CLIPPER LOGISTICS PLC

"Continuing strong growth in line with expectations"

INTERIM RESULTS FOR THE SIX MONTHS TO 31 OCTOBER 2016

Clipper Logistics plc ("Clipper", "the Group", or "the Company"), a leading provider of value-added logistics solutions and e-fulfilment to the retail sector, is pleased to announce its unaudited results for the six months ended 31 October 2016.

Financial Highlights

- Group revenue up 16.5% to £164.9 million (2015: £141.5 million);
- Group EBIT 23.2% ahead at £7.6 million (2015: £6.2 million), reflecting strong performance across all service lines:
    - E-fulfilment and returns management services EBIT up 21.7% to £4.2 million (2015: £3.5 million);
    - Non e-fulfilment logistics EBIT up 18.9% to £5.9 million (2015: £5.0 million);
    - Commercial vehicles EBIT up 20.4% to £1.3 million (2015: £1.1 million);
- Group Profit Before Tax (PBT) up 25.5% to £6.9 million (2015: £5.5 million);
- Cash generated from operations up 67.0% to £12.3 million (2015: £7.4 million);
- Earnings per share up 23.3% to 5.3 pence (2015: 4.3 pence);
- Interim dividend increased by 20.0% to 2.4 pence per share (2015: 2.0 pence).

Operational Highlights

- Extended the Click and Collect network for John Lewis to full national coverage, and formally entered into a Joint Venture with John Lewis;
- Click and Collect network now available to other retailers following implementation of further software developments;
- Successfully launched returns and pre-retail processing services for John Lewis under a ten-year agreement at a new, shared-user logistics facility in Northampton;
- Agreed new contracts with M&S for returns and Halfords for inbound bulk handling and storage;
- Increased tobacco contract packing activities during transitional arrangements due to the EU's Tobacco Packaging Directive;
- Significant organic growth, both with long-standing customers and with more recent start-ups;
- Secured additional space at Daventry, Avonmouth and Tannochside in the UK, and at Hof in Germany in order to service increasing activity levels. Increased utilisation of space in Wynyard, Burton and Swadlincote;

- Evolution of the European business has continued to progress, with new contracts secured in Germany which will contribute marginally in the second half with full benefits in the next financial year;

- Strong performance in commercial vehicles division driven by new vehicle sales;

- New Managing Directors appointed at Servicecare and in Germany to drive and oversee strategic growth ambitions; and

- Continuing strong pipeline of new business opportunities.

Commenting on the results, Steve Parkin, Executive Chairman of Clipper, said:
“I am pleased to confirm that the Group has once again delivered strong results in line with the Board’s expectations.

Revenue and profit growth has been strong in all sectors, and we have improved further our operating cashflow.

Our market-leading position in the high-growth area of e-fulfilment and associated services, has been enhanced further by the recent formalisation of a Joint Venture with John Lewis to provide a Click and Collect service dedicated to the needs of high street retailers. We expect this to significantly enhance profits in future financial periods.

The first half of the current financial year saw strong organic growth on existing contracts, particularly in the e-commerce sector, and this was complemented by a number of new contract wins.

The new business pipeline continues to be strong, and we expect the positive momentum from existing and new contracts to continue into the second half of the year.

The Group is pleased to announce an increased interim dividend of 2.4 pence per share, which will be paid to shareholders on 30 December 2016.

The Board remains confident for the future, and look forward to updating our shareholders and the markets throughout the year.”

ENQUIRIES

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This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016.

About Clipper

Clipper Logistics plc (www.clippergroup.co.uk), which is premium listed on the Main Market of the London Stock Exchange, is a retail logistics specialist, which provides value-added, consultancy-led services to its blue chip client base. Clipper is a UK leader in its markets, with a long-standing customer base in:

- e-fulfilment
- fashion
- high-value logistics

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

Cautionary statement

Any forward looking statements made in this document represent the Board's best judgement as to what may occur in the future. However, the Group's actual results for the current and future financial periods and corporate developments will depend on a number of economic, competitive and other factors, some of which may be outside the control of the Group. Such factors could cause the Group's actual results in future periods to differ materially from those expressed in any forward looking statements included in this announcement.

PERFORMANCE AT A GLANCE

	6 months ended 31 October 2016 (unaudited) £m	6 months ended 31 October 2015 (unaudited) £m	Change	12 months ended 30 April 2016 (audited) £m
Revenue	**164.9**	141.5	+16.5%	290.3
EBIT	**7.6**	6.2	+23.2%	14.5
Profit before tax	**6.9**	5.5	+25.5%	13.1
Earnings per share	**5.3p**	4.3p	+23.3%	10.3p
Cash generated from operations	**12.3**	7.4	+67.0%	20.5

ALTERNATIVE PERFORMANCE MEASURES

The Group makes use of an Alternative Performance Measure (APM) in the management of its operations and as a key component of its internal and external reporting. In accordance with FRC guidance, this is explained below.

Earnings before interest and tax (EBIT) is defined as the operating profit of the business and the Group's share of operating profit in Joint Ventures and Associates. Due to the structure of our contractual relationships, with approximately 70% of revenue in our UK logistics operations being on open book terms, EBIT is the key metric rather than EBIT margin or revenue. In the period under review, the seasonality and start-up phase of our Click and Collect operations have distorted the reported margin percentages. A reconciliation of EBIT by business area to Group operating profit and Group PBT is included in the Financial Review below and note 4 respectively.

GROUP RESULTS

The Group has enjoyed a successful first half of the year with strong revenue and profit growth in line with the Board's expectations.

The Group's strategic positioning in e-fulfilment and returns management services delivered continued strong organic growth in this sector.

Results for the six months ended 31 October 2016 benefited from the full run-rate impact of those operations commenced in the prior financial year, including Browns, Pep&Co, the Click and Collect operations with John Lewis, M&Co, Kidly and new activities for one of Ireland's biggest retailers.

Further, the Group has benefited from contracts which commenced in the first half of the current year, including Gallaher Limited, Links of London and the new activities at the new Northampton facility for John Lewis and a major international retailer.

Organic growth has resulted from extensions to the scope of operations for certain existing customers, including with Philip Morris and Click and Collect for John Lewis. Further organic growth has been driven by increased levels of activity on existing operations, including those with ASOS and on certain transport activities.

The combination of these factors resulted in EBIT from e-fulfilment and returns management activities increasing by 21.7% to £4.2 million (2015: £3.5 million), with EBIT from non e-fulfilment activities increasing by 18.9% to £5.9 million (2015: £5.0 million). This was further complemented by continuing strong performance in the commercial vehicles division as new vehicle sales continued to grow, resulting in an EBIT increase of 20.4% to £1.3 million (2015: £1.1 million).

Clipper's solution-driven proposition is underpinned by continued investment in quality people and this resulted in some increase in the central logistics and head office overhead bases, including increased share based payment charges. As a result, central logistics costs increased by £0.3 million to £2.6 million (2015: £2.3 million) and head office costs increased by £0.2 million to £1.2 million (2015: £1.0 million).

In line with Clipper's progressive dividend policy and reflecting the Group's strong cash flow and earnings growth, the Board is pleased to announce an interim dividend of 2.4 pence per share, which will be paid on 30 December 2016 to shareholders on the register at 9 December 2016. This represents an increase of 20% (0.4 pence per share) compared to the interim dividend of 2.0 pence paid in December 2015.

STRATEGY

The Group's strategy is set around four key principles all of which have seen positive developments over the period under review:

- To build on Clipper's market leading customer proposition and continue to expand the customer base;
- Develop new, complementary products and services;
- Explore acquisition opportunities; and
- Continue European expansion.

The Group continues to provide market-leading, value-added logistics solutions to the retail sector in the UK as demonstrated through further new contract wins with blue-chip clients. Examples of these include a new ten-year contract with John Lewis to provide ancillary services and returns management services, and new contracts with Halfords, Links of London, M&S and Silkfred. The Group is well-positioned in the high-growth e-commerce market and as a result has seen significant volume increases with the majority of its customers.

The Group continues to innovate in order to identify and address the logistical challenges of retailers through the development of new, complementary products and services. We have designed and installed cutting-edge automation projects for certain of our customers, introduced innovative returns management solutions for others and implemented new stock and warehouse management systems. We have recently entered into a Joint Venture arrangement with John Lewis which not only services the Click and Collect needs of John Lewis into Waitrose stores nationally, but is also now available for other retailers. Additionally, there are a number of areas where we are leveraging the complementary capabilities of Clipper and Servicecare across each other's existing customer base.

The Group also continues to seek potential acquisitions providing complementary activities. We continue to monitor the market for potential targets and partners, both in the UK and throughout Europe, which will deliver enhanced earnings and increased shareholder value.

Our European activities have evolved significantly over the last six months. A number of new customer contracts have been secured or are at an advanced stage, including some cross-border operations with UK customers. We expect to see further developments both in Germany and further afield over the coming months and years.

OUTLOOK

Trading continues to be positive into the second half of the year, with significant year-on-year increases in activity in all sectors, enhanced by the impact of new contract wins coming on-line. Further, the Click and Collect Joint Venture is expected to enhance Group profitability into the second half of the year.

Clipper achieved a very successful Black Friday to Cyber Monday trading period for its clients. We expect to see continuing high activity levels in the period through to Christmas and the Boxing Day sales, particularly in e-fulfilment and returns management services.

The Company is not experiencing any significant upward pressure on its cost base, and the high proportion of open-book contracts within its UK logistics operations provides a high degree of protection against any future potential cost inflation.

The commercial vehicles business has achieved growth in excess of expectations in the first half of the year and we expect the business to continue to perform well.

The Board expects that the UK's decision to leave the European Union will have little impact on the Group's trading for the foreseeable future. The nature of contractual relationships in the UK logistics sector, with approximately 70% of revenue on open book terms, provides a very high degree of protection against both cost inflation and volume downsides. Similarly, the Board expects that there will be little or no impact within the commercial vehicles sector. It remains to be seen whether the government's desire to restrict immigration will have a longer term impact on labour availability, but the Group's contractual structures mean that it is well-placed to be able to compete for labour were that necessary in the future.

Now that the Click and Collect collaboration with John Lewis has been transferred into a Joint Venture, revenues and trading profits will be accounted for differently from November onwards. Revenue of the Joint Venture will no longer be reported as revenue of the Group. However, any sales from Clipper to the Joint Venture will be recognised within revenue of the Group. Clipper's 50% share of EBIT, interest and tax charges within the Joint Venture will be disclosed within the e-fulfilment EBIT, group interest and group tax charges within the consolidated income statement.

BUSINESS REVIEW

Operational review

E-fulfilment and returns management services

E-fulfilment operations 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. At no time does Clipper take ownership of customers' products.

We continue to manage the return of products on behalf of retailers, particularly those sold online, through our Boomerang brand.

Revenues for e-fulfilment and returns management services have increased 38.2% to £58.9 million in the six months ended 31 October 2016 (2015: £42.6 million). EBIT is 21.7% ahead of the equivalent period in the prior year at £4.2 million (2015: £3.5 million).

We have seen continued migration in the retail sector to online and omni-channel retailing; this has led to growth in the first half of the year in activity levels for many of our existing customers, including ASOS, Wilko, Love Knitting, John Lewis and s.Oliver. The newly commenced Silkfred and Links of London contracts will reach full annualised run rates in the year ending April 2018.

In addition, we have taken on additional returns activity with John Lewis in a new Northampton facility under the ten year framework agreement signed in September 2016 and on a new M&S returns contract, both contributing to earnings growth in the current financial year.

We first announced a Click and Collect collaboration with John Lewis last year. The geographical footprint of this operation increased significantly in September 2016 from circa 30% of the Waitrose store estate in the UK to the entire Waitrose store estate. This operation has subsequently been formally transferred into a Joint Venture, underlining the strong working relationship we have with John Lewis. Further software developments have now been completed which mean that we are able to leverage the infrastructure by offering the service to other retailers.

In the period, we migrated certain Supergroup activities from Burton to Ollerton and the Go Outdoors activities from Burton to Swadlincote, both of which were necessary to prepare all of these operations for expected growth. Additionally, the Northampton operations have stepped up significantly, due to both organic growth and the transfer of other activities from another logistics provider.

Due to the structure of our contractual relationships, with approximately 70% of revenue in our UK logistics operations being on open book terms, EBIT is the key metric rather than EBIT margin. In the period under review, the seasonality and start-up phase of our Click and Collect operations have distorted reported margin percentages.

Non e-fulfilment logistics

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

Within this sector, Clipper handles high value products, including tobacco, electrical products and high value clothing, whilst also undertaking traditional retail support services including processing, storage and distribution of products, particularly fashion, to high street retailers.

Revenues were 9.7% ahead of the prior year at £61.3 million (2015: £55.9 million), and EBIT was 18.9% higher at £5.9 million (2015: £5.0 million).

Tobacco-related activities, whether contract packing, bonded warehousing or transport operations, have contributed significantly to the growth, both organically and through contract scope extensions. The EU Tobacco Packaging Directive changes have presented additional contract packing opportunities to Clipper.

The levels of activity on the Haddad and Pep&Co retail contracts have ramped up significantly compared to the first six months of the prior year, their first period as Clipper customers. Conversely, Morrison's disposal of its convenience store portfolio has had an adverse impact on activity and revenue.

Concurrently with new contract wins with Halfords and John Lewis, we have taken on two additional logistics facilities in the period at Daventry and Northampton. In addition, as a result of the additional space requirements of the M&Co and the Click and Collect transport operations, we have committed to additional transport depot space in the period; we have relocated our transport depots in the South West of England and in Scotland to much larger facilities, not only to accommodate the current requirements, but also to accommodate future growth.

Wöhrl, a new customer to Germany, has contributed to revenues in the six months ended 31 October 2016. Additionally, organic revenue growth was delivered with Recaro and s.Oliver. A contract with Smiffys, a cross-border operation, is due to go live in December and we are currently in discussion over a number of other European opportunities.

As with e-fulfilment and returns management services, due to the nature of contracts EBIT is the key performance metric for this business activity.

Central logistics overheads

Central logistics overheads represent the costs of support services specific to the logistics operations, but which cannot be allocated in a meaningful way to the sub-segment activities.

Such costs include directorate, advertising and promotion, accounting and IT, and the costs of the solutions development team.

Central logistics overheads of £2.6 million increased by 12.3% compared to the prior year (2015: £2.3 million), in line with expectations, and reflect continued investment in strengthening the solutions team, IT and marketing spend, and share based payment charges.

Commercial vehicles

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

Revenue of £45.6 million for the six months ended 31 October 2016 was 4.4% ahead of revenue for the same period last year (2015: £43.7 million). The number of new vehicles sold has increased by 4.7% to 1,076 in the six months ended 31 October 2016 (2015: 1,028), driving most of the revenue growth. Such performance bodes well for the future since new vehicles sales in any given year are often a good barometer for after-sales revenues (i.e. parts and servicing) in subsequent years.

EBIT increased by 20.4% to £1.3 million in the same period 2015: (£1.1 million). In addition to the year-on-year growth in revenue from new vehicle sales, the margin achieved on new vehicle sales also increased.

Financial Review

Revenue

Group revenue increased by 16.5% to £164.9 million (2015: £141.5 million).

Revenue derived from value-added logistics services increased by 22.0% to £120.2 million (2015: £98.5 million), with growth in both e-fulfilment and returns management services (38.2% higher) and non e-fulfilment services (9.7% higher).

Revenue from sales and repairs of commercial vehicles increased by 4.4% to £45.6 million (2015: £43.7 million). The increase was driven primarily by new vehicle sales.

Revenue (unaudited)	**Six months to 31 October**		
	2016	**2015**	**Change**
E-fulfilment & returns management services	£58.9 m	£42.6 m	+38.2%
Non e-fulfilment logistics	£61.3 m	£55.9 m	+9.7%
Total value-added logistics	£120.2 m	£98.5 m	+22.0%
Commercial vehicles	£45.6 m	£43.7 m	+4.4%
Intra-Group	£(0.9)m	£(0.7)m	
Consolidated total	£164.9 m	£141.5 m	+16.5%

EBIT

Group EBIT increased by 23.2% to £7.6 million (2015: £6.2 million).

EBIT growth was achieved in all segments and business activities, with growth of 21.7% in e-fulfilment and returns management services. In addition, the Group achieved EBIT growth of 18.9% in non e-fulfilment logistics and 20.4% in commercial vehicles. Central logistics costs increased by £0.3 million, primarily due to increased investment in the solutions team, whilst head office costs rose by £0.2 million.

Group EBIT (unaudited)	Six months to 31 October		
	2016	2015	Change
E-fulfilment & returns management services	£4.2 m	£3.5 m	+21.7%
Non e-fulfilment logistics	£5.9 m	£5.0 m	+18.9%
Central logistics costs	£(2.6)m	£(2.3)m	
Total value-added logistics	£7.5 m	£6.1 m	+23.0%
Commercial vehicles	£1.3 m	£1.1 m	+20.4%
Head office costs	£(1.2)m	£(1.0)m	
Consolidated total	£7.6 m	£6.2 m	+23.2%

Net finance costs

Net finance costs were £0.8 million (2015: £0.7 million). These costs have increased by 6.1% since the effects of an increased average net debt position (see below) have been partly offset by reduced margins on our senior borrowing facilities.

Taxation

The tax charge on profit before tax was £1.5 million (2015: £1.2 million). The effective tax rate in the period of 22.0% (2015: 21.1%) has increased due to a higher proportion of building infrastructure capital expenditure (which does not qualify for capital allowances) in the current period than in the prior period and a slight correction to the tax provision relating to prior years.

Earnings Per Share (EPS)

EPS was 5.3p in the period (2015: 4.3p) an increase of 23.3% due to the strong trading performance in all segments and business areas.

Dividend

An interim dividend for the current year of 2.4 pence per share was approved by the board on 30 November 2016. The dividend will be payable on 30 December 2016 to shareholders on the register at the close of business on 9 December 2016.

Cashflow

Cash generated from operations was £12.3 million (2015: £7.4 million). Net cash generation from working capital during the period was £2.5 million (2015: £(0.7) million), the increase being partly attributable to increased trade payables in respect of capital expenditure. We define net cash generated from working capital as the cash flows generated from changes in: trade and other receivables of £(17.3) million (2015: £(11.5) million), inventories of £(10.4) million (2015: £(3.5) million) and trade and other payables of £30.2 million (2015: £14.3 million), per the cash flow statement.

The two principal drivers of increase in the working capital elements are: (i) increased activity levels in the logistics segment leading to large increases in both trade receivables and trade payables; and (ii) a change in policy by the commercial vehicles manufacturer, whereby vehicles which were previously delivered directly to major fleet customers are now recognised in the Group’s inventories prior to sale. There is a corresponding increase in trade payables.

Capital expenditure in the period on property, plant and equipment was £15.6 million (2015: £7.7 million), compared to a depreciation and impairment charge of £2.0 million (2015: £1.6 million). This increase in capital expenditure is predominantly due to the start-up capital investment required on two contracts; as usual, the vast majority of this has been incurred with back-to-back commitments from customers to repay this capital over the life of the contract through open book mechanisms. £7.2 million (2015: £4.8 million) of the capital expenditure was financed on hire purchase or finance lease agreements and £1.6 million (2015: £nil) was financed by specific bank loans.

With an effective date of 31 October 2016, Clipper entered into a Joint Venture Agreement with John Lewis. On this date, Clipper invested £1.95 million in the share capital of the Joint Venture vehicle, Hamsard 3405 Limited, and disposed of: property, plant & equipment with a net book value of £1.0 million; software with a net book value of £0.2 million; other current assets with a book value of £3.5 million; and other current liabilities of £(2.3) million to Hamsard 3405 Limited. On 2 November 2016 Clipper also advanced an interest-bearing loan of £1.45 million to Hamsard 3405 Limited.

Net debt at 31 October 2016 was £30.2 million (2015: £19.7 million). The increase in net debt compared to the prior year and since 30 April 2016 (£18.8 million) is primarily due to the significant capital expenditure on two specific projects, explained above. At 31 October 2016, there are further undrawn bank facilities of £17.1 million committed and available. See note 13 for further detail.

RISK MANAGEMENT

There are a number of risks and uncertainties facing the business in the second half of the financial year. A risk management process is used by the Group to identify, monitor and manage such risks. The principal risks and uncertainties facing the business are unchanged from those identified in the 2016 Annual Report. Those risks are outlined below:

- Reputational impact of any failed project implementations;
- Failure to develop and retain key people;
- A loss of focus on operational delivery;
- A failure to manage health and safety risks;
- A worsening of a customer relationship may lead to non-renewal of contracts;
- A natural or other disaster on any major site;
- Failure of IT systems or infrastructure;
- Legal and regulatory risks;
- Liquidity risk;
- Credit risk; and
- Fraud risk.

The Group has in place mitigation strategies to deal with all of these risks. Further details can be found on pages 31 to 33 in the 2016 Annual Report.

Steve Parkin	**Tony Mannix**	**David Hodkin**
Executive Chairman	CEO	CFO
1 December 2016	1 December 2016	1 December 2016

CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS TO 31 OCTOBER 2016

Interim Group Income Statement (unaudited)

Year ended 30 April 2016 £'000		Note	6 months ended 31 October 2016 £'000	6 months ended 31 October 2015 £'000
290,325	**Revenue**	3	**164,922**	141,547
(205,742)	Cost of Sales		**(117,238)**	(100,004)
84,583	**Gross profit**		**47,684**	41,543
263	Other net gains		**66**	276
(70,315)	Administration and other expenses		**(40,127)**	(35,632)
14,531	**Operating profit**		**7,623**	6,187
(1,413)	Finance costs	5	**(765)**	(722)
4	Finance income	6	**2**	3
13,122	**Profit before income tax**		**6,860**	5,468
(2,786)	Income tax expense	7	**(1,511)**	(1,152)
10,336	**Profit for the financial period**		**5,349**	4,316
10.3p	**Basic earnings per share**	8	**5.3p**	4.3p
10.3p	**Diluted earnings per share**	8	**5.3p**	4.3p

Interim Group Statement of Comprehensive Income (unaudited)

Year ended 30 April 2016 £'000		Note	6 months ended 31 October 2016 £'000	6 months ended 31 October 2015 £'000
10,336	**Profit for the financial period**		**5,349**	4,316
	Other comprehensive income (expense) for the period, net of tax:			
	To be classified to the income statement in subsequent periods:			
(6)	Exchange differences on retranslation of foreign operations		**(121)**	(1)
10,330	**Total comprehensive income for the period attributable to equity holders of the parent company**		**5,228**	4,315

Interim Group Statement of Financial Position (unaudited)

30 April 2016 £'000		Note	31 October 2016 £'000	31 October 2015 £'000
	ASSETS			
	Non-current assets			
25,564	Property, plant and equipment	10	**38,346**	20,679
-	Investments	11	**1,950**	-
23,252	Goodwill		**23,252**	23,252
1,646	Other intangible assets		**1,499**	1,584
-	Deferred tax assets		**50**	-
24,898	Intangible assets		**24,801**	24,836
50,462	**Total non-current assets**		**65,097**	45,515
	Current assets			
26,252	Inventories		**37,254**	25,590
39,816	Trade and other receivables		**57,508**	44,966
36	Current tax assets		**-**	-
715	Cash and cash equivalents	12	**1,470**	2,685
66,819	**Total current assets**		**96,232**	73,241
117,281	**TOTAL ASSETS**		**161,329**	118,756
	EQUITY AND LIABILITIES			
	Current Liabilities			
72,183	Trade and other payables		**102,378**	75,309
6,553	Financial liabilities: Borrowings	13	**6,734**	9,430
10	Derivative financial instruments	14	**-**	34
109	Short term provisions		**119**	113
1,747	Current income tax liabilities		**1,793**	1,219
80,602	**Total current liabilities**		**111,024**	86,105
	Non-current liabilities			
12,931	Borrowings	13	**24,914**	12,969
769	Long term provisions		**819**	740
202	Deferred tax liabilities		**-**	507
13,902	**Total non-current liabilities**		**25,733**	14,216
94,504	**TOTAL LIABILITIES**		**136,757**	100,321
	Equity shareholders' funds			
50	Share capital		**50**	50
56	Share premium		**68**	48
24	Currency translation reserve		**(97)**	30
84	Other reserve		**84**	84
6,006	Merger reserve		**6,006**	6,006
783	Share based payment reserve		**1,338**	464
15,774	Retained earnings		**17,123**	11,753
22,777	**TOTAL EQUITY**		**24,572**	18,435
117,281	**TOTAL EQUITY AND LIABILITIES**		**161,329**	118,756

Interim Group Statement of Changes in Equity (unaudited)

	Share capital £'000	Share premium £'000	Other reserve £'000	Currency translation reserve £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2015	50	48	84	31	6,006	139	10,637	16,995
Profit for the period	-	-	-	-	-	-	4,316	4,316
Other comprehensive income	-	-	-	(1)	-	-	-	(1)
Equity settled transactions	-	-	-	-	-	325	-	325
Dividends	-	-	-	-	-	-	(3,200)	(3,200)
Balance at 31 October 2015	50	48	84	30	6,006	464	11,753	18,435
Profit for the period	-	-	-	-	-	-	6,020	6,020
Other comprehensive income	-	-	-	(6)	-	-	1	(5)
Equity settled transactions	-	-	-	-	-	319	-	319
Share issue	-	8	-	-	-	-	-	8
Dividends	-	-	-	-	-	-	(2,000)	(2,000)
Balance at 30 April 2016	50	56	84	24	6,006	783	15,774	22,777
Profit for the period	-	-	-	-	-	-	5,349	5,349
Other comprehensive income	-	-	-	(121)	-	-	-	(121)
Equity settled transactions	-	-	-	-	-	555	-	555
Share issue	-	12	-	-	-	-	-	12
Dividends	-	-	-	-	-	-	(4,000)	(4,000)
Balance at 31 October 2016	**50**	**68**	**84**	**(97)**	**6,006**	**1,338**	**17,123**	**24,572**

Interim Group Statement of Cash Flows (unaudited)

Year ended 30 April 2016 £'000		Note	6 months ended 31 October 2016 £'000	6 months ended 31 October 2015 £'000
13,122	Profit before tax from operating activities		**6,860**	5,468
	Adjustments to reconcile profit before tax to net cash flows:			
4,580	Depreciation and impairment of property, plant and equipment		**1,977**	1,572
466	Amortisation and impairment of intangible assets		**293**	215
(37)	Gain on disposal of property, plant and equipment		**(18)**	(18)
(82)	Exchange differences		**(447)**	1
1,409	Net finance costs	5, 6	**763**	719
(60)	Movement in fair value of derivative financial instruments		**(10)**	(36)
(1)	Amortisation of grants		**-**	-
454	Share based payments charge	15	**421**	206
	Working capital adjustments			
(6,372)	(Increase) / decrease in trade and other receivables		**(17,307)**	(11,522)
(3,677)	(Increase) / decrease in inventories		**(10,380)**	(3,484)
10,694	Increase / (decrease) in trade and other payables		**30,181**	14,265
20,496	**Cash generated from operations**		**12,333**	7,386
4	Interest received		**2**	3
(1,362)	Interest paid		**(644)**	(688)
(2,063)	Income tax paid		**(1,541)**	(681)
17,075	**Net cash flows from operating activities**		**10,150**	6,020
	Investing activities			
(5,383)	Purchase of property, plant and equipment	10	**(6,782)**	(2,553)
238	Proceeds from sale of property, plant and equipment		**1,319**	100
(546)	Purchase of intangible assets		**(305)**	(231)
-	Proceeds from sale of intangible assets		**166**	-
-	Investment in joint venture	11	**(1,950)**	-
-	Loan advance to joint venture	11	**(385)**	-
(2,212)	Acquisition of subsidiary undertaking net of cash acquired		**-**	(1,000)
(7,903)	**Net cash flows from investing activities**		**(7,937)**	(3,684)
	Financing activities			
942	New bank loans		**-**	62
(232)	Debt issue costs paid		**-**	-
5,500	Net drawdown of revolving credit facility		**5,000**	4,000
207	Finance leases advanced		**2,107**	426
(10,141)	Repayment of bank loans		**(109)**	(1,314)
8	Shares issued		**12**	-
(5,200)	Dividends paid	9	**(4,000)**	(3,200)
(3,212)	Repayment of capital on finance leases		**(2,718)**	(1,479)
(12,128)	**Net cash flows from financing activities**		**292**	(1,505)
(2,956)	Net increase (decrease) in cash and cash equivalents		**2,505**	831
1,854	Cash and cash equivalents at start of period		**(1,102)**	1,854
(1,102)	**Cash and cash equivalents at end of period**		**1,403**	2,685

Notes to the Interim Financial Statements

1. Accounting policies

Basis of preparation

Clipper Logistics plc ('the Company') is a public limited company incorporated and domiciled in the United Kingdom. The condensed interim financial statements have been prepared in accordance with the Disclosure and Transparency rules of the Financial Conduct Authority ("FCA") and where applicable IAS 34 "Interim Financial Reporting (as adopted by the EU)".

As required by the Disclosure and Transparency rules of the FCA, the condensed interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 30 April 2016. These statements do not include all the information required for full annual financial statements and should be read in conjunction with the full annual report for the year ended 30 April 2016. The financial information for the half year ended 31 October 2016 and for the equivalent period in 2015 has not been audited or reviewed.

The information for the year ended 30 April 2016 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The financial statements are prepared on the going concern basis.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above. The Group has considerable financial resources together with strong trading relationships with its key customers and suppliers. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

New standards and interpretations

The following accounting standards and interpretations became effective, and were adopted by the Group, for the current reporting period:

International Accounting Standards (IAS / IFRSs)	Effective Date
Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
Equity Method in Separate Financial Statements – Amendments to IAS 27	1 January 2016
Annual Improvements to IFRSs – 2012-2014 Cycle	1 January 2016
Disclosure Initiative – Amendments to IAS 1	1 January 2016

The application of these standards has not had a material effect on the net assets, results and disclosures of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Financial risks, estimates, assumptions and judgements

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 April 2016.

3. Revenue

Revenue recognised in the income statement is analysed as follows:

Year ended 30 April 2016 £'000		**6 months ended 31 October 2016 £'000**	6 months ended 31 October 2015 £'000
97,598	E-fulfilment & returns management services	**58,924**	42,630
108,390	Non e-fulfilment logistics	**61,301**	55,888
205,988	Value-added logistics services	**120,225**	98,518
85,642	Commercial vehicles	**45,627**	43,706
(1,305)	Inter-segment sales	**(930)**	(677)
290,325	Revenue from external customers	**164,922**	141,547

4. Segment information

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

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

Within value-added logistics, the Chief Operating Decision Maker also reviews performance of three separate business activities:

- E-fulfilment & returns management services
- Non e-fulfilment logistics
- Central logistics overheads, being the costs of support services specific to the Value-added logistics segment, but which are impractical to allocate between the sub-segment activities

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

The following table presents profit information for continuing operations regarding the Group's business segments:

Year ended 30 April 2016 £'000		6 months ended 31 October 2016 £'000	6 months ended 31 October 2015 £'000
	Operating profit		
8,135	E-fulfilment & returns management services	**4,239**	3,484
10,711	Non e-fulfilment logistics	**5,890**	4,953
(4,718)	Central logistics	**(2,594)**	(2,310)
14,128	Value-added logistics services	**7,535**	6,127
2,263	Commercial vehicles	**1,270**	1,055
(1,860)	Head office costs	**(1,182)**	(995)
14,531	Group total	**7,623**	6,187
(1,413)	Finance costs	**(765)**	(722)
4	Finance income	**2**	3
13,122	Profit before income tax	**6,860**	5,468

5. Finance costs

Year ended 30 April 2016 £'000		6 months ended 31 October 2016 £'000	6 months ended 31 October 2015 £'000
533	On bank loans and overdrafts	**209**	319
394	On hire purchase agreements	**321**	167
78	Amortisation of debt issue costs	**49**	36
370	Commercial vehicle stocking interest	**153**	179
38	Other interest payable	**33**	21
1,413	Total interest expense for financial liabilities measured at amortised cost	**765**	722

6. Finance income

Year ended 30 April 2016 £'000		6 months ended 31 October 2016 £'000	6 months ended 31 October 2015 £'000
3	Bank interest	**-**	2
1	Other interest	**2**	1
4	Total interest income for financial assets measured at amortised cost	**2**	3

7. Taxation

Tax has been provided on the profit before taxation, at the estimated effective rate for the full year of 22.0% (Year ended 30 April 2016: 21.2%).

8. 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 shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive instruments into ordinary shares.

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

Year ended 30 April 2016 £'000		**6 months ended 31 October 2016 £'000**	6 months ended 31 October 2015 £'000
10,336	Profit attributable to ordinary equity holders of the parent company	**5,349**	4,316
Thousands		**Thousands**	Thousands
100,000	Basic weighted average number of shares	**100,007**	100,000
10.3p	Basic earnings per share	**5.3p**	4.3p
100,823	Diluted weighted average number of shares	**100,869**	100,545
10.3p	Diluted earnings per share	**5.3p**	4.3p

9. Dividends

Year ended 30 April 2016 £'000		**6 months ended 31 October 2016 £'000**	6 months ended 31 October 2015 £'000
3,200	Final dividend for the year ended 30 April 2015 of 3.2p per share	**-**	3,200
2,000	Interim dividend for the year ended 30 April 2016 of 2.0p per share	**-**	-
-	Final dividend for the year ended 30 April 2016 of 4.0p per share	**4,000**	-
5,200	Total dividends paid	**4,000**	3,200

An interim dividend for the current year of £2,400,000 at 2.4p per share was approved by the board on 30 November 2016. The dividend will be payable on 30 December 2016 to shareholders on the register at the close of business on 9 December 2016.

10. Property, plant and equipment

During the six months ended 31 October 2016, the Group acquired assets with a cost of £15,643,000 (six months ended 31 October 2015: £7,720,000). Of the assets acquired, £7,244,000 (2015: £4,816,000) was funded by hire purchase or finance lease arrangements in the period and £1,617,000 (2015: £nil) was funded by bank loans secured on the specific assets. Included in the additions during the period are assets in the course of construction amounting to £9,309,000, the majority of which will be funded by finance lease arrangements when complete.

11. Investments in Joint Ventures

With effect from 31 October 2016, the Company invested £1,950,000 in subscribing for 50% of the issued capital and voting rights of Hamsard 3405 Limited ("Hamsard"), a company incorporated in Great Britain and registered in England and Wales. Hamsard will provide Click and Collect logistics services to retailers throughout the UK. Also with effect from 31 October 2016, Hamsard purchased property, plant and equipment with a net book value of £1,006,000, software with a net book value of £166,000 and other current assets with a book value of £3,497,000 from the Company for consideration of £4,669,000. Included within trade and other receivables at 31 October 2016 is an amount of £385,000 owed by Hamsard. On 2 November 2016 the Company advanced a loan to Hamsard of £1,450,000 on commercial terms which included settlement of all amounts previously owing by Hamsard.

12. Cash and cash equivalents

30 April 2016 £'000		31 October 2016 £'000	31 October 2015 £'000
715	Cash and cash equivalents	**1,470**	2,685
(1,817)	Bank overdraft	**(67)**	-
(1,102)	Total cash and cash equivalents	**1,403**	2,685

13. Financial liabilities - Borrowings

30 April 2016 £'000		31 October 2016 £'000	31 October 2015 £'000
	Non current:		
74	Bank loans	**1,029**	6,352
5,500	Revolving credit advances	**10,500**	4,000
7,818	Obligations under finance leases or hire purchase agreements	**13,797**	2,887
(461)	Unamortised debt issue costs	**(412)**	(270)
12,931		**24,914**	12,969
	Current:		
1,817	Bank overdrafts	**67**	-
944	Bank loans	**1,511**	2,596
3,792	Obligations under finance leases or hire purchase agreements	**5,156**	6,834
6,553		**6,734**	9,430
19,484	Total borrowings	**31,648**	22,399
715	Less: cash and cash equivalents	**1,470**	2,685
18,769	Net debt	**30,178**	19,714

Included within current borrowings is £1,180,000 (2015: £4,289,000) of pre-inception funding on capital projects that were not complete at 31 October. This funding will be scheduled over five years upon inception of the relevant finance leases.

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

The Group's obligations under finance leases or hire purchase agreements are secured by the lender's charge over the relevant assets.

The maturity analysis of the bank loans and revolving credit advances is as follows:

30 April 2016 £'000		31 October 2016 £'000	31 October 2015 £'000
944	In one year or less	**1,511**	2,596
5,574	Between one and five years	**11,529**	10,352
-	After five years	**-**	-
(461)	Unamortised debt issue costs	**(412)**	(270)
6,057		**12,628**	12,678

The Group's bank facilities were increased and rescheduled in January 2016. The Group has access to a committed overdraft of £8,000,000 and a non-amortising revolving credit facility of £19,744,000 repayable in January 2021. At 31 October 2016, £10,500,000 of the revolving credit facility was drawn.

14. Financial instruments

Derivative financial instruments

As part of the novation of bank facilities previously held by the Group's former parent, the Company took on an interest rate swap, the principal of which amortised quarterly to October 2016. The financial liability was categorised as being at fair value through profit or loss.

Fair value of financial instruments

The book value of trade and other receivables, trade and other payables, cash and cash equivalents, derivative financial instruments & current borrowings equates to fair value.

The table below sets out the book value and fair value of the Group's other financial assets and liabilities:

30 April 2016 £'000		31 October 2016 £'000	31 October 2015 £'000
	Non-current borrowings:		
12,931	Book value	**24,914**	12,969
12,588	Fair value	**24,280**	12,891

The main methods and assumptions used in estimating the fair values of financial instruments are as follows:

- Derivatives: interest rate swaps are marked to market using listed market prices;
- Interest-bearing loans and borrowings: fair value is calculated based on discounted expected future principal and interest flows; and
- Trade and other receivables / payables: the notional amount for trade receivables / payables with a remaining life of less than one year is deemed to reflect their fair value.

Long term borrowings are classified as Level 2 (items with significant observable inputs) financial liabilities under IFRS 13. Derivative financial instruments consist of interest rate swaps and are also classified as Level 2. There have been no transfers between Level 1 and Level 2 financial instruments during the period.

15. Share based payments

There have been no options granted in the six months ended 31 October 2016. Details of grants in prior periods are set out in the 2016 Annual Report. During the six months ended 31 October 2016 the Company issued 8,724 ordinary shares at a price of 140.4p per share to satisfy share options. No options were exercisable at 31 October 2016 or 31 October 2015.

The charge for share based payments in the six months ended 31 October 2016 is £421,000 (2015: £206,000).

The increase in deferred tax asset during the period in relation to share based payments amounted to £134,000, which has been recognised in the share based payment reserve.

16. Related party disclosures

Directors' remuneration and other related party transactions are in line with the disclosures set out in the 2016 Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The Directors confirm that to the best of our knowledge:

- This condensed set of financial statements for the six months ended 31 October 2016 and for the equivalent period in 2015 has been prepared on the basis of the accounting policies set out in the 2016 Annual Report and in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

- the interim management report includes a fair review of the information required by:

  - paragraph DTR 4.2.7R of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

  - paragraph DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Group during that period, or any changes in the related party transactions described in the last annual report that could do so.

The Directors of Clipper Logistics plc are listed in the 2016 Annual Report.

This report was approved by the Board on 30 November 2016 and is available on the Company's website www.clippergroup.co.uk under "Investor News" then "Results and Presentations".

By order of the Board

Steve Parkin	**Tony Mannix**	**David Hodkin**
Executive Chairman	CEO	CFO
1 December 2016	1 December 2016	1 December 2016