

CLIPPER LOGISTICS PLC

"Continuing strong growth in line with expectations"

INTERIM RESULTS FOR THE SIX MONTHS TO 31 OCTOBER 2017

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 2017.

Financial Highlights

- Group revenue up 21.1% to £199.7 million (2016: £164.9 million);
- Group EBIT¹ 19.4% ahead at £9.2 million (2016: £7.7 million), reflecting strong performance across all service lines:
 - E-fulfilment and returns management services EBIT up 25.7% to £5.3 million (2016: £4.2 million);
 - Non e-fulfilment logistics EBIT up 6.3% to £6.3 million (2016: £5.9 million);
 - Commercial vehicles EBIT up 13.5% to £1.4 million (2016: £1.3 million);
- Group Profit Before Tax and Amortisation¹ up 21.0% to £8.4 million (2016: £6.9 million);
- Group Profit Before Tax (PBT) up 15.6% to £7.9 million (2016: £6.9 million);
- Cash generated from operations up 1.8% to £12.6 million (2016: £12.3 million);
- Earnings per share up 18.9% to 6.3 pence (2016: 5.3 pence);
- Interim dividend increased by 16.7% to 2.8 pence per share (2016: 2.4 pence).

¹ As defined in Alternative Performance Measures section

Operational Highlights

- Extended our Clicklink click-and-collect network to other retail customers including Supergroup and Urban Outfitters;
- Successfully launched new operations for Secret Sales, M&S and River Island in the United Kingdom, and recently commenced returns operations with ASOS in Poland, leveraging knowledge and experience from existing ASOS returns activities in the United Kingdom;
- Commenced a major new sortation and distribution contract with the Edinburgh Woollen Mill Group, bringing with it new sites in Nantgarw (Cardiff) and Carlisle, and commenced a new transport operation with Crosswater Holdings Limited;
- Completed the acquisitions of Tesam Distribution Limited and RepairTech Limited, both of which are immediately earnings-enhancing. Tesam enhances our existing relationship with M&S and RepairTech brings new skills and customers to our electrical repairs and returns offering;
- Significant organic growth, both with long-standing customers and with more recent start-ups, including the commencement of new Vype operations for BAT;
- Strong performance in commercial vehicles division driven by new vehicle sales;
- Continuing strong pipeline of new business opportunities.

Commenting on the results, Steve Parkin, Executive Chairman of Clipper, said:

"I am pleased to report that the Group has once again delivered strong results in line with the Board's expectations.

Strong revenue and profit growth has continued in all sectors.

Our market-leading position in the high-growth area of e-fulfilment and associated services, has been enhanced further by the onboarding of new customers onto the Clicklink click-and-collect operation, and the new ASOS returns facility in Poland demonstrates our commitment to leveraging our existing business across Europe.

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 contract wins and two strategic acquisitions. Both of these acquisitions are performing in line with our expectations.

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

ENQUIRIES

Clipper: +44 (0)113 204 2050

Steve Parkin, Executive Chairman

Tony Mannix, Chief Executive Officer

David Hodkin, Chief Financial Officer

Public Relations Advisers:

Buchanan: +44 (0) 20 7466 5000

David Rydell

Stephanie Watson

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 2017 (unaudited) £m	6 months ended 31 October 2016 (unaudited) £m	Change	12 months ended 30 April 2017 (audited) £m
Revenue	199.7	164.9	+21.1%	340.1
EBIT	9.2	7.7	+19.4%	17.9
Profit before tax and amortisation	8.4	6.9	+21.0%	16.2
Profit before tax	7.9	6.9	+15.6%	16.1
Earnings per share	6.3p	5.3p	+18.9%	12.5p
Cash generated from operations	12.6	12.3	+1.8%	25.7

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, including the Group's share of operating profit in equity-accounted investees, before amortisation of intangible assets arising on consolidation and any exceptional or non-recurring items. 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. A reconciliation of EBIT by business area to Group operating profit and Group PBT is included in note 4.

Profit before tax and amortisation is defined as the Profit before tax, before amortisation of intangible assets arising on consolidation and any exceptional or non-recurring items.

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.

Compared to the six months ended 31 October 2016, results for the six months ended 31 October 2017 benefited from:

- the full six months' run rate impact of new contract wins commenced in the six months ended 31 October 2016 including Halfords, Thread 35, Kidly, Links of London, Vype for BAT and activities at the John Lewis ancillary facility in Northampton;
- the full six months' benefit of new contract wins commenced in the six months ended 30 April 2017 including Secret Sales, Pretty Green, SilkFred and Inditex in the UK, Smiffy's in Germany and Westwing in Poland;
- a part-period benefit from new contract wins commenced in the six months ended 31 October 2017 including M&S returns, River Island, Edinburgh Woollen Mills and Crosswater in the United Kingdom, ASOS returns in Poland, and with Urban Outfitters and Supergroup in the Clicklink joint venture;
- organic growth from ASOS returns, ASDA ecom, Wilkinsons, Zara and Browns in the UK; and s.Oliver in Germany; and
- a part-period contribution from the trading of the Tesam and RepairTech acquisitions completed in the period;

and were adversely impacted by:

- the end of the Hobbycraft and Ted Baker contracts in the prior year, a reduction in tobacco-related packing activities and incremental share-based payment charges and related NI accruals.

The combination of these factors resulted in EBIT from e-fulfilment and returns management activities increasing by 25.7% to £5.3 million (2016: £4.2 million), with EBIT from non e-fulfilment activities increasing by 6.3% to £6.3 million (2016: £5.9 million). This was further complemented by continuing strong performance in the commercial vehicles division driven by new vehicle sales, resulting in an EBIT increase of 13.5% to £1.4 million (2016: £1.3 million).

Whilst Clipper continues to invest in quality people and infrastructure, central logistics and head office overhead costs have been tightly managed, despite increased share based payment charges. As a result, central logistics costs decreased slightly by £0.1 million to £2.5 million (2016: £2.6 million) and head office costs increased by £0.1 million to £1.3 million (2016: £1.2 million).

In line with Clipper's dividend policy and reflecting the Group's strong cash flow and earnings growth, the Board is pleased to announce an interim dividend of 2.8 pence per share, which will be paid on 5 January 2018 to shareholders on the register at 15 December 2017. This represents an increase of 16.7% (0.4 pence per share) compared to the interim dividend of 2.4 pence paid in December 2016.

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 to expand the customer base;
- Develop new, complementary products and services;
- Continue European expansion; and
- Explore acquisition opportunities.

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 those with Edinburgh Woollen Mills, M&S and River Island. 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 continue to develop cutting-edge Warehouse Management System capabilities for our customers. Indeed, through collaboration with a world-leading WMS provider we have developed a system which gives our existing and potential customers the benefit of a class-leading WMS platform which would otherwise be prohibitively expensive to them.

The Group also continues to seek potential acquisitions providing complementary activities. We have acquired two such businesses in the period under review, and we will 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 continue to evolve apace. Our recent ASOS returns contract win in Poland demonstrates our ability to leverage long-standing UK customer relationships across Europe. We expect to see further developments both in Germany and further afield over the coming months and years, through a combination of organic growth with existing customers, organic growth with new customers and acquisitive growth.

OUTLOOK

Trading continues to perform well in the second half of the year and there is a strong business development pipeline, some of which is at an advanced stage of discussion. Our peak trading period has seen significant year-on-year increases in activity in all sectors, enhanced by the impact of new contract wins coming on-line. Further, the seasonal nature of the Clicklink joint venture means that significant profits are generated in the November and December peak months, with losses typically resulting outside of the peak trading months, such that Clicklink profitability is skewed into the second half of Clipper's financial year.

Once again, we are pleased to report a successful Black Friday to Cyber Monday trading period. 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, and our recent acquisitions continue to perform at, or above, our expectations. Indeed, we are currently exploring a number of opportunities to further enhance the value from these acquisitions.

We have experienced some pressures on the availability of seasonal labour in part due to Brexit uncertainties. We have largely managed to mitigate these challenges during the peak trading period through certain innovative recruitment strategies and through diversifying our agency supply base. Moreover, we would not anticipate that market labour shortages would significantly impact our profitability; the high proportion of open-book contracts (approximately 70% of our UK logistics operations, in revenue terms) within our UK logistics operations ensures that current and potential future cost increases are "passed through" to customers, whether those cost increases are driven by the continued contraction of labour availability or as a result of the ongoing inflationary effects of the National Living Wage, the UK Apprenticeship Levy or auto-enrolment pension legislation. Further, for those contracts which are not open-book, Clipper has contract mechanisms in place which allow for increased rates to be negotiated.

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 reasserts its belief 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 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.

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 29.2% to £76.1 million in the six months ended 31 October 2017 (2016: £58.9 million). EBIT is 25.7% ahead of the equivalent period in the prior year at £5.3 million (2016: £4.2 million).

We have seen continued migration towards online and omni-channel retailing in the UK retail sector. And, despite the widely-reported pressures currently facing UK retailers, as a result of the continued migration, Clipper has seen significant growth in activity levels with many of its existing customers in the first half of the year, including ASOS returns, Antler, Asda, Wilkinsons, Zara and Browns in the UK, and s.Oliver in Germany. The recently-commenced contract wins with BAT (for Vype), Thread 35, Kidly, Secret Sales, SilkFred, Inditex, Smiffy's, Westwing and the e-commerce activities performed at our ancillary distribution centre for John Lewis have contributed a full six months of run rate to the period ended 31 October 2017.

Whilst the M&S returns operation and River Island in the UK; ASOS returns in Poland; and Urban Outfitters and Supergroup in the Clicklink joint venture have generated contribution to the Group results in the six months ended 31 October 2017, these operations will not reach full run rate until the following financial year.

The acquisition of RepairTech Limited, completed in the current period, has also contributed some growth to the period.

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 7.2% ahead of the same period of the prior year at £65.7 million (2016: £61.3 million), and EBIT was 6.3% higher at £6.3 million (2016: £5.9 million).

Pretty Green, Halfords, Links of London and the non-e-commerce aspects of the operations at Clipper's ancillary distribution centre for John Lewis all contribute a full six months of trading to the period ended 31 October 2017, having not been at full run-rate in the equivalent period of the prior year.

New non-e-commerce contracts which commenced in the six months ended 31 October were Edinburgh Woollen Mills and Crosswater, both contributing favourably to the year-on-year growth.

The acquisition of Tesam Distribution Limited, completed in the current period, has also contributed some growth to the period.

Organically too, we have seen growth with a number of customers, including Morrisons, Bench, Philip Morris, M&S (non-e-com operations), Browns and Haddad, whilst contract packing in the tobacco sector has reduced.

The end of the Hobbycraft and Ted Baker contracts in the prior year has adversely affected performance in this period.

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 £2.5 million decreased by 2.6% compared to the prior year (2016: £2.6 million), with savings in sales & marketing expenditure, human resources expenditure and central services expenditure, more than offsetting increased share based payment charges.

Commercial vehicles

The commercial vehicles business, Northern Commercials, operates Iveco and Fiat commercial vehicle dealerships from six locations, together with three 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.

We generated revenue of £58.8 million for the six months ended 31 October 2017, 28.9% ahead of the same period of last year (2016: £45.6 million). EBIT grew by 13.5% to £1.4 million in the same period (2016: £1.3 million). The significant revenue growth did not result in an equivalent growth in EBIT since much of the growth was attributable to new vehicles sales which are typically low margin. In addition, Commercial Vehicles Administration and other expenses increased by £1.0 million in the six month period year-on-year.

Financial Review

Revenue

Group revenue increased by 21.1% to £199.7 million (2016: £164.9 million).

Revenue derived from value-added logistics services increased by 18.0% to £141.8 million (2016: £120.2 million), with growth in e-fulfilment and returns management services of 29.2% and in non e-fulfilment services of 7.2%.

Revenue from sales and repairs of commercial vehicles increased by 28.9% to £58.8 million (2016: £45.6 million). The increase was driven primarily by new vehicle sales.

Revenue (unaudited)	Six months to 31 October		
	2017	2016	Change
E-fulfilment & returns management services	£76.1 m	£58.9 m	+29.2%
Non e-fulfilment logistics	£65.7 m	£61.3 m	+7.2%
Total value-added logistics	£141.8 m	£120.2 m	+18.0%
Commercial vehicles	£58.8 m	£45.6 m	+28.9%
Intra-Group	(0.9)m	£(0.9)m	
Consolidated total	£199.7 m	£164.9 m	+21.1%

EBIT

Group EBIT increased by 19.4% to £9.2 million (2016: £7.7 million).

EBIT growth was achieved in all segments and business activities, with growth of 25.7% in e-fulfilment and returns management services. In addition, the Group achieved EBIT growth of 6.3% in non e-fulfilment logistics and 13.5% in commercial vehicles. Central logistics costs decreased by £0.1 million whilst head office costs increased by £0.1 million.

Group EBIT (unaudited)	Six months to 31 October		
	2017	2016	Change
E-fulfilment & returns management services	£5.3 m	£4.3 m	+25.7%
Non e-fulfilment logistics	£6.3 m	£5.9 m	+6.3%
Central logistics costs	£(2.5)m	£(2.6)m	
Total value-added logistics	£9.1 m	£7.6 m	+18.9%
Commercial vehicles	£1.4 m	£1.3 m	+13.5%
Head office costs	£(1.3)m	£(1.2)m	
Consolidated total	£9.2 m	£7.7 m	+19.4%

Net finance costs

Net finance costs were £0.9 million (2016: £0.8 million). These costs have increased by 22.0% due to the costs of the two strategic acquisitions, together with significant capital expenditure on a number of new customers and projects, much of which will be recovered from open book customers through depreciation charges in future periods.

Taxation

The tax charge on profit before tax was £1.7 million (2016: £1.5 million). The effective tax rate in the period of 21.0% (2016: 22.0%) has decreased due to a 1 percentage point reduction in the main UK headline corporation tax rate year-on-year.

Earnings Per Share (EPS)

EPS was 6.3p in the period (2016: 5.3p) an increase of 18.9% due to the strong trading performance in all segments and business areas.

Dividend

An interim dividend for the current year of 2.8 pence per share was approved by the board on 4 December 2017. The dividend will be payable on 5 January 2018 to shareholders on the register at the close of business on 15 December 2017.

Cashflow

Cash generated from operations in the period was £12.6 million (2016: £12.3 million), an increase of 1.8%. Net cash used in working capital during the period was £1.2 million (2016: net cash generation of £2.5 million); strong earnings growth was offset by an adverse movement in working capital, driven by a late payment by a single customer. We define net cash used in / generated from working capital as the cash flows generated from changes in: trade and other receivables of £(21.2) million (2016: £(17.3) million), inventories of £(0.1) million (2016: £(10.4) million) and trade and other payables of £20.1 million (2016: £30.2 million), per the cash flow statement.

Tax cash outflows increased by £0.5 million to £2.0 million (2016: £1.5 million), largely as a result of the growth in profitability in the year ended 30 April 2017 compared to the year ended 30 April 2016.

Capital expenditure in the period on property, plant and equipment was £6.2 million (2016: £15.6 million), compared to a depreciation and impairment charge of £3.3 million (2016: £2.0 million). Whilst still a significant investment, this decrease in capital expenditure is predominantly due to the start-up capital investment required on two contracts in the prior year. £2.6 million (2016: £7.2 million) of the capital expenditure was financed on hire purchase or finance lease agreements and £nil (2016: £1.6 million) was financed by specific bank loans.

Group cash flow in the six months ended 31 October 2016 benefited from the sale of fixed assets to Clicklink, contributing significantly to the overall £1.3 million proceeds on sale of fixed assets in that period. There were no significant sales of fixed assets in the six months ended 31 October 2017. Conversely, the joint venture entity required £2.3 million of cash investment from Clipper in the six months ended 31 October 2016 across share capital and loans. There was no such funding requirement in the six months ended 31 October 2017.

There were net cash outflows totalling £11.8 million in the six months ended 31 October 2017 as a result of the two acquisitions. There were no acquisitions in the six months ended 31 October 2016.

Net debt (see note 12) at 31 October 2017 was £38.8 million (2016: £30.2 million). The increase in net debt compared to the prior year and since 30 April 2017 (£25.0 million) is primarily due to the £11.8 million spent on the two new acquisitions, explained above. The Group agreed with its principal bankers to increase its available credit facilities during the period. Consequently, at 31 October 2017, there are further undrawn bank facilities of £23.5 million committed and available. See note 12 for further details.

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 2017 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;
- Availability of agency labour;
- 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, such as those introduced by the National Living Wage and the Apprenticeship Levy;
- 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 20 to 23 in the 2017 Annual Report.

CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS TO 31 OCTOBER 2017

Interim Group Income Statement (unaudited)

Year ended 30 April 2017 £'000		Note	6 months ended 31 October 2017 £'000	6 months ended 31 October 2016 £'000
340,127	Revenue	3	199,685	164,922
(241,097)	Cost of Sales		(142,027)	(117,238)
99,030	Gross profit		57,658	47,684
405	Other net gains		78	66
(81,964)	Administration and other expenses		(48,280)	(40,127)
17,471	Operating profit before share of equity-accounted investees, net of tax		9,456	7,623
217	Share of equity-accounted investees, net of tax		(598)	-
17,688	Operating profit		8,858	7,623
17,928	EBIT		9,210	7,711
(177)	Less: amortisation of other intangible assets		(478)	(88)
(63)	share of tax and finance costs of equity-accounted investees		126	-
17,688	Operating profit		8,858	7,623
(1,657)	Finance costs	5	(951)	(765)
21	Finance income	6	20	2
16,052	Profit before income tax		7,927	6,860
(3,586)	Income tax expense	7	(1,663)	(1,511)
12,466	Profit for the financial period		6,264	5,349
12.5p	Basic earnings per share	8	6.3p	5.3p
12.3p	Diluted earnings per share	8	6.1p	5.3p

Interim Group Statement of Comprehensive Income (unaudited)

Year ended 30 April 2017 £'000		Note	6 months ended 31 October 2017 £'000	6 months ended 31 October 2016 £'000
12,466	Profit for the financial period		6,264	5,349
	Other comprehensive income (expense) for the period, net of tax:			
	<i>To be classified to the income statement in subsequent periods:</i>			
(57)	Exchange differences on retranslation of foreign operations		(100)	(121)
12,409	Total comprehensive income for the period attributable to equity holders of the parent company		6,164	5,228

Interim Group Statement of Financial Position (unaudited)

30 April 2017 £'000		Note	31 October 2017 £'000	31 October 2016 £'000
ASSETS				
Non-current assets				
23,252	Goodwill	15	26,958	23,252
1,498	Other intangible assets		9,833	1,499
24,750	Intangible assets		36,791	24,751
38,899	Property, plant and equipment	10	46,703	38,346
2,167	Investments		1,569	1,950
1,450	Non-current financial assets		1,450	-
353	Deferred tax assets		-	50
67,619	Total non-current assets		86,513	65,097
Current assets				
29,972	Inventories		30,858	37,254
47,728	Trade and other receivables		70,837	57,508
862	Cash and cash equivalents	11	926	1,470
78,562	Total current assets		102,621	96,232
146,181	TOTAL ASSETS		189,134	161,329
EQUITY AND LIABILITIES				
Current Liabilities				
85,068	Trade and other payables		110,612	102,378
7,389	Financial liabilities: Borrowings	12	7,813	6,734
127	Short term provisions		281	119
2,187	Current income tax liabilities		1,913	1,793
94,771	Total current liabilities		120,619	111,024
Non-current liabilities				
19,973	Borrowings	12	33,319	24,914
1,367	Long term provisions		1,417	819
-	Deferred tax liabilities		1,244	-
21,340	Total non-current liabilities		35,980	25,733
116,111	TOTAL LIABILITIES		156,599	136,757
Equity shareholders' funds				
50	Share capital		50	50
80	Share premium		348	68
(33)	Currency translation reserve		(133)	(97)
84	Other reserve		84	84
6,006	Merger reserve		6,006	6,006
2,038	Share based payment reserve		2,882	1,338
21,845	Retained earnings		23,298	17,123
30,070	TOTAL EQUITY		32,535	24,572
146,181	TOTAL EQUITY AND LIABILITIES		189,134	161,329

Interim Group Statement of Changes in Equity (unaudited)

	Share capital	Share premium	Other reserve	Currency translation reserve	Merger reserve	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 May 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
Profit for the period	-	-	-	-	-	-	7,117	7,117
Other comprehensive income	-	-	-	64	-	-	-	64
Equity settled transactions	-	-	-	-	-	700	5	705
Share issue	-	12	-	-	-	-	-	12
Dividends	-	-	-	-	-	-	(2,400)	(2,400)
Balance at 30 April 2017	50	80	84	(33)	6,006	2,038	21,845	30,070
Profit for the period	-	-	-	-	-	-	6,264	6,264
Other comprehensive income	-	-	-	(100)	-	-	-	(100)
Equity settled transactions	-	-	-	-	-	844	2	846
Share issue	-	268	-	-	-	-	-	268
Dividends	-	-	-	-	-	-	(4,813)	(4,813)
Balance at 31 October 2017	50	348	84	(133)	6,006	2,882	23,298	32,535

Interim Group Statement of Cash Flows (unaudited)

Year ended 30 April 2017 £'000		Note	6 months ended 31 October 2017 £'000	6 months ended 31 October 2016 £'000
16,052	Profit before tax from operating activities		7,927	6,860
	Adjustments to reconcile profit before tax to net cash flows:			
4,725	Depreciation and impairment of property, plant and equipment		3,264	1,977
548	Amortisation and impairment of intangible assets		655	293
(260)	Gain on disposal of property, plant and equipment		(38)	(18)
(217)	Share of equity-accounted investees, net of tax		598	-
557	Consideration received		-	-
(238)	Exchange differences		(190)	(447)
1,636	Net finance costs	5, 6	931	763
(10)	Movement in fair value of derivative financial instruments		-	(10)
832	Share based payments charge	14	596	421
	Working capital adjustments			
(7,895)	(Increase) / decrease in trade and other receivables		(21,174)	(17,307)
(3,049)	(Increase) / decrease in inventories		(88)	(10,380)
12,989	Increase / (decrease) in trade and other payables		20,079	30,181
25,670	Cash generated from operations		12,560	12,333
3	Interest received		2	2
(1,606)	Interest paid		(856)	(644)
(3,234)	Income tax paid		(2,005)	(1,541)
20,833	Net cash flows from operating activities		9,701	10,150
	Investing activities			
(4,028)	Purchase of property, plant and equipment	10	(3,575)	(6,782)
2,112	Proceeds from sale of property, plant and equipment		86	1,319
(551)	Purchase of intangible assets		(134)	(305)
167	Proceeds from sale of intangible assets		-	166
(1,950)	Investment in joint venture		-	(1,950)
-	Loan advance to joint venture		-	(385)
-	Acquisition of subsidiary undertakings net of cash acquired	15	(11,773)	-
(4,250)	Net cash flows from investing activities		(15,396)	(7,937)
	Financing activities			
-	New bank loans		17	-
-	Debt issue costs paid		(90)	-
-	Net drawdown of revolving credit facility		14,500	5,000
4,879	Finance leases advanced		-	2,107
24	Shares issued		268	12
(6,400)	Dividends paid	9	(4,813)	(4,000)
(1,450)	Non-current financial assets advanced		-	-
(5,995)	Repayment of bank loans		(398)	(109)
(5,677)	Repayment of capital on finance leases		(3,725)	(2,718)
(14,619)	Net cash flows from financing activities		5,759	292
1,964	Net increase (decrease) in cash and cash equivalents		64	2,505
(1,102)	Cash and cash equivalents at start of period		862	(1,102)
862	Cash and cash equivalents at end of period		926	1,403

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 2017. 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 2017. The financial information for the half year ended 31 October 2017 and for the equivalent period in 2016 has not been audited or reviewed.

The information for the year ended 30 April 2017 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
Annual Improvements to IFRSs – 2014-2016 Cycle	1 January 2017

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 2017.

3. Revenue

Revenue recognised in the income statement is analysed as follows:

Year ended 30 April 2017		6 months ended 31 October 2017	6 months ended 31 October 2016
£'000		£'000	£'000
129,854	E-fulfilment & returns management services	76,146	58,924
121,930	Non e-fulfilment logistics	65,691	61,301
251,784	Value-added logistics services	141,837	120,225
91,515	Commercial vehicles	58,795	45,627
(3,172)	Inter-segment sales	(947)	(930)
340,127	Revenue from external customers	199,685	164,922

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 2017 £'000		6 months ended 31 October 2017 £'000	6 months ended 31 October 2016 £'000
	Operating profit		
10,232	E-fulfilment & returns management services	5,328	4,316
12,431	Non e-fulfilment logistics	6,263	5,901
(4,832)	Central logistics	(2,526)	(2,594)
17,831	Value-added logistics services	9,065	7,623
2,342	Commercial vehicles	1,441	1,270
(2,245)	Head office costs	(1,296)	(1,182)
17,928	Group EBIT	9,210	7,711
(177)	Amortisation of other intangible assets	(478)	(88)
(63)	Share of tax and finance costs of equity-accounted investees	126	-
17,688	Operating profit	8,858	7,623
(1,657)	Finance costs	(951)	(765)
21	Finance income	20	2
16,052	Profit before income tax	7,927	6,860

5. Finance costs

Year ended 30 April 2017 £'000		6 months ended 31 October 2017 £'000	6 months ended 31 October 2016 £'000
438	On bank loans and overdrafts	215	209
766	On hire purchase agreements	471	321
97	Amortisation of debt issue costs	50	49
299	Commercial vehicle stocking interest	180	153
57	Other interest payable	35	33
1,657	Total interest expense for financial liabilities measured at amortised cost	951	765

6. Finance income

Year ended 30 April 2017 £'000		6 months ended 31 October 2017 £'000	6 months ended 31 October 2016 £'000
-	Bank interest	2	-
3	Other interest	-	2
18	Amounts receivable from related parties	18	-
21	Total interest income for financial assets measured at amortised cost	20	2

7. Taxation

Tax has been provided on the profit before taxation, at the estimated effective rate for the full year of 21.0% (Year ended 30 April 2017: 22.3%).

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 2017 £'000		6 months ended 31 October 2017 £'000	6 months ended 31 October 2016 £'000
12,466	Profit attributable to ordinary equity holders of the parent company	6,264	5,349
Thousands		Thousands	Thousands
100,011	Basic weighted average number of shares	100,216	100,007
12.5p	Basic earnings per share	6.3p	5.3p
101,710	Diluted weighted average number of shares	102,072	100,869
12.3p	Diluted earnings per share	6.1p	5.3p

9. Dividends

Year ended 30 April 2017 £'000		6 months ended 31 October 2017 £'000	6 months ended 31 October 2016 £'000
4,000	Final dividend for the year ended 30 April 2016 of 4.0p per share	-	4,000
2,400	Interim dividend for the year ended 30 April 2017 of 2.4p per share	-	-
-	Final dividend for the year ended 30 April 2017 of 4.8p per share	4,813	-
6,400	Total dividends paid	4,813	4,000

An interim dividend for the current year of £2,808,000 at 2.8p per share was approved by the board on 4 December 2017. The dividend will be payable on 5 January 2017 to shareholders on the register at the close of business on 15 December 2017.

10. Property, plant and equipment

During the six months ended 31 October 2017, the Group acquired assets with a cost of £6,150,000 (six months ended 31 October 2016: £15,643,000). Of the assets acquired, £2,575,000 (2016: £7,244,000) was funded by hire purchase or finance lease arrangements in the period and £nil (2016: £1,617,000) 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 £1,833,000 (2016: £9,309,000), the majority of which will be funded by finance lease arrangements when complete.

11. Cash and cash equivalents

30 April 2017 £'000		31 October 2017 £'000	31 October 2016 £'000
862	Cash and cash equivalents	926	1,470
-	Bank overdraft	-	(67)
862	Total cash and cash equivalents	926	1,403

12. Financial liabilities - Borrowings

30 April 2017 £'000		31 October 2017 £'000	31 October 2016 £'000
	Non current:		
1,694	Bank loans	1,304	1,029
-	Revolving credit advances	14,500	10,500
18,643	Obligations under finance leases or hire purchase agreements	17,919	13,797
(364)	Unamortised debt issue costs	(404)	(412)
19,973		33,319	24,914
	Current:		
-	Bank overdrafts	-	67
797	Bank loans	809	1,511
6,592	Obligations under finance leases or hire purchase agreements	7,004	5,156
7,389		7,813	6,734
27,362	Total borrowings	41,132	31,648
862	Less: cash and cash equivalents	926	1,470
1,450	loans to related party	1,450	-
25,050	Net debt	38,756	30,178

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 2017 £'000		31 October 2017 £'000	31 October 2016 £'000
797	In one year or less	809	1,511
1,694	Between one and five years	15,804	11,529
-	After five years	-	-
(364)	Unamortised debt issue costs	(404)	(412)
2,127		16,209	12,628

The Group's bank facilities were increased in October 2017. The Group has access to a committed overdraft of £8,000,000 and a non-amortising revolving credit facility of £30,000,000 repayable in January 2021. At 31 October 2017 £14,500,000 (2016: £10,500,000) of the revolving credit facility was drawn.

13. 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 2017		31 October 2017	31 October 2016
£'000		£'000	£'000
	Non-current borrowings:		
19,973	Book value	33,319	24,914
19,100	Fair value	32,485	24,280

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.

14. Share based payments

There have been no options granted in the six months ended 31 October 2017. Details of grants in prior periods are set out in the 2017 Annual Report. During the six months ended 31 October 2017 the Company issued 261,677 ordinary shares for aggregate consideration of £268,000 to satisfy share options. At 31 October 2017 options over 28,349 ordinary shares (2016: nil) were exercisable.

The charge for share based payments in the six months ended 31 October 2017 is £596,000 (2016: £421,000).

The increase in deferred tax asset during the period in relation to share based payments amounted to £251,000, which has been recognised in the share based payment reserve.

15. Business combinations

15.1. Tesam Distribution Limited

On 24 May 2017, the Group acquired 100% of the voting shares of Tesam Distribution Limited ("Tesam"), in exchange for cash consideration. Tesam is an unlisted company based in the UK. Tesam is a provider of a variety of warehousing and distribution services to the retail sector, which operated from three sites in and around Peterborough totalling more than 1.1m square feet. The Group acquired Tesam to enhance its geographical coverage and customer base.

Purchase consideration:

	£'000
Cash paid on completion	11,750
Total consideration payable	11,750

Analysis of cash flows on acquisition:

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

Acquisition:

	Fair value recognised on acquisition £'000
Assets:	
Property, plant and equipment (at fair value)	4,655
Intangible assets	7,850
Cash and cash equivalents	2,177
Trade receivables (at cost and fair value)	4
Other receivables	122
Liabilities:	
Trade payables	(557)
Other payables	(1,900)
Short term provisions	(1,035)
Current tax liability	(147)
Deferred tax liability	(1,424)
Total identifiable net assets/(liabilities) at fair value	9,745
Goodwill arising on acquisition	2,005
Total consideration	11,750

The fair values above are considered to be provisional.

The goodwill of £2,005,000 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the value-added logistics services segment.

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

Intangible assets recognised consist of customer relationships.

15.2. RepairTech Limited

On 15 June 2017, the Group acquired 100% of the voting shares of RepairTech Limited ("RepairTech"), in exchange for cash consideration. RepairTech is an unlisted company based in the UK. RepairTech is a specialist provider of consumer electronic repair services based in Southam, Warwickshire. The Group acquired RepairTech to enhance its returns management service offering.

Purchase consideration:

	£'000
Cash paid on completion	2,500
Deferred consideration payable in the year ending 30 April 2019	500
Total consideration payable	3,000

Analysis of cash flows on acquisition:

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

Acquisition:

	Fair value recognised on acquisition £'000
Assets:	
Property, plant and equipment (at fair value)	159
Intangible assets	994
Cash and cash equivalents	300
Inventories	34
Trade receivables (at cost and fair value)	488
Other receivables	272
Liabilities:	
Trade payables	(257)
Other payables	(343)
Current tax liability	(178)
Deferred tax liability	(169)
Total identifiable net assets/(liabilities) at fair value	1,300
Goodwill arising on acquisition	1,700
Total consideration	3,000

The fair values above are considered to be provisional.

The goodwill of £1,700,000 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the value-added logistics services segment.

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

Intangible assets recognised consist of customer relationships and the acquired order book.

16. Related party disclosures

The company owns 50% of the issued capital and voting rights of Clicklink Logistics Limited ("Clicklink"), a customer of the Group and a provider of services to the Group.

The condensed financial statements include the following in respect of Clicklink:

Year ended 30 April 2017 £'000		6 months ended 31 October 2017 £'000	6 months ended 31 October 2016 £'000
Income statement:			
4,701	Revenue credited	7,579	-
410	Costs charged	646	-
18	Finance income credited	18	-
Statement of financial position:			
1,450	Non-current financial assets	1,450	-
282	Trade and other receivables	1,527	385
135	Trade and other payables	182	-

Directors' remuneration and other related party transactions are in line with the disclosures set out in the 2017 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 2017 and for the equivalent period in 2016 has been prepared on the basis of the accounting policies set out in the 2017 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 2017 Annual Report.

This report was approved by the Board for release on 7 December 2017 and is available on the Company's website www.clippergroup.co.uk under "Investor News" then "Results and Presentations".

By order of the Board