code, with Dino Rocos being appointed as designated workforce Non-Executive Director.

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 26 to 29.

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 2020, the Group made charitable donations totalling £58,000 (2019: £68,000).

Audit information

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

- so far as he or she is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- he or she has taken all the reasonable steps that he or she ought to have taken as a Director to make himself or herself 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, RSM UK Audit LLP, has indicated its willingness to continue in office and a resolution seeking to re-appoint RSM UK Audit LLP will be proposed at the AGM.

Major interests in shares

As at 20 August 2020, 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	24.71
Liontrust Asset Management	18,619,992	18.31
Global Alpha Capital Management	12,794,211	12.58
SOMLIE Limited	6,424,945	6.32
Unicorn Asset Management	5,765,635	5.67
Summit Limited	5,000,000	4.92

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 2023. 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 25 and note 2.2 to the Group Financial Statements.

Annual General Meeting

The Company's AGM will be held at Clipper Logistics, 11th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL on 30 September 2020 at 11.00am.

In light of the prevailing Government guidance in relation to COVID-19, it is proposed that the AGM be convened with the minimum quorum of shareholders present in order to conduct the business of the meeting. This will be facilitated by Clipper Logistics plc.

In the interests of protecting the health and safety of our shareholders, colleagues and the wider public, shareholders will not be admitted to the AGM. Details of how to vote by proxy are contained within the Notice of Meeting that will be published shortly.

Details of the resolutions to be proposed will be set out in the Notice of Meeting.

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:

Marianne Hodgkiss
Company Secretary
21 August 2020

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 ("**IFRS**") 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
21 August 2020

David Hodkin
Chief Financial Officer
21 August 2020

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

Opinion

We have audited the financial statements of Clipper Logistics plc (the "**parent company**") and its subsidiaries (the "**Group**") for the year ended 30 April 2020 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 22 to 25 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 22 in the annual report 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 or liquidity;
- the directors' statement set out on page 25 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 25 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider 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.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • IFRS16 Implementation • Related Party Transactions • Business Combinations • Inventory held on Consignment
	Parent Company • Revenue recognition • IFRS16 Implementation • Related Party Transactions • Business Combinations
Materiality	**Group** • Overall materiality: £1,000,000 • Performance materiality: £ 754,000
	Parent Company • Overall materiality: £842,000 • Performance materiality: £631,500
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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. These matters were addressed in the context of our audit of the Group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition (Group and parent company)

Key audit matter description	Contract and billing terms with customers across the Group and parent company vary and include complex terms for calculating the amount receivable for the services delivered and goods provided and in which period these sums fall due to be recognised. Details concerning the assessment of risk by the Audit Committee and also the relevant accounting policies applied are set out on pages 48 and 85 respectively.
How the matter was addressed in the audit	Our procedures in relation to revenue recognition included a combination of the procedures below across the various revenue streams within the Group and parent company: • Tests of control to consider the nature of the contractual arrangements and the ability for these to be changed / altered; • Tests of detail sampling a number of contractual arrangements to ensure that the revenue recognised was in accordance with the contractual terms and had been recognised in the appropriate period; • Tests of detail to consider the timing of revenue recognition across the operating segments with particular focus on adjustments and timing to budgeted billing within the Logistics segment and the risks and rewards of ownership and transfer of these within the Commercial Vehicles segment (Group only); and • Consideration of the disclosures made in the financial statements with regards to revenue and additionally associated balances for contract receivables and payables.
Key observations	The results of our procedures in respect of the recognition and disclosure of revenue and associated balances were satisfactory.

IFRS16 Implementation (Group and parent company)

Key audit matter description	The year ended 30 April 2020 represents the first period of account that the Group is required to implement IFRS16. This standard (which has a number of transitional options) fundamentally changes the historic accounting for assets which were previously treated as held under Operating Lease Arrangements. The Group and parent company have a significant number of such assets and the requirements of the standard require detailed consideration to ensure that appropriate consideration is given to the many variables that exist in these arrangements including (but not limited to) lease term, the appropriate discount rate to apply and the impact of dilapidation requirements. Details concerning the assessment of risk by the Audit Committee and also the relevant accounting policies applied are set out on pages 48 and 85 respectively.
How the matter was addressed in the audit	Our procedures included: • discussions with management to understand the approach taken to the implementation and the transitional provisions adopted; • agreeing the key elements included in the underlying lease agreements; • challenging management as to their assumptions and the key estimates such as the discount rates applied; • re-performing a sample of the calculations; and • reviewing the disclosures in the financial statements, both directly in relation to the changes in accounting policy and also those areas indirectly affected including performance measures and the financial commentary included in the Annual Report.
Key observations	The results of our procedures in respect of the transition to IFRS16 including consideration of disclosures associated with and arising from the transition were satisfactory.

Independent Auditor's Report to the Members of Clipper Logistics plc
continued

Related Party Transactions (Group and parent company)

Key audit matter description	Various related party transactions have occurred both in the current and proceeding year, primarily with entities in which key management personnel in the Group and parent company have interests and / or influence through their position on the respective Boards. There is the risk that not all related party transactions are appropriately identified, accounted for and disclosed in the Financial Statements such that there is insufficient information presented to understand the nature of these and impact on the fair presentation in the financial statements. Related party transactions may present a greater risk / opportunity for management collusion to occur, resulting in the omission of these items or the transactions being undertaken on inappropriate terms.
How the matter was addressed in the audit	Our procedures included: • obtaining a list of all related parties from management and any transactions that they were aware had occurred in the period; • undertaking a search of the records held at Companies House with regards to other interests and directorships held by each of the members of key management and the Board; • reviewing bank statements, cash books, transactional listings and supplier and customer account details to identify any transactions which had not been advised to us or were omitted from the disclosures provided; • reviewing Board and other such minutes for details of any transactions which had been identified for approval; • consideration of the controls put in place since the last audit to ensure that these transactions are appropriately recorded and disclosed; • reviewing the disclosures in the Financial Statements to ensure that all identified transactions and balances had been appropriately disclosed.
Key observations	The results of our procedures in respect of the recognition and disclosure of related party transactions were satisfactory.

Inventory held on Consignment (Group only)

Key audit matter description	The commercial vehicles segment of the Group routinely holds certain items of inventory under consignment arrangements with its suppliers. Each of these suppliers provides confirmation of the consignment inventory and payable at the year end and hence provides confirmation of the liability that the Group has at this time. Differences arose between the sums confirmed by one supplier and the consignment inventory balances held by Northern Commercials (a subsidiary company) at the year end.
How the matter was addressed in the audit	Management completed a reconciliation between the items held on consignment as confirmed by the supplier and those recorded in the underlying accounting records of the Company. Our procedures included: • confirming the mechanical accuracy of the reconciliation and agreeing the components of the reconciliation to supporting records; • challenging management's treatment of the reconciling items to identify if these items should represent adjustments to the financial statements; • reading the consignment stock agreement held with the supplier to confirm the basis of preparation of the reconciliation with regards to the timing of transfer of the risks and rewards of ownership.
Key observations	The results of our procedures in respect of the inventory held on consignment were satisfactory.

Business Combinations (Group and parent company)

Key audit matter description	The Group via the parent company entered into a series of transactions at the prior year end date which together fell to be accounted for a business combination in accordance with IFRS3 in the current period. Management undertook a fair value exercise on the assets acquired and liabilities assumed and the result of this was that negative goodwill of £3.5m arose on the transactions. The calculation of this negative goodwill included a number of assumptions and judgments and discussions regarding the ongoing business relationship under the terms of the business combination agreements are still in progress over a year following the initial agreement being reached. The provisional fair values which had been reported in the 2019 Financial Statements for the Group as a post balance sheet event and the Interim Financial Statements for the period ended 30 October 2019 were amended during the review window prior to the 30 April 2020 year end.
How the matter was addressed in the audit	We obtained and reviewed the agreements underpinning the transaction and management's calculation of the key elements / negative good will arising. As part of our work we: • Performance testing on the accounting adopted to see if this was reflective of the underlying agreements; • Reviewed and challenged the assumptions made in the calculation of the fair values of the assets acquired, with particular regard to the underlying contract asset acquired; • Considered and challenged management on a number of the separate elements in the transactions including the treatment of a rent incentive, the interaction with the adoption of IFRS16 and the nature of the sums that were due and payable to the parent company and Group under the terms of the arrangement.
Key observations	The results of our procedures in respect of the accounting for the business combination and the subsequent release of the negative goodwill were satisfactory.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgment, we determined materiality as follows:

	Group	**Parent company**
Overall materiality	£1,000,000	£842,000
Basis for determining overall materiality	5% of profit before taxation	5% of profit before taxation
Rationale for benchmark applied	Statutory measure reporting the financial performance of the Group and hence shareholder return	Statutory measure reporting the financial performance of the Parent Company and hence shareholder return
Performance materiality	£754,000	£631,000
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £50,200 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £42,100 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Overall materiality at the planning stage of the audit was set at £846,000 and £648,000 for the Group and Parent Company respectively as this had been based upon prior period reported results pending finalisation of the 2020 year end results.

Independent Auditor's Report to the Members of Clipper Logistics plc
continued

An overview of the scope of our audit
The Group consists of 8 components located in the following countries; United Kingdom, Germany, Poland.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	7	100%	100%	100%
Specific audit procedures	–	–%	–%	–%
Total	**7**	**100%**	**100%**	**100%**

Analytical procedures at Group level were performed for the remaining 1 component.

Of the above, full scope audits for 2 components were undertaken by component auditors.

All components which were either deemed to be material to the Group in relation to their relative proportion of overall activity levels and / or where a local statutory requirement exists were subject to full scope audit procedures.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 69 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 69 – the statement given by the directors that they consider 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 performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 47 to 49 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee / the explanation as to why the annual report does not include a section describing the work of the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 40 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 69, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors 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 for the audit of the financial statements
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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit, we will consider the susceptibility of the Group and parent company to fraud and other irregularities, taking account of the business and control environment established and maintained by the directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address
Following the recommendation of the audit committee, we were appointed by the Board of Directors on 29 November 2019 to audit the financial statements for the year ending 30 April 2020 and subsequent financial periods.

The period of total uninterrupted engagement is 1 year, covering the years ending 30 April 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report
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.

Andrew Allchin FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square 5th Floor
29 Wellington Street
Leeds, LS1 4DL

21 August 2020

Group Income Statement

For the year ended 30 April

	Note	2020 Group £'000	2019 Group £'000
Revenue	3	**500,671**	460,171
Cost of sales		**(358,653)**	(331,879)
Gross profit		**142,018**	128,292
Other net gains or losses	6	**4,097**	(327)
Administration and other expenses		**(114,686)**	(108,481)
Operating profit before share of equity-accounted investees, net of tax	4	**31,429**	19,484
Share of equity-accounted investees, net of tax	16	**(231)**	(413)
Operating profit	6	**31,198**	19,071
EBIT*		**32,454**	20,213
Less: amortisation of other intangible assets	4	**(1,240)**	(1,185)
share of tax and finance costs of equity-accounted investees	4	**(16)**	43
Operating profit	6	**31,198**	19,071
Finance costs	8	**(11,155)**	(2,199)
Finance income	9	**64**	58
Profit before income tax		**20,107**	16,930
Income tax expense	10	**(3,915)**	(3,524)
Profit for the financial year		**16,192**	13,406
Basic earnings per share	11	**15.9p**	13.2p
Diluted earnings per share	11	**15.8p**	13.1p

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

Group Statement of Comprehensive Income

For the year ended 30 April

	Note	2020 Group £'000	2019 Group £'000
Profit for the financial year		**16,192**	13,406
Other comprehensive income/(expense) for the year, net of tax:			
May be reclassified to the income statement in subsequent periods:			
Exchange differences on retranslation of foreign operations		**(504)**	31
Total comprehensive income for the financial year		**15,688**	13,437

Group Statement of Financial Position

At 30 April

	Note	2020 Group £'000	2019[1] Group £'000
Assets:			
Non-current assets			
Goodwill		25,951	25,951
Other intangible assets		11,997	11,390
Intangible assets	12	37,948	37,341
Property, plant and equipment	14	28,966	61,470
Right-of-use assets	15	186,213	–
Interest in equity-accounted investees	16	634	865
Non-current financial assets	28	1,950	1,950
Deferred tax assets	10	1,154	–
Total non-current assets		**256,865**	101,626
Current assets			
Inventories	17	27,857	24,049
Trade and other receivables	18	102,742	96,347
Cash and cash equivalents	19	2,724	3,517
Total current assets		**133,323**	123,913
Total assets		**390,188**	225,539
Equity and liabilities:			
Current liabilities			
Trade and other payables	20	130,813	125,982
Financial liabilities: borrowings	21	19,315	12,285
Lease liabilities: short term	22	38,378	–
Short-term provisions	23	99	214
Current income tax liabilities		1,760	803
Total current liabilities		**190,365**	139,284
Non-current liabilities			
Financial liabilities: borrowings	21	126	39,110
Lease liabilities: long term	22	163,906	–
Long-term provisions	23	6,521	1,610
Deferred tax liabilities	10	–	2,320
Total non-current liabilities		**170,553**	43,040
Total liabilities		**360,918**	182,324
Equity shareholders' funds			
Share capital	24	51	51
Share premium		2,174	2,060
Currency translation reserve		(612)	(108)
Other reserve		84	84
Merger reserve		6,006	6,006
Share based payment reserve		1,669	1,643
Retained earnings		19,898	33,479
Total equity attributable to the owners of the Company		**29,270**	43,215
Total equity and liabilities		**390,188**	225,539

1 The Group has applied IFRS 16 effective 1 May 2019, using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is represented in note 30 to the Financial Statements.

The accompanying notes on pages 80 to 110 form part of these Financial Statements.

Approved by the Board on 21 August 2020 and signed on its behalf by:

DA 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 2018	51	1,710	(139)	84	1,706
Profit for the year	–	–	–	–	–
Other comprehensive income/(expense)	–	–	31	–	31
Equity settled transactions	–	–	–	–	–
Share issue	–	350	–	–	350
Dividends	–	–	–	–	–
Balance at 30 April 2019	51	2,060	(108)	84	2,087
IFRS 16 transition adjustment	**–**	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**–**
Other comprehensive income/(expense)	**–**	**–**	**(504)**	**–**	**(504)**
Equity settled transactions	**–**	**–**	**–**	**–**	**–**
Share issue	**–**	**114**	**–**	**–**	**114**
Dividends	**–**	**–**	**–**	**–**	**–**
Balance at 30 April 2020	**51**	**2,174**	**(612)**	**84**	**1,697**

	Brought forward Group £'000	Merger reserve Group £'000	Share based payment reserve Group £'000	Retained earnings Group £'000	Total Group £'000
Balance at 1 May 2018	1,706	6,006	2,745	28,861	39,318
Profit for the year	–	–	–	13,406	13,406
Other comprehensive income/(expense)	31	–	–	–	31
Equity settled transactions	–	–	(1,102)	146	(956)
Share Issue	350	–	–	–	350
Dividends	–	–	–	(8,934)	(8,934)
Balance at 30 April 2019	2,087	6,006	1,643	33,479	43,215
IFRS 16 transition adjustment	**–**	**–**	**–**	**(19,627)**	**(19,627)**
Profit for the year	**–**	**–**	**–**	**16,192**	**16,192**
Other comprehensive income/(expense)	**(504)**	**–**	**–**	**–**	**(504)**
Equity settled transactions	**–**	**–**	**26**	**20**	**46**
Share issue	**114**	**–**	**–**	**–**	**114**
Dividends	**–**	**–**	**–**	**(10,166)**	**(10,166)**
Balance at 30 April 2020	**1,697**	**6,006**	**1,669**	**19,898**	**29,270**

Group Statement of Cash Flows

For the year ended 30 April

	Note	2020 Group £'000	2019 Group £'000
Profit before tax from operating activities		**20,107**	16,930
Adjustments to reconcile profit before tax to net cash flows:			
• Depreciation and impairment of property, plant and equipment	6	**3,244**	7,426
• Amortisation and impairment of intangible assets	6	**2,114**	1,973
• Depreciation of right-of-use assets	15	**32,946**	–
• Gain on disposal of non-current assets	6	**(468)**	(124)
• Share of equity-accounted investees, net of tax	16	**231**	413
• 'Negative goodwill'	29.1	**(3,499)**	–
• Exchange differences		**(582)**	104
• Finance costs	8 & 9	**11,091**	2,141
• Share based payments charge/(credit)	25	**348**	(1,178)
Working capital adjustments:			
• (Increase)/decrease in trade and other receivables and prepayments		**(8,527)**	(22,915)
• (Increase)/decrease in inventories		**(3,365)**	(773)
• Increase/(decrease) in trade and other payables		**13,182**	24,298
Operating activities:			
• Cash generated from operations		**66,822**	28,295
• Interest received		**46**	55
• Interest paid		**(2,954)**	(2,027)
• Income tax paid		**(3,541)**	(4,276)
Net cash flows from operating activities		**60,373**	22,047
Investing activities:			
• Purchase of property, plant and equipment		**(8,141)**	(24,320)
• Purchase of right-of-use assets		**(3,260)**	–
• Proceeds from sale of property, plant and equipment		**389**	490
• Proceeds from right-of-use assets		**106**	–
• Purchase of intangible assets		**(951)**	(2,096)
• Proceeds from sale of intangible assets		**117**	–
• Acquisition of a business	29.1	**(2,899)**	–
• Acquisition of subsidiary undertakings net of cash acquired	29.2	**–**	(500)
Net cash flows from investing activities		**(14,639)**	(26,426)
Financing activities:			
• Drawdown of bank loans		**2,000**	8,000
• Debt issue costs paid		**–**	(20)
• Shares issued	24	**114**	350
• Dividends paid	7	**(10,166)**	(8,934)
• Repayment of bank loans		**(789)**	(747)
• Financing advanced in relation to right-of-use assets		**5,654**	18,698
• Repayment of principal on lease liabilities		**(43,340)**	(10,389)
Net cash flows from financing activities		**(46,527)**	6,958
Net (decrease)/increase in cash and cash equivalents		**(793)**	2,579
Cash and cash equivalents at start of year		**3,517**	938
Cash and cash equivalents at end of year	19	**2,724**	3,517

Notes to the Group Financial Statements

1. General information

The Group Financial Statements for the year ended 30 April 2020 were authorised for issue by the Board of Directors on 21 August 2020 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 predominantly to the retail sector and also operate as distributors of commercial vehicles.

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

The Group's Financial Statements have been prepared in accordance with note 2.1 Basis of preparation and note 2.3 Basis of consolidation. The principal accounting policies adopted by the Group are set out in note 2.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The Company 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

The Company also owns 50% of the share capital and voting rights of Clicklink Logistics Limited (see note 16).

In addition, the Group has a number of other subsidiaries as set out in note H 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 2020.

The Group's 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, being at least 12 months from the date of approval of the Financial Statements.

Note 27 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 2020 are included in note 21 to the Group Financial Statements.

The Group Statement of Financial Position shows total current assets of £133,323,000 and total current liabilities of £190,365,000. Net current liabilities at 30 April 2020 were therefore £57,042,000 (2019: £15,371,000). At the year end, the Group had a committed Revolving Credit Facility of £34,000,000 (of which £19,000,000 was drawn) and an overdraft facility of £8,000,000 (none of which was drawn).

Furthermore, the transition to IFRS 16 in the current year has resulted in the recognition of an additional £27,401,000 shown within the lease liabilities: short term balance of £38,378,000, thus inflating net liabilities when comparing to the comparatives which have not been restated – see note 30.

The Group's borrowing facilities were extended in July 2020 to continue for a further three years. The Group's forecasts and projections show that the Group should be able to operate without the need for any increase in borrowing facilities.

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 12 months from the date of approval of the Financial Statements. 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 has given consideration to the impact of COVID-19 as part of its assessment of viability and ability to continue for the foreseeable future.

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.

a. Group reorganisation and merger reserve continued
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 2020. 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.

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).

2. Summary of significant accounting policies continued

2.5 Foreign currency translation continued

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' costs 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 or losses' in the income statement when the asset is derecognised.

2.7 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over 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.

2.8 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include lease payments less any lease incentives receivable. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

Short term leases (leases expiring within 12 months) and low value leases (<£5,000) are recognised as an expense through the income statement rather than being capitalised as a right-of-use asset and lease liability.

Assets held under finance leases previously recognised under IAS 17, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, were capitalised within property, plant and equipment at the inception of the lease, with a corresponding lease 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 were 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 accounting policy adopted for finance leases is also applied to hire purchase agreements.

On transition to IFRS 16, lease liabilities relating to finance leases or hire purchase agreements were reclassified to lease liabilities.

2.9 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 business at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets of the business acquired, the difference is 'negative goodwill' and is recognised in the income statement immediately.

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

b. Contracts and licences

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

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

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

Costs associated with developing or maintaining computer software 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).

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

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

2.11 Financial assets
The Group classifies its financial assets in the following categories: amortised cost, at fair value through profit or loss and fair value through other comprehensive income.

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 2020 the Group held no financial assets categorised as fair value through other comprehensive income.

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.

Financial assets at fair value through other comprehensive income 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 or losses' 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 2.14.

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

2.13 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.

2.14 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.

The Group applies the simplified approach permitted by IFRS 9, which requires the application of a lifetime expected loss provision to trade receivables. The provision calculations are based on historic credit losses applied to older balances. This approach is followed for all receivables unless there are specific circumstances which would render the receivable irrecoverable and therefore require a specific provision. A provision is made against trade receivables until such time as the Group believes the amount to be irrecoverable, after which the trade receivable balance is written off.

2. Summary of significant accounting policies continued

2.14 Trade receivables continued

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

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

2.15 Cash and cash equivalents

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

2.16 Trade payables

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

2.17 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.

2.18 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.

2.19 Income tax

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

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

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

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

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

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

2.20 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.

2.21 Provisions

Provisions 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 is expected to 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.

2.22 Revenue recognition
The Group recognises revenue from contracts with customers as the performance obligations to deliver products and services under these contracts are satisfied. The Group's contracts are typically for the provision of warehouse or transport services and normally comprise a single performance obligation being a series of goods or services satisfied over time.

Revenue is recognised based on the amount of consideration expected to be received in exchange for satisfying the performance obligations.

a. Sale of goods
Revenue from the sale of goods is recognised when control of the goods has passed from the Group to the buyer. The transfer of control is at a point in time or over a period of time. 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 relating to costs to serve the customer is invoiced in line with the customer receiving and consuming benefits under the contract via the 'open book' charging mechanism with either a fixed or variable management fee and is recognised in the period in which it is earned. Performance obligations are satisfied over time and measured against minimum service level agreements.

Fixed management fees are recognised over the contract term. Performance obligations are satisfied over time.

Variable management fees (a fixed percentage of costs) are recognised as the corresponding costs are incurred i.e. where the Group has the right to invoice the customer at an amount that corresponds directly with performance to date, the practical expedient is applied to recognise revenue at that amount.

In 'closed book' contracts, revenue is typically recognised based on a pre-agreed price and is typically per unit/parcel/delivery or pallet. Revenue based on a pre-agreed rate-card is recognised as services are provided, in line with the customer receiving and consuming benefits under the contract.

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 of 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 revenue is recognised to the extent it is highly probable a significant revenue reversal will not occur in the future. There has been no change in the timing of revenue recognition on application of IFRS 15.

The Group does not expect to have any contracts which include a significant financing arrangement and therefore does not adjust its transaction price for the time value of money.

Where payments are received in advance of revenue being recognised they are included as contract liabilities.

Where revenue is recognised in advance of amounts being invoiced, it is reported as a contract receivable.

Calculation of contract assets and contract liabilities 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. Property-related advisory fees are recognised as services are provided.

2.23 Supplier bonuses
Costs 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.

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

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

Items which may give rise to classification as exceptional include, but are not limited to, restructuring of the business or distribution centre network, asset impairments and litigation settlements.

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

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

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.

Estimated impairment of goodwill
The Company annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

2. Summary of significant accounting policies continued

2.26 Critical accounting estimates and judgments continued

These calculations require the use of estimates, both in arriving at the expected future cash flows and the application of a suitable discount rate in order to calculate the present value of these flows.

Business combinations

In April 2019, the Group entered into a series of contracts, which when combined represented a business combination in accordance with IFRS 3 'Business Combinations.' The value of the customer relationship is dependent on judgments and estimates in relation to the future profitability of the contracts. See note 29.1 for further details.

Lease accounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

- Determination of the incremental borrowing rate

  The Group uses incremental borrowing rates specific to each lease and the rates range between 2.84% and 5.79% translating to an average rate of 4.31%. A 100 basis point increase in the rate would cause the lease liabilities to decrease by £5,805,000 and the right-of-use asset to decrease by £7,814,000. A 100 basis point decrease in the rate would cause the lease liabilities to increase by £6,342,000 and the right-of-use asset to increase by £8,668,000.

- Determination of the lease term

  In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (periods after termination options) are only included in the lease terms if the lease is reasonably certain to be extended (or not terminated).

  The Group has determined that where the lease of premises is due to expire within 12 months of transition to IFRS 16, it is expected that the lease will be extended by an additional five years; the expected extension to be granted. The Group has therefore used the termination date expected rather than the date stated within the lease in these circumstances. Where a break clause exists within the lease, the Group has determined that these are not expected to be exercised and has therefore used the full term of the lease within the lease liability calculation.

2.27 Adoption of new and revised reporting standards

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 16 'Leases' (**"IFRS 16"**) was issued in January 2016, replacing IAS 17 'Leases' (**"IAS 17"**) and associated interpretations IFRIC 4, SIC 15 and SIC 27. IFRS 16 applies to annual periods beginning on or after 1 January 2019, which for the Group is the year ended 30 April 2020. IFRS 16 primarily changes lease accounting for lessees. Lease agreements now give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs are now recognised in the form of depreciation of the asset and interest on the lease liability replacing rental costs charged on a straight-line basis.

Under the transition rules, the Group has applied IFRS 16 using the modified retrospective approach with the cumulative effect of applying the standard recognised in retained earnings on 1 May 2019 with no restatement of comparative information. Lease liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of transition. The Group is taking available exemptions for short-term leases (leases which, at the transition date, have a lease term of less than 12 months) and low value leases (<£5,000).

The adoption of IFRS 16 at 1 May 2019 has a material impact on the Group's Financial Statements – see note 30.

There is no cash impact of adopting IFRS 16, with the repayment of the principal portion of the lease liability being classified as financing instead of operating cash flows.

The covenant requirements for the Group's committed financing facilities are based on 'Frozen GAAP' and therefore are not impacted by the transition to IFRS 16.

The adoption of the following standards, amendments and interpretations in the current period have not had a material impact on the Group's Financial Statements:

	Effective date (annual periods beginning on or after)
Annual Improvements to IFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019

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. The Group believe the below will not have a material impact on the Group's Financial Statements:

	Effective date (annual periods beginning on or after)
IFRS 17 'Insurance Contracts'	1 January 2021
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendment to IFRS 3 'Business Combinations'	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020

3. Revenue

The Group has applied IFRS 15 'Revenue from Contracts with Customers' with effect from 1 May 2018, using the cumulative effect method.

Revenue is disaggregated into two distinct operating segments. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 'Operating Segments', as reported in note 4 to the Financial Statements.

Revenue recognised in the income statement is analysed as follows:

	2020 Group £'000	2019 Group £'000
E-fulfilment & returns management services	276,979	233,872
Non e-fulfilment logistics	143,847	145,286
Value-added logistics services	420,826	379,158
Commercial vehicles	82,495	82,552
Inter-segment sales	(2,650)	(1,539)
Revenue from external customers	500,671	460,171

Non e-fulfilment logistics revenue includes £nil (2019: £3,100,000) in respect of property-related advisory services.

Geographical information – revenue from external customers:

	2020 Group £'000	2019 Group £'000
United Kingdom	424,057	389,028
Germany	25,128	25,044
Rest of Europe	51,486	46,099
Revenue from external customers	500,671	460,171

Geography is determined by the location of the end customer.

The Group has no customers that in the years ended 30 April 2020 or 30 April 2019 accounted for greater than 10% of the total Group revenue.

The following table provides information about receivables, contract assets and contract liabilities from contracts.

	2020 Group £'000	2019 Group £'000
Receivables, which are included in 'Trade and other receivables'	62,920	57,372
Contract assets, which are included in 'Trade and other receivables'	13,303	16,111
Contract liabilities, which are included in 'Trade and other payables'	22,423	24,557

The contract assets primarily relate to the Group's right to consideration for work completed but not billed as at 30 April 2020. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers. Contract liabilities of £22,423,000 (2019: £24,557,000) will be recognised in revenue in the year ending 30 April 2021 when the performance obligations are expected to be satisfied.

4. Segment information

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

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

- value-added logistics services; and
- commercial vehicles, including sales, servicing and repairs.

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

- e-fulfilment & returns management services;
- non e-fulfilment logistics; and
- central logistics overheads, being the costs of support services specific to the value-added logistics services segment, but which are impractical to allocate between the sub-segment activities.

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

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

The following tables present profit information for continuing operations regarding the Group's business segments for the two years ended 30 April 2020:

Earnings before interest and tax ("EBIT"):

	2020 Group £'000	2019 Group £'000
E-fulfilment & returns management services	17,618	13,560
Non e-fulfilment logistics	14,238	13,048
Central logistics overheads	(6,922)	(5,551)
Value-added logistics services	24,934	21,057
Commercial vehicles	1,963	1,137
Head office costs	(2,820)	(1,981)
Group EBIT (excluding impact of IFRS 16)	24,077	20,213
IFRS 16 adjustments	8,377	–
Group EBIT (including impact of IFRS 16)	32,454	20,213

Amortisation of other intangible assets:

	2020 Group £'000	2019 Group £'000
E-fulfilment & returns management services	(562)	(510)
Non e-fulfilment logistics	(678)	(675)
Central logistics overheads	–	–
Value-added logistics services	(1,240)	(1,185)
Commercial vehicles	–	–
Head office costs	–	–
Group total	(1,240)	(1,185)

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

	2020 Group £'000	2019 Group £'000
Net finance costs	(68)	(50)
Income tax credit (expense)	52	93
Group total	(16)	43

Operating profit and profit before income tax:

	2020 Group £'000	2019 Group £'000
Operating profit:		
E-fulfilment & returns management services	**17,271**	13,506
Non e-fulfilment logistics	**13,560**	12,373
Central logistics overheads	**(6,922)**	(5,551)
Value-added logistics services	**23,909**	20,328
Commercial vehicles	**1,963**	1,137
Head office costs	**(2,820)**	(1,981)
Group operating profit before share of equity-accounted investees (IAS 17 basis)	**23,052**	19,484
IFRS 16 adjustment	**8,377**	–
Group operating profit before share of equity-accounted investees (IFRS 16 basis)	**31,429**	19,484
Share of equity-accounted investees, net of tax	**(231)**	(413)
Operating profit	**31,198**	19,071
Finance costs (IAS 17 basis)	**(2,786)**	(2,199)
Finance income	**64**	58
Finance costs arising under IFRS 16	**(8,369)**	–
Profit before income tax	**20,107**	16,930

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

At 30 April 2020:	Segment assets £'000	Segment liabilities £'000
Value-added logistics services	**342,930**	**(294,135)**
Commercial vehicles	**43,380**	**(45,582)**
Segment assets/(liabilities)	**386,310**	**(339,717)**
Unallocated assets/(liabilities):		
• Cash and cash equivalents	**2,724**	**–**
• Other financial liabilities	**–**	**(19,441)**
• Deferred tax	**1,154**	**–**
• Income tax assets/(liabilities)	**–**	**(1,760)**
Total assets/(liabilities)	**390,188**	**(360,918)**

At 30 April 2019:	Segment assets £'000	Segment liabilities £'000
Value-added logistics services	182,388	(93,207)
Commercial vehicles	39,634	(34,599)
Segment assets/(liabilities)	222,022	(127,806)
Unallocated assets/(liabilities):		
• Cash and cash equivalents	3,517	–
• Financial liabilities	–	(51,395)
• Deferred tax	–	(2,320)
• Income tax assets/(liabilities)	–	(803)
Total assets/(liabilities)	225,539	(182,324)

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

Capital expenditure:

	2020 Group £'000	2019 Group £'000
Value-added logistics services	**22,083**	25,802
Commercial vehicles	**777**	614
Total	**22,860**	26,416

Capital expenditure comprises additions to intangible assets (note 12), property, plant and equipment (note 14) and right-of-use assets (note 15).

4. Segment information continued

Depreciation of property, plant and equipment:

	2020 Group £'000	2019 Group £'000
Value-added logistics services	2,998	6,691
Commercial vehicles	246	735
Total	3,244	7,426

Amortisation:

	2020 Group £'000	2019 Group £'000
Value-added logistics services	2,113	1,972
Commercial vehicles	1	1
Total	2,114	1,973

Depreciation of right-of-use assets:

	2020 Group £'000	2019 Group £'000
Value-added logistics services	32,099	–
Commercial vehicles	847	–
Total	32,946	–

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

	2020 Group £'000	2019 Group £'000
United Kingdom	233,122	92,373
Germany	12,868	3,890
Rest of Europe	9,721	5,363
Deferred taxation assets	1,154	–
Total	256,865	101,626

5. Staff costs

	2020 Group £'000	2019 Group £'000
Wages and salaries	161,048	125,089
Social security costs	15,280	11,840
Pension costs for the defined contribution scheme	4,155	2,649
Share based payments	348	(1,178)
Total	180,831	138,400

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

	2020 Group Number	2019 Group Number
Warehousing	5,494	3,828
Distribution	502	505
Service and maintenance	465	252
Administration	1,139	1,055
Total	7,600	5,640

Key management compensation (including Executive Directors):

	2020 Group £'000	2019 Group £'000
Wages and salaries	2,736	3,102
Social security costs	412	425
Pension costs for the defined contribution scheme	127	178
Compensation for loss of office	249	–
Share based payments	106	(1,291)
Total	3,630	2,414

Directors' emoluments:

	2020 Group £'000	2019 Group £'000
Aggregate emoluments excluding share based payments on unvested awards	1,274	1,220
Value of share options vested during the year	–	–
Pension costs for the defined contribution scheme	10	10
Total	1,284	1,230

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

	2020 Group Number	2019 Group Number
Defined contribution plans	1	2

6. Group operating profit

This is stated after charging:

	2020 Group £'000	2019 Group £'000
Depreciation of property, plant and equipment – owned assets	3,244	2,938
Depreciation of property, plant and equipment – leased assets	–	4,488
Amortisation of intangible assets (included within administration and other expenses)	2,114	1,973
Depreciation of right-of-use assets	32,946	–
Total depreciation and amortisation expense (IFRS 16 basis)	38,304	9,399
Operating lease rentals:		
• Vehicles, plant and equipment	–	10,306
• Audit of the subsidiaries	–	25,847
Auditor's remuneration:		
• Audit of the Group Financial Statements	198	149
• Audit of the subsidiaries	99	111
• Fees to prior year auditors	71	–
• Non-audit fees	–	–
Total fees paid to the Group's auditors	368	260

Operating profit is stated after crediting/(charging):

	2020 Group £'000	2019 Group £'000
Other net gains or net losses:		
• Profit on sale of property, plant and equipment	123	124
• Profit on disposal of lease liabilities	345	–
• Dealership contributions	44	98
• Rental income	335	51
• 'Negative goodwill' (see note 29)	3,499	–
• Net (loss) from other exceptional costs	(249)	(600)
Total net gains/(losses)	4,097	(327)

The above exceptional cost in the year ended 30 April 2020 relates to compensation for loss of office to the outgoing deputy CEO. In the prior year, the exceptional costs relate to the staging of a one-off event.

7. Dividends

	2020 Group £'000	2019 Group £'000
Final dividend for the prior year of 6.5 pence (2019: 5.6 pence) per share	**6,608**	5,685
Interim dividend for the year of 3.5 pence (2019: 3.2 pence) per share	**3,558**	3,249
Total dividends paid	**10,166**	8,934
Proposed final dividend for the year ended 30 April 2020 of 6.2 pence (2019: 6.5 pence) per share	**6,303**	6,605

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 11 September 2020. The payment of this dividend will not have any tax consequences for the Group.

8. Finance costs

	2020 Group £'000	2019 Group £'000
On bank loans and overdrafts	**744**	691
On hire purchase agreements [1]	**1,365**	953
Amortisation of debt issue costs	**138**	130
Commercial vehicle stocking interest	**385**	316
Invoice discounting	**96**	94
Other interest payable	**58**	15
Total interest expense for financial liabilities measured at amortised cost (IAS 17 basis)	**2,786**	2,199
IFRS 16 lease liability interest	**8,038**	–
Discount charges on long-term provisions	**331**	–
Total interest expense for financial liabilities measured at amortised cost (IFRS 16 basis)	**11,155**	2,199

1 On transition to IFRS 16 on 1 May 2019, hire purchase agreements were reclassified to lease liabilities from financial liabilities: borrowings. Interest on hire purchase agreements has been separated from other IFRS 16 lease liabilities for comparison purposes.

9. Finance income

	2020 Group £'000	2019 Group £'000
Bank interest	**1**	–
Other interest	**4**	6
Amounts receivable from related parties	**59**	52
Total interest income for financial assets measured at amortised cost	**64**	58

10. Income tax expense

10.1 Tax charged in the income statement:

	2020 Group £'000	2019 Group £'000
Current income tax:		
UK and foreign corporation tax	**4,346**	3,263
Amounts under/(over) provided in previous years	**151**	(724)
Total income tax on continuing operations	**4,497**	2,539
Deferred tax:		
Origination and reversal of temporary differences	**(338)**	280
Amounts (over)/under provided in previous years	**(200)**	775
Impact of change in tax laws and rates	**(44)**	(70)
Total deferred tax	**(582)**	985
Tax expense in the income statement on continuing operations	**3,915**	3,524

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:

	2020 Group £'000	2019 Group £'000
Profit before taxation from continuing operations	**20,107**	16,930
Standard rate of corporation tax in UK	**19.00%**	19.00%
Tax on profit on ordinary activities at standard rate	**3,820**	3,217
Share of equity-accounted investees, already net of tax	**44**	78
Expenses not allowable for tax purposes	**127**	235
Tax under/(over) provided in previous years	**(49)**	51
Difference in tax rates overseas	**17**	13
Deferred tax rate difference	**(44)**	(70)
Total tax expense reported in the income statement	**3,915**	3,524

10. Income tax expense continued

10.4 Deferred tax in the statement of financial position:

	Brought forward	IFRS 16 transition	(Charged)/ credited to income statement	Foreign currency adjustment	(Charged)/ credited to share based payment reserve	Acquisitions	At 30 April 2020 £'000
Tax effect of temporary differences due to:							
Share based payments	579	–	139	–	(293)	–	425
IFRS 16 adjustment	–	3,933	461	(4)	–	–	4,390
Other timing differences	520	–	(148)	4	–	68	444
Deferred tax asset	1,099	3,933	452	–	(293)	68	5,259
Intangible assets	(1,557)	–	117	–	–	(323)	(1,763)
Accelerated capital allowances	(1,821)	–	203	–	–	(493)	(2,111)
Other timing differences	(41)	–	(190)	–	–	–	(231)
Deferred tax liability	(3,419)	–	130	–	–	(816)	(4,105)
Net deferred tax	(2,320)	3,933	582	–	(293)	(748)	1,154

	Brought forward	(Charged)/ credited to income statement	Foreign currency adjustment	(Charged)/ credited to share based payment reserve	Acquisitions	At 30 April 2019 £'000
Tax effect of temporary differences due to:						
Share based payments	581	(216)	–	214	–	579
Other timing differences	401	127	(8)	–	–	520
Deferred tax asset	982	(89)	(8)	214	–	1,099
Intangible assets	(1,737)	180	–	–	–	(1,557)
Accelerated capital allowances	(739)	(1,082)	–	–	–	(1,821)
Other timing differences	(47)	6	–	–	–	(41)
Deferred tax liability	(2,523)	(896)	–	–	–	(3,419)
Net deferred tax	(1,541)	(985)	(8)	214	–	(2,320)

Legislation to reduce the UK corporation tax rate from 19% to 17% with effect from 1 April 2020 was enacted at 30 April 2019. Further legislation to cancel this reduction was substantively enacted at 30 April 2020. A rate of 19% (2019: 17%) has been applied in the measurement of the Group's 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:

	2020 Group £'000	2019 Group £'000
Profit attributable to ordinary equity holders of the Company (excluding impact of IFRS 16)	15,723	13,406
Impact of IFRS 16 on profit	469	–
Profit attributable to ordinary equity holders of the Company (including impact of IFRS 16)	16,192	13,406

	2020 Group	2019 Group
Basic weighted average number of shares (thousands)	101,656	101,512
Basic earnings per share (excluding impact of IFRS 16)	15.5p	13.2p
Basic earnings per share (including impact of IFRS 16)	15.9p	–
Diluted weighted average number of shares (thousands)	102,511	102,061
Diluted earnings per share (excluding impact of IFRS 16)	15.3p	13.1p
Diluted earnings per share (including impact of IFRS 16)	15.8p	–

12. Intangible assets

	Goodwill Group £'000	Contracts, customer relationships and licences Group £'000	Computer software Group £'000	Total Group £'000
Cost:				
At 1 May 2018	25,951	11,623	4,089	41,663
Additions	–	–	2,096	2,096
Disposals	–	–	–	–
Foreign currency adjustment	–	–	(12)	(12)
At 30 April 2019	25,951	11,623	6,173	43,747
Additions	**–**	**–**	**951**	**951**
Acquisitions (see note 29)	**(3,499)**	**1,882**	**–**	**(1,617)**
Credited to the income statement	**3,499**	**–**	**–**	**3,499**
Disposals	**–**	**–**	**(120)**	**(120)**
Foreign currency adjustment	**–**	**–**	**6**	**6**
At 30 April 2020	**25,951**	**13,505**	**7,010**	**46,466**
Accumulated amortisation:				
At 1 May 2018	–	2,252	2,193	4,445
Charge for the year	–	1,185	788	1,973
Disposals	–	–	–	–
Foreign currency adjustment	–	–	(12)	(12)
At 30 April 2019	–	3,437	2,969	6,406
Charge for the year	**–**	**1,240**	**874**	**2,114**
Disposals	**–**	**–**	**(3)**	**(3)**
Foreign currency adjustment	**–**	**–**	**1**	**1**
At 30 April 2020	**–**	**4,677**	**3,841**	**8,518**
Net book value:				
At 1 May 2018	25,951	9,371	1,896	37,218
At 30 April 2019	25,951	8,186	3,204	37,341
At 30 April 2020	**25,951**	**8,828**	**3,169**	**37,948**

The average remaining useful life of contracts and licences at 30 April 2020 is 7.3 years (2019: 7.5 years).

13. Impairment test for goodwill

The carrying amount of goodwill has been allocated to each cash-generating unit as follows:

	2020 Group £'000	2019 Group £'000
Value-added logistics services	**20,025**	20,025
Commercial vehicles	**5,926**	5,926
Total	**25,951**	25,951

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 2023.

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 2020 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 between 3.0% and 5.0% (2019: 3.0% and 5.0%) to perpetuity (2019: perpetuity). These are in line with what the Group considers the long-term growth rate is for the sectors in which the Group operates. The cash flows have then been discounted using a pre-tax risk adjusted discount rate of between 8.9% and 10.7% (2019: 8.5% and 10.3%). The forecasts of foreign operations are translated at the exchange rate ruling at the end of the year.

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

14. Property, plant and equipment

	Leasehold property Group £'000	Motor vehicles Group £'000	Plant, machinery, fixtures & fittings Group £'000	Total Group £'000
Cost:				
At 1 May 2018	8,042	4,763	63,189	75,994
Additions	3,999	648	19,673	24,320
Acquisitions	–	–	–	–
Disposals	(212)	(753)	(742)	(1,707)
Foreign currency adjustment	(4)	(35)	(98)	(137)
At 30 April 2019	11,825	4,623	82,022	98,470
Transfer to right-of-use assets on transition[1]	**(6,925)**	**(1,527)**	**(44,292)**	**(52,744)**
Transfer to right-of-use assets[2]	**–**	**(205)**	**–**	**(205)**
Additions	**6,622**	**152**	**1,366**	**8,140**
Acquisitions (see note 29)	**–**	**–**	**2,899**	**2,899**
Disposals	**(20)**	**(352)**	**(503)**	**(875)**
Foreign currency adjustment	**1**	**17**	**(237)**	**(219)**
Transfer from right-of-use assets[3]	**–**	**–**	**–**	**–**
At 30 April 2020	**11,503**	**2,708**	**41,255**	**55,466**
Accumulated depreciation:				
At 1 May 2018	2,779	2,635	25,582	30,996
Charge for the year	883	791	5,752	7,426
Disposals	(212)	(602)	(527)	(1,341)
Foreign currency adjustment	(2)	(17)	(62)	(81)
At 30 April 2019	3,448	2,807	30,745	37,000
Transfer to right-of-use assets on transition[1]	**(240)**	**(886)**	**(11,937)**	**(13,063)**
Transfer to right-of-use assets[2]	**-**	**(61)**	**-**	**(61)**
Charge for the year	**1,090**	**239**	**1,915**	**3,244**
Disposals	**(20)**	**(347)**	**(243)**	**(610)**
Foreign currency adjustment	**(1)**	**8**	**(17)**	**(10)**
Transfer from right-of-use assets[3]	**–**	**–**	**–**	**–**
At 30 April 2020	**4,277**	**1,760**	**20,463**	**26,500**
Net book value:				
At 1 May 2018	5,263	2,128	37,607	44,998
At 30 April 2019	8,377	1,816	51,277	61,470
At 30 April 2020	**7,226**	**948**	**20,792**	**28,966**

1 Assets funded under finance leases or hire purchase agreements recognised under IAS 17 were reclassified on transition to IFRS 16.
2 Assets purchased in the prior year, where financing has been drawndown after transition to IFRS 16.
3 Assets funded under finance leases or hire purchase agreements, which are retained after repaying the finance are transferred to property, plant and equipment.

Additions to plant, machinery, fixtures & fittings include £79,000 (2019: £2,843,000) in respect of assets in the course of construction.

15. Right-of-use assets

	Land and buildings Group £'000	Vehicles Group £'000	Other Group £'000	Total Group £'000
Cost:				
At 30 April 2019	–	–	–	–
Opening balance on transition	151,811	7,158	5,536	164,505
Reclassification on transition[1]	6,925	1,527	44,292	52,744
Transfer from property, plant and equipment[2]	–	205	–	205
Additions	4,426	6,847	2,496	13,769
Remeasurement of asset	388	–	–	388
Acquisitions (see note 29)	2,407	–	–	2,407
Disposals and other movements	(1,704)	(520)	(44)	(2,268)
Foreign currency adjustment	(158)	3	20	(135)
Transfer to property, plant and equipment[3]	–	–	–	–
At 30 April 2020	164,095	15,220	52,300	231,615
Accumulated depreciation:				
At 30 April 2019	–	–	–	–
Reclassification on transition[1]	240	886	11,937	13,063
Transfer from property, plant and equipment[2]	–	61	–	61
Charge for the year	20,960	4,529	7,457	32,946
Impairment	–	–	–	–
Disposals and other movements	(222)	(354)	(10)	(586)
Foreign currency adjustment	(76)	-	(6)	(82)
Transfer to property, plant and equipment[3]	–	–	–	–
At 30 April 2020	20,902	5,122	19,378	45,402
Net book value:				
At 30 April 2019	–	–	–	–
At 30 April 2020	143,193	10,098	32,922	186,213

1 Assets funded under finance leases or hire purchase agreements recognised under IAS 17 were reclassified on transition to IFRS 16.
2 Assets purchased in the prior year, where financing has been drawndown after transition to IFRS 16.
3 Assets funded under finance leases or hire purchase agreements, which are retained after repaying the finance are transferred to property, plant and equipment.

16. Investment in equity-accounted investees

	2020 Group £'000	2019 Group £'000
Brought forward	865	1,278
Share of (loss) after tax for the period	(231)	(413)
Carried forward	634	865

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.

16. Investment in equity-accounted investees continued

Summarised financial information from Clicklink's audited accounts for the year ended 31 January 2020 is set out below:

	31 January 2020 £'000	31 January 2019 £'000
Current assets	6,122	6,818
Non-current assets	4,093	4,349
Current liabilities	(4,690)	(5,611)
Non-current liabilities	(4,060)	(4,015)
Equity attributable to owners of the Company	**1,465**	1,541

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Revenue	27,315	22,616
Operating profit/(loss)	42	(1,381)
Interest payable and similar charges	(125)	(91)
Income tax credit/(expense)	7	286
(Loss) for the period	**(76)**	(1,186)

17. Inventories

	2020 Group £'000	2019 Group £'000
Component parts and consumable stores	5,515	5,271
Commercial vehicles	5,601	4,195
Commercial vehicles on consignment	16,741	14,583
Total inventories net of provision for obsolescence	**27,857**	24,049

See below for the movements in the provision for obsolescence:

	Group £'000
At 1 May 2018	112
Charged for the year	82
Utilised	(35)
At 30 April 2019	159
Charged for the year	215
Utilised	(82)
At 30 April 2020	**292**

The cost of inventories recognised as an expense amounted to £87,066,000 (2019: £ 89,917,000).

Included within commercial vehicles is £1,299,000 (2019: £1,001,000) relating to assets held under lease liabilities.

18. Trade and other receivables

	2020 Group £'000	2019 Group £'000
Trade receivables	63,383	57,688
Less: provision for impairment of receivables	(463)	(316)
Trade receivables – net	62,920	57,372
Other receivables	1,749	4,328
Amounts receivable from related parties (see note 28)	2,069	2,089
Contract assets	13,303	16,111
Prepayments	22,701	16,447
Total trade and other receivables	**102,742**	96,347

The contract asset receivables relate to the Group's rights to consideration for work completed but not billed at the reporting date. They are transferred to receivables when the amounts are invoiced.

See note 27 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

See below for the movements in the provision for impairment:

	Group £'000
At 1 May 2018	455
Charged for the year	43
Foreign currency adjustment	–
Utilised	(182)
At 30 April 2019	316
Charged for the year	477
Foreign currency adjustment	–
Utilised	(330)
At 30 April 2020	**463**

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 38 days (2019: 38 days).

The Group applies the simplified approach permitted by IFRS 9, which requires the application of a lifetime expected loss provision to trade receivables. The provision calculations are based on historic credit losses applied to older balances. The basis of this provision is the historical credit losses over the past 5 years as a percentage of total revenue. This approach is followed for all receivables unless there are specific circumstances which would render the receivable irrecoverable and therefore require a specific provision. A provision is made against trade receivables until such time as the Group believes the amount to be irrecoverable, after which the trade receivable or contract receivables balance is written off. Based on these calculations and managements review, there were no material individual impairments of trade receivables or contract receivables.

The ageing analysis of trade receivables was as follows:

			Past due but not impaired		
	Total £'000	Neither past due nor impaired £'000	30-60 days £'000	60-90 days £'000	> 90 days £'000
30 April 2020	**62,920**	**50,068**	**4,296**	**1,991**	**6,565**
30 April 2019	57,372	49,284	4,044	1,215	2,829

Notes to the Group Financial Statements continued

19. Cash and cash equivalents

	2020 Group £'000	2019 Group £'000
Cash and cash equivalents	2,724	3,517
Bank overdraft	–	–
Total cash and cash equivalents	2,724	3,517

20. Trade and other payables

	2020 Group £'000	2019 Group £'000
Trade payables	47,250	40,221
Consignment inventory payables	23,579	21,422
Amounts payable to related parties (see note 28)	355	227
Other taxes and social security	21,524	11,148
Other payables	2,868	5,762
Contract liabilities	22,423	24,557
Accruals	12,814	22,645
Total trade and other payables	130,813	125,982

The contract liabilities primarily relate to the consideration invoiced to customers in advance of the work being completed.

21. Financial liabilities: borrowings

	2020 Group £'000	2019 Group £'000
Non-current:		
Bank loans	126	17,307
Obligations under finance leases or hire purchase agreements[1]	–	21,803
Total non-current	126	39,110
Current:		
Bank loans	19,315	785
Obligations under finance leases or hire purchase agreements[1]	–	11,500
Total current	19,315	12,285
Total borrowings	19,441	51,395
Add: Lease liabilities (see note 22)	202,284	–
Less: Cash and cash equivalents	2,724	3,517
Non-current financial assets (see note 28)	1,950	1,950
Net debt (including leases)	217,051	45,928
Less: IAS 17 `operating leases'[2]	(172,001)	–
Net debt (excluding leases)	45,050	45,928

1 On transition to IFRS 16 on 1 May 2019, finance leases and hire purchase agreements were reclassified as lease liabilities.
2 IAS 17 `operating leases' relate to those leases that were recognised as operating leases in the prior year but are now recognised as lease liabilities under IFRS 16.

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

	2020 Group £'000	2019 Group £'000
In one year or less	19,315	785
Between one and five years	126	17,307
After five years	–	–
Total bank loans	19,441	18,092

The principal lender has security over all assets of the Group's UK operations. The Group's principal bank facilities were increased in January 2019 and at 30 April 2020 the facility available was £45,000,000. In October 2019, there was a re-designation of the facility which now consists of:

- a Revolving Credit Facility of £34,000,000 repayable in January 2021; interest rate 1.75% above LIBOR. The amount drawn at 30 April 2020 was £19,000,000 (2019: £17,000,000);
- a committed overdraft of £8,000,000. The amount drawn at 30 April 2020 was £nil (2019: £nil); and
- bonds and guarantees of £3,000,000.

In August 2020 the Group's principal banking facilities were extended for a further three years.

In addition to the Revolving Credit Facility above, other items included within bank loans at 30 April 2020 are as follows:

- other bank loans – £544,000 repayable in monthly instalments over periods between 2 and 36 months; interest rates fixed at between 3.72% and 4.56%; and
- unamortised debt issue costs of £103,000 in relation to the principal facilities, which have been deducted from the total outstanding bank loans.

Changes in liabilities from financing activities:

	Bank loans £'000	Lease liabilities £'000
At 1 May 2019	18,092	33,303
Changes from financing cash flows		
Drawdown of bank loans	2,000	–
Repayment of bank loans	(789)	–
New finance leases in respect of additions to property, plant and equipment	–	5,654
Payment of principal on lease liabilities	–	(43,340)
Total changes from financing cash flows	1,211	(37,686)
Changes arising from obtaining or losing control of subsidiaries or other business	–	–
The effect of changes in foreign exchange rates	–	(329)
Other changes		
Lease liabilities arising on transition to IFRS 16	–	187,357
New lease liabilities in respect of right-of-use assets	–	9,711
Acquisition	–	2,183
Remeasurement of lease liabilities	–	388
Disposal of lease liabilities	–	(1,689)
New lease liabilities in respect of additions to property, plant and equipment	–	564
New lease liabilities in respect of commercial vehicle inventories	–	444
Finance costs	138	8,038
Total other changes	138	206,996
At 30 April 2020	19,441	202,284

22. Lease liabilities

22.1 Lease liabilities movement

	Land and buildings Group £'000	Vehicles Group £'000	Other Group £'000	Total Group £'000
At 30 April 2019	–	–	–	–
Opening balance on transition	174,135	7,395	5,827	187,357
Reclassification of leases within borrowings	–	1,481	31,822	33,303
At 1 May 2019	174,135	8,876	37,649	220,660
Additions	2,110	7,319	6,944	16,373
Remeasurement of lease	388	–	–	388
Acquisition	2,183	–	–	2,183
Disposals	(1,569)	(84)	(36)	(1,689)
Repayments	(27,233)	(4,791)	(11,316)	(43,340)
Interest	7,418	367	253	8,038
Foreign currency adjustment	(174)	1	(156)	(329)
At 30 April 2020	157,258	11,688	33,338	202,284

22.2 Lease liabilities outstanding

	2020 Group £'000	2019 Group £'000
The present value of lease liabilities is as follows:		
Within one year	38,378	–
Later than one year and not later than five years	110,257	–
Later than five years	53,649	–
Total lease liabilities	202,284	–

In prior periods, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 'Leases'. For adjustments recognised on adoption of IFRS 16 on 1 May 2019 see note 30.

The expense relating to short term and low value leases was £2,572,000. The expense relating to variable lease payments not included in lease liabilities was £nil. Income recognised from subleasing was £nil.

The total cash outflow for leases, including short term and low value leases, in the year ended 30 April 2020 was £45,912,000 (2019: £46,543,000).

22.3 Opening lease liabilities reconciliation

A reconciliation of operating lease commitments disclosed at 30 April 2019 to the lease liability recognised on transition to IFRS 16 on 1 May 2019 is as follows:

	Land and buildings £'000	Other £'000	Total Group £'000
Operating lease commitment disclosed as at 30 April 2019			
Within one year	24,186	5,776	29,962
Between one and five years	83,496	6,339	89,835
After more than five years	74,188	–	74,188
Total minimum lease payments	181,870	12,115	193,985
Add: expected lease extensions post 30 April 2019	4,000	–	4,000
Add: finance leases and hire purchase agreements reclassified	–	33,303	33,303
Add: rent increases	315	–	315
Add: additional leases recognised under IFRS 16	–	1,880	1,880
Less: short-term/low value leases not capitalised on transition	–	(125)	(125)
Revised commitment as at 1 May 2019	186,185	47,173	233,358
Discounted at weighted average incremental rate of borrowing	174,135	46,525	220,660
Of which:			
Current lease liabilities	16,876	19,695	36,571
Non-current lease liabilities	157,259	26,830	184,089
Total lease liabilities as at 1 May 2019	174,135	46,525	220,660

23. Provisions

	Redundancy provision Group £'000	Onerous contracts Group £'000	Uninsured losses Group £'000	Dilapidations Group £'000	Total Group £'000
At 1 May 2018	–	17	–	1,547	1,564
Utilised	–	(17)	(168)	(84)	(269)
Charged in year	–	–	168	361	529
At 30 April 2019	–	–	–	1,824	1,824
Recognition of dilapidation provision on IFRS 16 leases	–	–	–	4,086	4,086
Additions to right-of-use asset	–	–	–	233	233
Acquisition	400	–	–	224	624
Utilised	–	–	(122)	(498)	(620)
Charged in year	–	–	122	367	489
Foreign exchange adjustment	–	–	–	(16)	(16)
At 30 April 2020	400	–	–	6,220	6,620

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

	2020 Group £'000	2019 Group £'000
Current	99	214
Non-current	6,521	1,610
Total	6,620	1,824

Redundancy provisions
As part of the business combination, a redundancy provision was acquired. See note 29.1.

Onerous contracts
Following a reorganisation of the commercial vehicles business in the year ended 30 April 2013, which included the closure of a facility, 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 was 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
Prior to adoption of IFRS 16, provisions were established over the life of leases to cover remedial work necessary at termination under the terms of those leases.

On transition to IFRS 16, the balance of expected dilapidation provision for each property was included in the calculation of the right-of-use asset.

24. Share capital

	2020 Group £'000	2019 Group £'000
Allotted, called up and fully paid:		
101,662,415 (2019: 101,614,522) ordinary shares of 0.05p each	51	51

During the year the Company issued 47,893 ordinary shares to satisfy employee share options, for aggregate consideration of £114,000. The new shares rank pari passu with all existing ordinary shares in issue. See also note 25 below.

25. 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 50 to 64.

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 prior year were offered with a three year savings contract, under which the employee could elect to save between £5 and £500 per month.

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

Date	PSP Number	WAEP	Sharesave Number	WAEP
Outstanding 1 May 2018	1,647,665	nil	1,165,834	311.64p
Granted during the year	671,645	nil	2,007,277	193.34p
Forfeited during the year	(441,859)	nil	(603,320)	346.10p
Exercised during the year	(64,964)	nil	(189,035)	185.11p
Outstanding 30 April 2019	1,812,487	nil	2,380,756	213.21p
Granted during the year	**–**	**nil**	**–**	**–**
Forfeited during the year	**(412,510)**	**nil**	**(421,652)**	**232.38p**
Exercised during the year	**–**	**nil**	**(47,893)**	**239.34p**
Outstanding 30 April 2020	**1,399,977**	**nil**	**1,911,211**	**208.33p**

At 30 April 2020, the range of exercise prices for the various schemes were 193.34p – 379.74p (2019: 193.34p – 379.74p). At 30 April 2020, the weighted average remaining contractual life was 2.3 years (2019: 2.7 years).

At 30 April 2020, PSP options over 507,568 (2019: 507,568) and Sharesave options over 103,131 (2019: 105,776) of the above shares were exercisable.

The cost of the options is recognised over the expected vesting period. The total charge for the year ended 30 April 2020 relating to employee share based payment plans was £348,000 (2019: credit of £1,178,000). The fair value of share options at 30 April 2020 to be amortised in future years was £809,000 (2019: £1,538,000).

All share based payments in both years are equity settled.

26. Capital commitments

	2020 Group £'000	2019 Group £'000
Authorised and contracted for	**1,243**	2,002
Authorised, but not contracted for	**2,392**	6,567
Total capital commitments	**3,635**	8,569

27. Financial instruments and financial risk management objectives and policies

In accordance with IFRS 9 ('Financial Instruments') 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 obtained for customers; Group policy is to assess the credit quality of each customer before accepting any terms of trade.

Internal procedures take into account customers' financial positions as well as their reputation within the industry and past payment experience. Cash and cash equivalents and derivative financial instruments are held with AAA or AA rated banks. Financial instruments classified as fair value through profit and loss and available for sale are all publicly traded on the UK London Stock Exchange. Given the high credit quality of counterparties with whom the Group has investments, the Directors do not expect any counterparty to fail to meet its obligations.

At 30 April 2020 there were no significant concentrations of credit risk (2019: £nil). The Group's maximum exposure to credit risk, gross of any collateral held, relating to its financial assets is equivalent to their carrying value. All financial assets have a fair value which is equal to their carrying value, as a consequence of their short maturity. The Group did not have any financial instruments that would mitigate the credit exposure arising from the financial assets designated at fair value through profit or loss in either the current or the preceding financial year.

Interest rate risk

The Group adopts a policy of ensuring that there is an appropriate mix of fixed and floating rates in managing its exposure to changes in interest rates on borrowings. Interest rate swaps are entered into, where necessary, to achieve this appropriate mix.

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 (2019: 50 points) on that portion of borrowings affected, would be to reduce the Group's profit before tax by £103,000 (2019: £189,000).

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Pounds Sterling. The currencies giving rise to this risk are primarily the Euro and Polish zloty. 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-term and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents.

The Group has not made any changes to its capital management during the year. The Group has no long-term gearing ratio target. Borrowings are taken out to invest in the acquisition of subsidiaries, new sites or distribution centres 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.

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

Capital management continued

	2020 Group £'000	2019 Group £'000
EBIT (excluding impact of IFRS 16)	24,077	20,213
Finance costs (net) (excluding impact of IFRS 16)	2,722	2,141
Interest cover	8.8	9.4

	2020 Group £'000	2019 Group £'000
EBIT (excluding impact of IFRS 16)	24,077	20,213
Depreciation and impairment of property, plant and equipment (note 14)	3,244	7,426
Depreciation and impairment of lease liabilities (note 15)	32,946	–
Amortisation and impairment of computer software (note 12)	874	788
Earnings before interest, tax, depreciation and amortisation (EBITDA) (including impact of IFRS 16)	61,141	28,427
Less: Depreciation and impairment of 'IAS 17' operating leases	26,557	–
Earnings before interest, tax, depreciation and amortisation (EBITDA) (excluding impact of IFRS 16)	34,584	28,427
Net debt (note 21)	45,050	45,928
Net debt/EBITDA	1.30	1.62

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 to 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.

Estimation of fair values
The main methods and assumptions used in estimating the fair values of financial instruments are as follows:

- interest-bearing loans and borrowings: fair value is calculated based on discounted expected future principal and interest cash flows; and
- trade and other receivables/payables: the notional amount for trade receivables/payables with a remaining life of less than one year are deemed to reflect their fair value.

	2020 Book value £'000	2020 Fair value £'000	2019 Book value £'000	2019 Fair value £'000
Non-current financial assets	1,950	1,907	1,950	1,950
Current financial assets:				
Cash and cash equivalents	2,724	2,724	3,517	3,517
Trade and other receivables	102,742	102,742	96,347	96,347
Liabilities:				
Bank overdraft	–	–	–	–
Short-term borrowings	(19,315)	(19,315)	(12,285)	(12,285)
Lease liabilities: short term	(38,378)	(38,378)	–	–
Trade and other payables	(130,813)	(130,813)	(125,982)	(125,982)
Long-term borrowings	(126)	(120)	(39,110)	(38,830)
Lease liabilities: long term	(163,906)	(163,411)	–	–

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.

28. Related party disclosures

Clicklink Logistics Limited (see note 16) 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, recharge of expenditure and administration services from the Group. During the year £588,000 (2019: £590,000) was recharged to Branton Court Stud LLP for management time of Directors and other key management personnel in proportion to the time spent on non-Clipper-related activities. In addition, £2,000 was charged in relation to vehicle repair services.

Additionally, in the previous financial year, the Group recognised a credit from Branton Court Stud LLP of £977,000 in respect of Branton Court's contribution to costs incurred by the Group in respect of a one-off event.

In the year, the Group paid Branton Court Stud LLP £70,000 (2019: £120,000) received in relation to horse race winnings. These monies were not intended for the Group and were paid to Branton Court on the same day.

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

Harrogate Road Restaurants Limited shares a common director with Clipper Logistics plc.

Hamsard 3476 Limited, a company controlled by Steve Parkin, receives property-related 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 supplied office furniture to the Group and was 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.

In the prior year, the Group entered into a framework agreement with Styles & Wood Limited, a company which shares common directors. A payment of £2.0 million was advanced in relation to the agreed works on 27 June 2018. The agreement was subsequently cancelled and the payment was returned by 20 August 2018. No such transactions occurred in the year ended 30 April 2020.

During the year, £138,000 was received from Steve Parkin repaying Clipper for personal expenditure incurred on a company credit card. At 30 April 2020 £nil was outstanding.

In the prior year, the Company advanced two petty cash amounts totalling £27,000 to David Hodkin in exchange for personal cheques from David Hodkin. In both cases, there was a short period of time elapsing between David's withdrawal of the cash and Clipper's subsequent cashing of the cheque. No such transactions occurred in the year ended 30 April 2020.

Notes to the Group Financial Statements continued

28. Related party disclosures

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

	2020 Group £'000	2019 Group £'000
Non-current financial assets:		
Clicklink Logistics Limited – interest-bearing loan	**1,950**	1,950
Trade and other receivables:		
Clicklink Logistics Limited – trading balance	**2,066**	1,626
Branton Court Stud LLP	**2**	461
Knaresborough Investments Limited	**–**	–
Southerns Office Interiors Limited	**1**	2
Trade and other payables:		
Clicklink Logistics Limited	**179**	227
Roydhouse Properties Limited	**176**	–

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. 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 2022.

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

	2020 Group £'000	2019 Group £'000
Items credited to the income statement:		
Clicklink Logistics Limited – revenue	**19,088**	20,392
Clicklink Logistics Limited – finance income	**59**	52
Branton Court Stud LLP	**590**	2,097
Hamsard 3476 Limited	**–**	3,100
Knaresborough Investments Limited	**–**	174
Harrogate Road Restaurants Limited	**–**	–
Southerns Office Interiors Limited	**9**	7
Items charged to the income statement:		
Clicklink Logistics Limited	**2,438**	2,750
Branton Court Stud LLP	**–**	129
Hamsard 3476 Limited	**–**	145
Knaresborough Investments Limited	**1**	176
Knaresborough Real Estate Limited	**265**	360
Roydhouse Properties Limited	**808**	910
Southerns Office Interiors Limited	**–**	17
Guiseley Association Football Club	**–**	25

29. Business combinations

29.1 Raven Mill operation

In April 2019, the Company entered into a series of contracts with a customer, which when combined represented a business combination in accordance with IFRS 3 'Business Combinations'. The acquisition consists of premises, assets and a workforce, together carrying out a logistics service business that is now carried out by the Company. The business acquired is an unincorporated entity. Several areas required significant judgment by management, in particular that the transfer of employees under TUPE and the lease of the premises commenced only after the year end, limiting the ability of the Group to control the relevant activities of the acquired business. On balance the Group has concluded that the effective date of the business combination is 1 July 2019 and that this series of transactions should be reflected within the year ended 30 April 2020. This is when management concluded that control has passed to the Group. The Group has carried out a fair value exercise of the business combination, which gives rise to 'negative goodwill' of £3,499,000. The 'negative goodwill' is recognised within the Company income statement in the year ended 30 April 2020.

The fair value table for the business combination is shown below.

Purchase consideration and cash flows:

	£'000
Cash consideration paid in the year	2,899
Cash consideration receivable	(2,765)
Total net consideration payable	**134**

Acquisition:

	Fair values £'000
Assets:	
Property, plant and equipment	2,899
Right-of-use asset	2,407
Customer relationship	1,882
Liabilities:	
Lease liabilities	(2,183)
Non-current provisions	(624)
Deferred tax liabilities	(748)
Total identifiable net assets at fair value	**3,633**
'Negative goodwill' arising on acquisition	(3,499)
Total consideration	**134**

As part of the series of transactions, the customer will pay, in the year ending 30 April 2021, the Company consideration in return for the Company assuming certain potential liabilities. This results in the net consideration payable being less than the fair value of net assets acquired, principally the customer relationship, which gave rise to 'negative goodwill'.

Professional fees and costs in relation to the acquisition amounted to £41,000 and have been charged to the income statement.

29.2 RepairTech Limited

In June 2018, the Company paid deferred consideration of £500,000 in relation to the acquisition of the entire issued share capital of RepairTech Limited on 15 June 2017.

30. IFRS 16 transition

The impact on the statement of financial position at the date of transition was as follows:

	Note	At 30 April 2019 Group £'000	IFRS 16 adjustment Group £'000	At 1 May 2019 Group £'000
Assets:				
Non-current assets				
Goodwill		25,951	–	25,951
Other intangible assets		11,390	–	11,390
Intangible assets		37,341	–	37,341
Property, plant and equipment	1	61,470	(39,681)	21,789
Right-of-use assets	2	–	204,186	204,186
Investment in subsidiaries		865	–	865
Non-current financial assets		1,950	–	1,950
Deferred tax assets	3	–	1,613	1,613
Total non-current assets		101,626	166,118	267,744
Current assets				
Inventories		24,049	–	24,049
Trade and other receivables	4	96,347	(4,915)	91,432
Cash and cash equivalents		3,517	–	3,517
Total current assets		123,913	(4,915)	118,998
Total assets		225,539	161,203	386,742
Equity and liabilities:				
Current liabilities				
Trade and other payables	4	125,982	(8,293)	117,689
Financial liabilities: borrowings	5	12,285	(11,500)	785
Lease liabilities: short term	6	–	36,571	36,571
Short-term provisions		214	–	214
Current income tax liabilities		803	–	803
Total current liabilities		139,284	16,778	156,062
Non-current liabilities				
Financial liabilities: borrowings	5	39,110	(21,803)	17,307
Lease liabilities: long term	6	–	184,089	184,089
Long-term provisions	4	1,610	4,086	5,696
Deferred tax liabilities	3	2,320	(2,320)	–
Total non-current liabilities		43,040	164,052	207,092
Total liabilities		182,324	180,830	363,154
Equity shareholders' funds				
Share capital		51	–	51
Share premium		2,060	–	2,060
Currency translation reserve		(108)	–	(108)
Other reserve		84	–	84
Merger reserve		6,006	–	6,006
Share based payment reserve		1,643	–	1,643
Retained earnings	7	33,479	(19,627)	13,852
Total equity attributable to the owners of the Company		43,215	(19,627)	23,588
Total equity and liabilities		225,539	161,203	386,742

1. Assets previously recognised within property, plant and equipment under IAS 17 relating to finance leases were transferred as right-of-use assets at their book value at the date of transition.
2. Right-of-use assets: valued at an amount equal to the carrying amount as if IFRS 16 had been applied since the start of the lease, but applying the incremental rate of borrowing at the 1 May 2019 (date of transition).
3. Deferred tax asset: as per IAS 12, the net liability recognised on transition to IFRS 16 creates a temporary timing difference from that which will be deducted for tax purposes, therefore a deferred tax asset is recognised.
4. Reclassification of balance sheet items: lease incentive accruals, dilapidation provisions and lease prepayments have been reclassified on transition to IFRS 16.
5. Reclassification of lease liabilities: finance lease and hire purchase agreements previously recognised under IAS 17 have been reclassified to lease liabilities from financial liabilities: borrowings.
6. Lease liabilities: measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate (see critical accounting estimates and judgments on page 87 for more details).
7. Retained earnings adjustment: the Group has calculated the right-of-use asset as though IFRS 16 had been applied since the start of the lease and depreciated, resulting in a charge to retained earnings as the carrying value of right-of-use assets is lower than the finance lease liabilities recognised.

Company Statement of Financial Position

At 30 April

	Note	2020 Company £'000	2019 Company £'000
Assets:			
Non-current assets			
Goodwill		5,712	5,712
Other intangible assets		10,520	9,495
Intangible assets	E	16,232	15,207
Property, plant and equipment	F	24,667	51,074
Right-of-use assets	G	160,837	–
Investment in subsidiaries	H	28,917	28,917
Other investments	H	1,950	1,950
Non-current financial assets	T	1,950	1,950
Total non-current assets		234,553	99,098
Current assets			
Inventories	I	946	670
Trade and other receivables	J	90,340	79,987
Cash and cash equivalents		143	378
Total current assets		91,429	81,035
Total assets		325,982	180,133
Equity and liabilities:			
Current liabilities			
Trade and other payables	K	89,699	86,849
Financial liabilities: borrowings	L	31,990	16,893
Lease liabilities: short term	N	31,249	–
Short-term provisions	O	99	100
Current income tax liabilities		1,257	835
Total current liabilities		154,294	104,677
Non-current liabilities			
Financial liabilities: borrowings	L	126	38,010
Lease liabilities: long term	N	142,882	–
Long-term provisions	O	4,594	1,971
Deferred tax liabilities	P	81	2,562
Total non-current liabilities		147,683	42,543
Total liabilities		301,977	147,220
Equity shareholders' funds			
Share capital	Q	51	51
Share premium		2,174	2,060
Currency translation reserve		(24)	(5)
Other reserve		851	851
Share based payment reserve		1,669	1,643
Retained earnings		19,284	28,313
Total equity attributable to the owners of the Company		24,005	32,913
Total equity and liabilities		325,982	180,133

As permitted by s.408 of the Companies Act 2006, the Company has not presented its own profit and loss account or subsequent notes. The Company's profit for the year was £16,553,000 (2019: £12,509,000).

Approved by the Board on 21 August 2020 and signed on its behalf by:

DA 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 2018	51	1,710	(39)	851	2,573
Profit for the year	–	–	–	–	–
Other comprehensive income/(expense)	–	–	34	–	34
Equity settled transactions	–	–	–	–	–
Share issue	–	350	–	–	350
Dividends	–	–	–	–	–
Balance at 30 April 2019	51	2,060	(5)	851	2,957
Profit for the year	–	–	–	–	–
Other comprehensive income/(expense)	–	–	(19)	–	(19)
Equity settled transactions	–	–	–	–	–
Share issue	–	114	–	–	114
Dividends	–	–	–	–	–
Balance at 30 April 2020	**51**	**2,174**	**(24)**	**851**	**3,052**

	Brought forward Company £'000	Share based payment reserve Company £'000	Retained earnings Company £'000	Total Company £'000
Balance at 1 May 2018	2,573	2,745	24,592	29,910
Profit for the year	–	–	12,509	12,509
Other comprehensive income/(expense)	34	–	–	34
Equity settled transactions	–	(1,102)	146	(956)
Share issue	350	–	–	350
Dividends	–	–	(8,934)	(8,934)
Balance at 30 April 2019	2,957	1,643	28,313	32,913
IFRS 16 transition adjustment	–	–	(15,436)	(15,436)
Profit for the year	–	–	16,553	16,553
Other comprehensive income/(expense)	(19)	–	–	(19)
Equity settled transactions	–	26	20	46
Share issue	114	–	–	114
Dividends	–	–	(10,166)	(10,166)
Balance at 30 April 2020	**3,052**	**1,669**	**19,284**	**24,005**

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 2020 were authorised for issue by the Board of Directors on 21 August 2020 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.

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 2020. 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 'Presentation of Financial Statements';
    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 being 12 months from the date of signing the accounts.

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 37.

Note 27 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. These objectives, policies and processes equally apply to the Company.

The Company Statement of Financial Position at 30 April 2020 shows current assets of £91,429,000 (2019: £81,035,000) and current liabilities of £154,294,000 (2019: £104,677,000). Net current liabilities are therefore £62,865,000 (2019: £23,642,000).

The Group has access to a non-amortising Revolving Credit Facility of £34,000,000 repayable in 2021 and an overdraft facility of £8,000,000, an aggregate of £42,000,000 of which £19,000,000 was drawn at 30 April 2020 (see note 21 to the Group Financial Statements). The Company's bank overdraft shown in Note L was covered by cash balances held by other UK entities of the Group.

Furthermore, the transition to IFRS 16 in the current year has resulted in the recognition of an additional £22,360,000 shown within the lease liabilities: short term balance of £31,249,000, thus inflating net current liabilities when comparing to the comparatives which have not been restated – see note V.

The Company's borrowing facilities were extended on in July 2020 to continue for a further three years. The Company's forecasts and projections show that the Company should be able to operate without the need for any increase in borrowing facilities.

The Directors have assessed the future funding requirements of the Group and the Company and compared them to the bank facilities which are now available. The assessment included a detailed review of financial and cash flow forecasts for at least the 12 month period from the date of signing the Annual Report. The Directors considered a range of potential scenarios within the key markets the Group serves and how these might impact on the Group's cash flow. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences.

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

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

B. Accounting policies continued

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 or losses' in the income statement when the asset is derecognised.

B.4 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over 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.

B.5 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include lease payments less any lease incentives receivable. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

Short term leases (leases expiring within 12 months) and low value leases (<£5,000) are recognised as an expense through the income statement rather than being capitalised as a right-of-use asset and lease liability.

Assets held under finance leases previously recognised under IAS 17, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, were capitalised within property, plant and equipment at the inception of the lease, with a corresponding lease 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 were 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 accounting policy adopted for finance leases is also applied to hire purchase agreements.

On transition to IFRS 16, lease liabilities relating to finance leases or hire purchase agreements were reclassified to lease liabilities.

B.6 Investments

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

B.7 Intangible assets

(a) Contracts and licences

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

(b) Goodwill

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the Financial Statements of this departure.

(c) Computer software

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

Costs associated with developing or maintaining computer software 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.8 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.9 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.10 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.11 Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

B.12 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.13 Income tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

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

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

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

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

B.14 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. Accounting policies continued

B.15 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 is expected to 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.16 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.17 Revenue recognition

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

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. In practice this means that revenue is generally recognised when the service is rendered. Invoicing varies by contract, but is typically either in line with work performed or initially on a budgeted volume basis with later adjustment to reflect actual activity. Where a contract contains elements of variable consideration, the Company will estimate the amount of 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.

B.18 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.19 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, due to the various contractual arrangements in place, each with bespoke terms which can lead to different revenue recognition requirements.

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.

(b) Estimated impairment of goodwill

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

(c) Business combinations

In April 2019, the Company entered into a series of contracts, which when combined represented a business combination in accordance with IFRS 3 'Business combinations.' The value of the customer relationship is dependent on judgments and estimates in relation to the future profitability of the contracts.

(d) Lease accounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

- Determination of the incremental borrowing rate

  The Company uses incremental borrowing rates specific to each lease and the rates range between 2.84% and 5.79% translating to an average rate of 4.31%. A 100 basis point increase in the rate would cause the lease liabilities to decrease by £5,232,000 and the right-of-use asset to decrease by £6,931,000. A 100 basis point decrease in the rate would cause the lease liabilities to increase by £5,618,000 and the right-of-use asset to increase by £7,700,000.

- Determination of the lease term

  In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (i.e. periods after termination options) are only included in the lease terms if the lease is reasonably certain to be extended (or not terminated).

  The Company has determined that where the lease of premises is due to expire within 12 months of transition to IFRS 16, it is expected that the lease will be extended by an additional five years. The Company has therefore used the termination date expected rather than the date stated within the lease in these circumstances. Where a break clause exists within the lease, the Company has determined that these are not expected to be exercised and have therefore used the full term of the lease within the lease liability calculation.

C. Auditor's remuneration

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

D. Staff costs

	2020 Company £'000	2019 Company £'000
Wages and salaries	**135,284**	101,464
Social security costs	**11,956**	8,877
Pension costs for the defined contribution scheme	**3,607**	2,166
Share based payments	**286**	(1,152)
Total	**150,847**	111,355

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

	2020 Company Number	2019 Company Number
Warehousing	**5,043**	3,512
Distribution	**446**	433
Administration	**939**	656
Total	**6,428**	4,601

Key management compensation (including Executive Directors):

	2020 Company £'000	2019 Company £'000
Wages and salaries	**2,476**	2,776
Social security costs	**376**	383
Pension costs for the defined contribution scheme	**94**	148
Compensation for loss of office	**249**	–
Share based payments	**77**	(1,309)
Total	**3,272**	1,998

Total Directors emoluments are disclosed within note 5 of the Group Financial statements.

Notes to the Company Financial Statements continued

E. Intangible assets

	Goodwill Company £'000	Contracts and licences Company £'000	Computer software Company £'000	Total Company £'000
Cost:				
At 1 May 2018	8,312	8,133	2,972	19,417
Additions	–	–	1,889	1,889
At 30 April 2019	8,312	8,133	4,861	21,306
Additions	**–**	**–**	**786**	**786**
Disposals	**–**	**–**	**(120)**	**(120)**
Acquisitions (see note U)	**(3,499)**	**1,882**	**–**	**(1,617)**
Credited to the income statement	**3,499**	**–**	**–**	**3,499**
At 30 April 2020	**8,312**	**10,015**	**5,527**	**23,854**
Accumulated amortisation:				
At 1 May 2018	2,600	723	1,414	4,737
Charge for the year	–	818	544	1,362
At 30 April 2019	2,600	1,541	1,958	6,099
Charge for the year	**–**	**897**	**629**	**1,526**
Disposals	**–**	**–**	**(3)**	**(3)**
At 30 April 2020	**2,600**	**2,438**	**2,584**	**7,622**
Net book value:				
At 1 May 2018	5,712	7,410	1,558	14,680
At 30 April 2019	5,712	6,592	2,903	15,207
At 30 April 2020	**5,712**	**7,577**	**2,943**	**16,232**

F. 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 2018	5,823	1,402	56,501	63,726
Additions	3,550	170	14,068	17,788
Acquisitions	–	–	–	–
Disposals	–	(234)	(219)	(453)
At 30 April 2019	9,373	1,338	70,350	81,061
Transfer to right-of-use assets[1]	**(6,925)**	**(464)**	**(38,412)**	**(45,801)**
Additions	**6,168**	**123**	**590**	**6,881**
Acquisitions	**–**	**–**	**2,899**	**2,899**
Disposals	**(6)**	**(28)**	**(382)**	**(416)**
At 30 April 2020	**8,610**	**969**	**35,045**	**44,624**
Accumulated depreciation:				
At 1 May 2018	1,582	1,190	21,573	24,345
Charge for the year	666	100	5,075	5,841
Disposals	–	(187)	(12)	(199)
At 30 April 2019	2,248	1,103	26,636	29,987
Transfer to right-of-use assets[1]	**(240)**	**(300)**	**(11,309)**	**(11,849)**
Charge for the year	**844**	**67**	**1,054**	**1,965**
Disposals	**(6)**	**(28)**	**(112)**	**(146)**
At 30 April 2020	**2,846**	**842**	**16,269**	**19,957**
Net book value:				
At 1 May 2018	4,241	212	34,928	39,381
At 30 April 2019	7,125	235	43,714	51,074
At 30 April 2020	**5,764**	**127**	**18,776**	**24,667**

1 Assets funded under finance leases or hire purchase agreements recognised under IAS 17 were reclassified on transition to IFRS 16.

Additions to plant, machinery, fixtures & fittings include £nil (2019: £3,365,000) in respect of assets in the course of construction.

Notes to the Company Financial Statements continued

G. Right-of-use assets

	Land and buildings Company £'000	Vehicles Company £'000	Other Company £'000	Total Company £'000
Cost:				
At 30 April 2019	–	–	–	–
Opening balance on transition	**129,942**	**6,888**	**4,229**	**141,059**
Reclassification on transition[1]	**6,925**	**464**	**38,412**	**45,801**
Additions	**2,833**	**6,291**	**1,603**	**10,727**
Acquisitions	**2,407**	**–**	**–**	**2,407**
Disposals and other movements	**–**	**(95)**	**–**	**(95)**
At 30 April 2020	**142,107**	**13,548**	**44,244**	**199,899**
Accumulated depreciation:				
At 30 April 2019	–	–	–	–
Reclassification on transition[1]	**240**	**300**	**11,309**	**11,849**
Charge for the year	**16,494**	**4,148**	**6,606**	**27,248**
Impairment	**–**	**–**	**–**	**–**
Disposals and other movements	**–**	**(35)**	**–**	**(35)**
At 30 April 2020	**16,734**	**4,413**	**17,915**	**39,062**
Net book value:				
At 30 April 2019	–	–	–	–
At 30 April 2020	**125,373**	**9,135**	**26,329**	**160,837**

1 The carrying value of property, plant equipment at 30 April 2019 included £33,952,000 in respect of assets held under finance leases and hire purchase agreements. The depreciation expense on those assets in the year ended 30 April 2019 was £3,849,000. On adoption of IFRS 16 on 1 May 2019 these assets were reclassified to right-of-use assets. See note V.

H. Investments

	Subsidiary undertakings Company £'000	Other Company £'000
Cost:		
At 1 May 2018	36,230	1,950
Additions	4,312	–
At 30 April 2019	40,542	1,950
Additions	**–**	**–**
At 30 April 2020	**40,542**	**1,950**
Provision for impairment:		
At 1 May 2018, 30 April 2019 and 30 April 2020	**11,625**	**–**
Net book value:		
At 1 May 2018	24,605	1,950
At 30 April 2019	28,917	1,950
At 30 April 2020	**28,917**	**1,950**

During the year ended 30 April 2019, the Company capitalised an inter-company loan balance of 5,000,000 Euros with Clipper Logistics KG (GmbH & Co.) in exchange for further share capital.

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
Clipper Logistics KG (GmbH & Co.) (Germany)[1]	Contract distribution and warehousing
Clipper Logistics Sp. z o.o. (Poland)[2]	Contract distribution and warehousing
RepairTech Limited[3]	Technical services
Servicecare Support Services Limited[4]	Returns management services and online retail
Northern Commercials (Mirfield) Limited[5]	Sale, servicing and repair of commercial vehicles
Stormont Truck and Van Limited*	Agency for leasing commitments
Clipper Verwaltungs GmbH (Germany)*[1]	Agency for leasing commitments
Clipper e-commerce Limited	Dormant
Clipper Logistics BV (Netherlands)	Dormant
Clipper Logistics (Processing) Limited	Dormant
Clipper Logistics (Warehousing) Limited	Dormant
Clipper Retail Distribution Limited	Dormant
Clipper Secure Logistics Limited	Dormant
DTS Logistics Limited	Dormant
Electrotec International Limited*[4]	Dormant
Gagewell Transport Limited	Dormant
Genesis Specialised Product Packing Limited	Dormant
Guardex Security Services Limited	Dormant
Northern Commercial Trailers (Mirfield) Limited	Dormant
Tesam Distribution Limited	Dormant
Transference Technology Limited (90% owned)*	Dormant

* Shareholding held indirectly.

The registered office of each subsidiary is Clipper Logistics Group, Gelderd Road, Leeds LS12 6LT except for:
1. Steinweg 2, 95213, Münchberg, Germany
2. 3 ul. Zernicka, 22, Robakowo, 62-023, Robakowo, Poland
3. 4b Westfield Road, Kineton Industrial Estate, Southam, Warwickshire CV47 0JH
4. Hollinwood Works, Manchester Road, Hollinwood, Oldham, Lancashire OL9 7AA
5. Armytage Road, Wakefield Road Industrial Estate, Brighouse, West Yorkshire HD6 1PG

I. Inventories

	2020 Company £'000	2019 Company £'000
Component parts and consumable stores	**946**	670

J. Trade and other receivables

	2020 Company £'000	2019 Company £'000
Amounts falling due within one year:		
Trade receivables	**51,494**	45,203
Less: Provision for impairment of receivables	**(203)**	(27)
Trade receivables – net	**51,291**	45,176
Other receivables	**833**	302
Contract assets	**12,970**	14,951
Prepayments	**20,232**	15,002
Amounts receivable from related parties (see note T)	**2,066**	2,087
Amounts owed by fellow Group companies	**2,846**	2,403
	90,238	79,921
Amounts falling due after more than one year:		
Amounts owed by fellow Group companies	**102**	66
Total	**90,340**	79,987

K. Trade and other payables

	2020 Company £'000	2019 Company £'000
Trade payables	39,022	30,339
Other taxes and social security	17,444	9,790
Other payables	1,687	578
Contract liabilities	19,010	23,159
Accruals	6,931	17,449
Amounts payable to related parties (see note T)	355	227
Amounts payable to fellow Group companies	5,250	5,307
Total trade and other payables	89,699	86,849

L. Financial liabilities: borrowings

	2020 Company £'000	2019 Company £'000
Non-current:		
Bank loans	126	17,307
Obligations under finance leases or hire purchase agreements[1]	–	20,703
Total non-current	126	38,010
Current:		
Bank overdrafts	12,675	7,918
Bank loans	19,315	781
Obligations under finance leases or hire purchase agreements[1]	–	8,194
Total current	31,990	16,893
Total borrowings	32,116	54,903
Add: Lease liabilities (see note N)	174,131	–
Less: Cash and cash equivalents	143	378
Non-current financial assets (see note T)	1,950	1,950
Net debt	204,154	52,575

1 On transition to IFRS 16 on 1 May 2019, finance leases and hire purchase agreements were reclassified as lease liabilities.

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 2020 is £nil (2019: £nil). Obligations under finance leases or hire purchase agreements are secured by related assets.

M. Bank loans

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

	2020 Company £'000	2019 Company £'000
In one year or less	19,315	781
Between one and five years	126	17,307
After five years	–	–
Total	19,441	18,088

See note 21 to the Group Financial Statements for the principal features of the bank loans.

N. Lease liabilities

N.1. Lease liabilities movement

	Land and buildings Company £'000	Vehicles Company £'000	Other Company £'000	Total Company £'000
At 30 April 2019	–	–	–	–
Opening balance on transition	**149,730**	**7,129**	**4,475**	**161,334**
Reclassification of leases within borrowings	**–**	**–**	**28,897**	**28,897**
At 1 May 2019	**149,730**	**7,129**	**33,372**	**190,231**
Additions	**750**	**6,291**	**4,064**	**11,105**
Acquisitions	**2,183**	**–**	**–**	**2,183**
Disposals	**–**	**(84)**	**–**	**(84)**
Repayments	**(21,924)**	**(4,203)**	**(10,142)**	**(36,269)**
Interest	**6,412**	**358**	**195**	**6,965**
At 30 April 2020	**137,151**	**9,491**	**27,489**	**174,131**

N.2. Lease liabilities outstanding

	2020 Company £'000	2019 Company £'000
The present value of lease liabilities is as follows:		
Within one year	**31,249**	–
Later than one year and not later than five years	**92,162**	–
Later than five years	**50,720**	–
Total lease liabilities	**174,131**	–

In prior periods, the Company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 'Leases'. For adjustments recognised on adoption of IFRS 16 on 1 May 2019 see note V.

The expense relating to short-term and low value leases was £2,572,000. The expense relating to variable lease payments not included in lease liabilities was £nil. Income recognised from subleasing was £nil.

The total cash outflow for leases in the year ended 30 April 2020 was £37,541,000 (2019 £30,729,000).

N.3. Opening lease liabilities reconciliation

A reconciliation of operating lease commitments disclosed at 30 April 2019 to the lease liability recognised on transition to IFRS 16 on 1 May 2019 is as follows:

	Land and buildings Company £'000	Other Company £'000	Total Company £'000
Operating lease commitment disclosed as at 30 April 2019			
Within one year	21,543	5,384	26,927
Between one and five years	75,633	5,860	81,493
After more than five years	72,841	–	72,841
Total minimum lease payments	170,017	11,244	181,261
Add: finance leases and hire purchase agreements reclassified	–	28,897	28,897
Add: additional leases recognised under IFRS 16	–	1,880	1,880
Less: short term/low value leases not capitalised on transition	–	(122)	(122)
Revised commitment as at 1 May 2019	170,017	41,899	211,916
Discounted at weighted average incremental rate of borrowing	149,730	40,501	190,231
Of which:			
Current lease liabilities	15,364	12,854	28,218
Non-current lease liabilities	134,366	27,647	162,013
Total lease liabilities as at 1 May 2019	149,730	40,501	190,231

O. Provisions

	Redundancy provision Company £'000	Uninsured losses Company £'000	Dilapidations Company £'000	Total Company £'000
At 1 May 2018	–	–	1,491	1,491
Utilised	–	(168)	(84)	(252)
Charged in year	–	168	664	832
At 30 April 2019	–	–	2,071	2,071
Recognition of dilapidation provision on IFRS 16 leases	–	–	1,858	1,858
Acquisitions	400	–	224	624
Utilised	–	(122)	(153)	(275)
Charged in year	–	122	293	415
At 30 April 2020	400	–	4,293	4,693

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

	2020 Company £'000	2019 Company £'000
Current	99	100
Non-current	4,594	1,971
Total	4,693	2,071

Redundancy provisions
As part of the business combination, a redundancy provision was acquired. See note U.

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
Prior to adoption of IFRS 16, provisions were established over the life of leases to cover remedial work necessary at termination under the terms of those leases.

On transition to IFRS 16, the balance of expected dilapidation provision for each property was included in the calculation of the right-of-use asset.

P. Deferred tax

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

	Brought forward	IFRS 16 transition adjustment	(Charged)/ credited to income statement	(Charged)/ credited to share based payment reserve	Acquisitions	At 30 April 2020 £'000
Tax effect of temporary differences due to:						
Share based payments	563	–	129	(293)	–	399
IFRS 16 adjustment	–	3,162	399	–	–	3,561
Other timing differences	58	–	(126)	–	68	–
Deferred tax asset	621	3,162	402	(293)	68	3,960
Intangible assets	(1,198)	–	5	–	(323)	(1,516)
Accelerated capital allowances	(1,985)	–	203	–	(493)	(2,275)
Other timing differences	–	–	(250)	–	–	(250)
Deferred tax liability	(3,183)	–	(42)	–	(816)	(4,041)
Net deferred tax	(2,562)	3,162	360	(293)	(748)	(81)

Legislation to reduce the UK corporation tax rate from 19% to 17% with effect from 1 April 2020 was enacted at 30 April 2019. Further legislation to cancel this reduction was substantively enacted at 30 April 2020. A rate of 19% (2019: 17%) has been applied in the measurement of the Company's deferred tax assets and liabilities in the year.

Q. Share capital

	2020 Company £'000	2019 Company £'000
Allotted, called up and fully paid:		
101,662,415 (2019: 101,614,522) ordinary shares of 0.05p each	**51**	51

During the year the Company issued 47,893 ordinary shares to satisfy employee share options, for aggregate consideration of £114,000. The new shares rank pari passu with all existing ordinary shares in issue. See also note 25 to the Group Financial Statements.

R. Share based payments

Further details of the share option schemes are set out in note 25 to the Group Financial Statements. The charge to the Company's income statement for equity settled transactions in the year ended 30 April 2020 was £286,000 (2019: credit £1,152,000).

S. Capital commitments

	2020 Company £'000	2019 Company £'000
Authorised and contracted for	**1,112**	1,979
Authorised, but not contracted for	**2,392**	6,567
Total capital commitments	**3,504**	8,546

T. Related party disclosures

Clicklink Logistics Limited (see note 16 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, recharge of expenditure and administration services from the Company. During the year £588,000 (2019: £590,000) was recharged to Branton Court Stud LLP for management time of Directors and other key management personnel in proportion to the time spent on non-Clipper-related activities.

Additionally, in the previous financial year, the Company recognised a credit from Branton Court Stud LLP of £977,000 in respect of Branton Court's contribution to costs incurred by the Company in respect of a one-off event.

In the year, the Company paid Branton Court Stud LLP £70,000 (2019: £120,000) received in relation to horse race winnings. These monies were not intended for the Company and were paid to Branton Court on the same day.

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

Harrogate Road Restaurants Limited shares a common director with Clipper Logistics plc.

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 Company.

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

In the prior year, the Company entered into a framework agreement with Styles & Wood Limited, a company which shares common directors. A payment of £2.0 million was advanced in relation to the agreed works on 27 June 2018. The agreement was subsequently cancelled and the payment was returned by 20 August 2018. No such transactions occurred in the year ended 30 April 2020.

During the year, £138,000 was received from Steve Parkin in relation to repaying Clipper for personal expenditure incurred on a company credit card. At 30 April 2020 £nil was outstanding.

In the prior year, the Company advanced two petty cash amounts totalling £27,000 to David Hodkin in exchange for personal cheques from David Hodkin. In both cases, there was a short period of time elapsing between David's withdrawal of the cash and Clipper's subsequent cashing of the cheque. No such transactions occurred in the year ended 30 April 2020.

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

T. Related party disclosures continued

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

	2020 Company £'000	2019 Company £'000
Non-current financial assets:		
Clicklink Logistics Limited – interest-bearing loan	**1,950**	1,950
Trade and other receivables:		
Clicklink Logistics Limited – trading balance	**2,066**	1,626
Hamsard 3476 Limited	**–**	–
Knaresborough Investments Limited	**–**	–
Branton Court Stud LLP	**–**	461
Trade and other payables:		
Clicklink Logistics Limited	**179**	227
Roydhouse Properties Limited	**176**	–

The shareholders in Clicklink Logistics Limited have jointly made available to that company a term loan facility of £3,900,000 of which the Company's 50% share is £1,950,000. The facility may be drawn in up to 10 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 2022.

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

	2020 Company £'000	2019 Company £'000
Items credited to the income statement:		
Clicklink Logistics Limited – revenue	**19,088**	20,392
Clicklink Logistics Limited – finance income	**59**	52
Branton Court Stud LLP	**588**	2,095
Hamsard 3476 Limited	**–**	3,100
Knaresborough Investments Limited	**–**	30
Harrogate Road Restaurants Limited	**–**	–
Items charged to the income statement:		
Clicklink Logistics Limited	**2,438**	2,750
Branton Court Stud LLP	**–**	129
Hamsard 3476 Limited	**–**	145
Knaresborough Investments Limited	**1**	29
Roydhouse Properties Limited	**808**	910
Guiseley Association Football Club	**–**	25

U. Business combination

In April 2019, the Company entered into a series of contracts with a customer, which when combined represented a business combination in accordance with IFRS 3 'Business Combinations'. The acquisition consists of premises, assets and a workforce, together carrying out a logistics service business that is now carried out by the Company. The business acquired is an unincorporated entity. Several areas required significant judgment by management, in particular that the transfer of employees under TUPE and the lease of the premises commenced only after the year end, limiting the ability of the Company to control the relevant activities of the acquired business. On balance the Company has concluded that the effective date of the business combination is 1 July 2019 and that this series of transactions should be reflected within the year ended 30 April 2020. This is when management concluded that control has passed to the Company. The Company has carried out a fair value exercise of the business combination, which gives rise to 'negative goodwill' of £3,499,000. The 'negative goodwill' is recognised within the Company income statement in the year ended 30 April 2020.

The fair value table for the business combination is shown below.

Purchase consideration and cash flows:

	£'000
Cash consideration paid in the year	2,899
Cash consideration receivable	(2,765)
Total net consideration payable	**134**

Acquisition:

	Fair values £'000
Assets:	
Property, plant and equipment	2,899
Right-of-use asset	2,407
Customer relationship	1,882
Liabilities:	
Lease liabilities	(2,183)
Non-current provisions	(624)
Deferred tax liabilities	(748)
Total identifiable net assets at fair value	**3,633**
'Negative goodwill' arising on acquisition	(3,499)
Total consideration	**134**

As part of the series of transactions, the customer will pay, in the year ending 30 April 2021, the Company consideration in return for the Company assuming certain potential liabilities. This results in the net consideration payable being less than the fair value of net assets acquired, principally the customer relationship, which gave rise to 'negative goodwill'.

Professional fees and costs in relation to the acquisition amounted to £41,000 and have been charged to the income statement.

V. IFRS 16 transition

The impact on the statement of financial position at the date of transition was as follows:

	Note	At 30 April 2019 Company £'000	IFRS 16 adjustment Company £'000	At 1 May 2019 Company £'000
Assets:				
Non-current assets				
Goodwill		5,712	–	5,712
Other intangible assets		9,495	–	9,495
Intangible assets		15,207	–	15,207
Property, plant and equipment	1	51,074	(33,952)	17,122
Right-of-use assets	2	–	175,011	175,011
Investment in subsidiaries		28,917	–	28,917
Other investments		1,950	–	1,950
Non-current financial assets		1,950	–	1,950
Deferred tax assets	3	–	600	600
Total non-current assets		99,098	141,659	240,757
Current assets				
Inventories		670	–	670
Trade and other receivables	4	79,987	(4,758)	75,229
Cash and cash equivalents		378	–	378
Total current assets		81,035	(4,758)	76,277
Total assets		180,133	136,901	317,034
Equity and liabilities:				
Current liabilities				
Trade and other payables	4	86,849	(8,293)	78,556
Financial liabilities: borrowings	5	16,893	(8,194)	8,699
Lease liabilities: short term	6	–	28,218	28,218
Short-term provisions		100	–	100
Current income tax liabilities		835	–	835
Total current liabilities		104,677	11,731	116,408
Non-current liabilities				
Financial liabilities: borrowings	5	38,010	(20,703)	17,307
Lease liabilities: long term	6	–	162,013	162,013
Long-term provisions	4	1,971	1,858	3,829
Deferred tax liabilities	3	2,562	(2,562)	–
Total non-current liabilities		42,543	140,606	183,149
Total liabilities		147,220	152,337	299,557
Equity shareholders' funds				
Share capital		51	–	51
Share premium		2,060	–	2,060
Currency translation reserve		(5)	–	(5)
Other reserve		851	–	851
Share based payment reserve		1,643	–	1,643
Retained earnings	7	28,313	(15,436)	12,877
Total equity attributable to the owners of the Company		32,913	(15,436)	17,477
Total equity and liabilities		180,133	136,901	317,034

1. Assets previously recognised within property, plant and equipment under IAS 17 relating to finance leases were transferred as Right-of-use assets at their book value at the date of transition.
2. Right-of-use assets: valued at an amount equal to the carrying amount as if IFRS 16 had been applied since the start of the lease, but applying the incremental rate of borrowing at the 1 May 2019 (date of transition).
3. Deferred tax asset: as per IAS 12, the net liability recognised on transition to IFRS 16 creates a temporary timing difference from that which will be deducted for tax purposes, therefore a deferred tax asset is recognised.
4. Reclassification of balance sheet items: lease incentive accruals, dilapidation provisions and lease prepayments have been reclassified on transition to IFRS 16.
5. Reclassification of lease liabilities: finance lease and hire purchase agreements previously recognised under IAS 17 have been reclassified to lease liabilities from financial liabilities: borrowings
6. Lease liabilities: measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate (see critical accounting estimates and judgments on page 87 for more details).
7. Retained earnings adjustment: the Group has calculated the right-of-use asset as though IFRS 16 had been applied since the start of the lease and depreciated, resulting in a charge to retained earnings as the carrying value of right-of-use assets is lower than the finance lease liabilities recognised.

Directors, Secretary, Registered & Head Office and Advisors

Directors:	Steve Parkin, Executive Chairman Tony Mannix, Chief Executive Officer David Hodkin, Chief Financial Officer Christine Cross, Senior Independent Non-Executive Director Stuart Watson, Independent Non-Executive Director Dino Rocos, Independent Non-Executive Director
Company Secretary:	Marianne Hodgkiss
Registered Office and Head Office of the Company:	Gelderd Road Leeds LS12 6LT
Registered number:	03042024
Sponsor, financial advisor, sole bookrunner and joint broker:	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Joint broker:	Shore Capital Stockbrokers Limited Cassini House 57 St James's Street London SW1A 1LD
Legal advisors	Squire Patton Boggs (UK) LLP 2 Park Lane Leeds LS3 1ES Pinsent Masons LLP 1 Park Row Leeds LS1 5AB
Auditor:	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 29 Wellington Street Leeds LS1 4DL
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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