CLIPPER LOGISTICS PLC

INTERIM RESULTS FOR THE SIX MONTHS TO 31 OCTOBER 2018

Clipper Logistics plc ("Clipper", "the Group", or "the Company"), a leading provider of value-added logistics solutions and e-fulfilment and returns management services to the retail sector, is pleased to announce its unaudited results for the six months ended 31 October 2018 ("**H1 FY19**").

Financial Highlights

- Group revenue up 14.1% to £227.9 million (six months ended 31 October 2017 ("**H1 FY18**"): £199.7 million).
- Group EBIT 16.1% ahead at £10.7 million (H1 FY18: £9.2 million), as a result of strong performance in e-fulfilment and returns management in particular. By segment:
    - E-fulfilment and returns management services EBIT up 17.1% to £6.2 million (H1 FY18: £5.3 million), including £(0.7) million impact from Clicklink (H1 FY18: £(0.7) million). Post period-end, Clicklink rate enhancements agreed with key customers and onboarding of secured new customers will enhance profitability in the second half and beyond;
    - Non e-fulfilment logistics EBIT up 16.4% to £7.3 million (H1 FY18: £6.3 million), including property-related advisory fees of £2.8 million (H1 FY18: £nil). EBIT excluding property-related advisory fees has reduced, due in particular to lower activity levels on a closed-book contract with a key retailer as it re-shapes and restructures its network, together with lower tobacco activity. Recent contract wins and increased tobacco activity are expected to deliver earnings growth in the second half; and
    - Commercial vehicles EBIT down 36.9% to £0.9 million (H1 FY18: £1.4 million) due to lower sales of new vehicles.
- Group Profit Before Tax and Amortisation[1] up 17.3% to £9.9 million (H1 FY18: £8.4 million).
- Group Profit Before Tax (PBT) up 16.9% to £9.3 million (H1 FY18: £7.9 million).
- Cash generated from operations of £10.1 million (H1 FY18: £12.6 million).
- Earnings per share up 14.3% to 7.2 pence (H1 FY18: 6.3 pence).
- Interim dividend increased by 14.3% to 3.2 pence per share (H1 FY18: 2.8 pence).

[1] As defined in Alternative Performance Measures section

Operational Highlights

- Commencement of a new e-fulfilment operation for Pretty Little Thing in Sheffield. Having launched in July 2018, the site is now fully operational.
- Continuing organic growth on e-fulfilment operations with longstanding customers including Asda, ASOS and Wilko, as well as growth on recent contract wins including Browns and Silkfred.
- Progressed a number of automation projects across the estate, improving efficiency and productivity.
- New contracts in non e-fulfilment, including Sports Direct and Halfords, together with organic growth on other contracts, provide significant earnings momentum into the second half and beyond.
- Seasonality, rate enhancements reflecting the value-added service proposition, and the introduction of further shared use activity within Clicklink provide earnings momentum as we enter the second half.
- European e-fulfilment and returns management operations continue to grow strongly.
- Delivered record volume over Black Friday-Cyber Monday weekend for a number of key customers.
- Introduced new cutting-edge vehicles and innovative trailer designs to the fleet which will reduce Group carbon emissions significantly, increase the range between refuelling and increase carrying capacity. Together, these developments are expected to reduce trunking costs by 20%.
- Opened a new facility at Crick, Northamptonshire, to accommodate the extended Halfords contract, and a new facility in Poznań, Poland, to accommodate the extended Westwing contract.

Commenting on the results, Steve Parkin, Executive Chairman of Clipper, said:
"The Group continues to be exceptionally well-placed to benefit from the continuing migration to online retailing and the increasing propensity for consumers to choose click-and-collect services when placing orders online.

Our recent contract wins, including Sports Direct and an extended relationship with Halfords, provide significant earnings momentum into the second half of the current financial year and beyond.

We are excited about the future growth of our European operations, as the contracts with s.Oliver, ASOS and Westwing evolve.

Clicklink is now well-positioned to enhance Group earnings, with new clients being introduced to the network, and enhanced rates having been agreed with key customers as the benefits of using the service become evident to retailers.

We have a strong new business pipeline and look forward to continuing to update shareholders as we convert these opportunities."

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 judgment 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 2018 (unaudited) £m	6 months ended 31 October 2017 (unaudited) £m	Change	12 months ended 30 April 2018 (audited) £m
Revenue	**227.9**	199.7	+14.1%	400.1
EBIT	**10.7**	9.2	+16.1%	20.9
Profit before tax and amortisation	**9.9**	8.4	+17.3%	19.1
Profit before tax	**9.3**	7.9	+16.9%	18.0
Earnings per share	**7.2p**	6.3p	+14.3%	14.2p
Cash generated from operations	**10.1**	12.6	-19.8%	24.5

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, including the Group's share of operating profit in equity-accounted investees, before amortisation of intangible assets arising on consolidation. Due to the structure of our contractual relationships, with over 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.

GROUP RESULTS

The first half of the year saw revenue and profit growth in line with the Board's expectations.

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

Compared to H1 FY18, revenues for H1 FY19 benefited from:

- full period contribution from new operations which commenced during H1 FY18:
    - new customer wins including M&S returns, River Island, Edinburgh Woollen Mill and Crosswater in the United Kingdom and ASOS returns in Poland; and
    - the two new acquisitions, Tesam Distribution Limited and RepairTech Limited, the former having now been fully integrated into Logistics and the latter having been amalgamated with Servicecare to form the Technical Services division within the e-fulfilment and returns management operating segment;
- full period contribution from new operations which commenced during the six months ended 30 April 2018 ("**H2 FY18**"), including the formally-contracted operations with Halfords;
- partial period contribution from new operations which commenced during H1 FY19, including Brissi, Ginger Ray, Levi Strauss, Neon Sheep, Pretty Little Thing, Vestel in RepairTech and a new Servicecare offering for Amazon in Germany;

- volume growth and extension of services on existing contracts with ASOS (in both the UK and Poland), Browns, Ireland's largest retailer, Morrisons, s.Oliver, Wilko and others, in part driven by particularly strong organic growth in the e-fulfilment market due to the continuing trend towards online retailing; and
- a significant contribution from property-related advisory services. This is a revenue stream that we will endeavour to continue and grow as the Group leverages its growing property portfolio.

These positive developments were partially offset by:

- a decline in Commercial Vehicles. New vehicle sales have fallen, particularly in large tractor units, as a direct result of the manufacturer reducing its support to dealerships;
- organic decline in certain customers' trading in the non e-fulfilment segment as a result of the challenges posed by the migration of retail to online;
- the relocation of the women's knitwear range from our M&S operation in Peterborough to another M&S network location; and
- Bench entering administration in H1 FY19. Clipper did not incur any bad debt on this.

Whilst net revenue growth continues to provide upwards momentum, there have been some cost headwinds during the period:

- some inefficiencies as a result of teething problems with new systems and processes on certain operations, which have now been resolved; and
- labour-related cost challenges experienced on certain closed book contracts, which are being addressed through rate increases with customers, and productivity improvement initiatives.

The above factors resulted in:

- EBIT from e-fulfilment and returns management activities increasing by 17.1% to £6.2 million (H1 FY18: £5.3 million);
- EBIT from non e-fulfilment activities increasing by 16.4% to £7.3 million (H1 FY18: £6.3 million). Excluding property-related advisory income of £2.8 million (H1 FY18: £nil), EBIT from non e-fulfilment activities reduced by 28.3% to £4.5 million (H1 FY18: £6.3 million).
- EBIT of the Commercial vehicles division decreasing by 36.9% to £0.9 million (H1 FY18: £1.4 million).

To support its continued growth, Clipper has increased its overhead investment in quality people and its back-office systems, offset by reductions in share-based payment accruals. Central logistics costs are in line with prior year at £2.5 million (H1 FY18: £2.5 million) and head office costs have decreased by £0.1 million to £1.2 million (H1 FY18: £1.3 million), together benefitting from a non-cash share based payment credit of £0.7 million, compared to a charge of £0.6 million in H1 FY18 – a £1.3 million benefit.

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 3.2 pence per share, which will be paid on 7 January 2019 to shareholders on the register at 14 December 2018. This represents an increase of 14.3% (0.4 pence per share) compared to the interim dividend of 2.8 pence paid in January 2018.

STRATEGY

The Group's strategy is built around the same four key principles as in previous years, 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 Pretty Little Thing and Sports Direct. 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. By way of example:

- to address one of our customer's need for rapid delivery into central London we partnered with DeliveryMates, a service provider which uses mopeds to do last mile deliveries, to ensure same-day drops into the capital;
- we have collaborated with leading warehouse management systems providers to implement cutting-edge solutions for several of our customers in H1 FY19; and
- we have also begun using robot-technology in our Superdry operation, an autoboxing machine for Wilko and are currently working with another major client to deliver a significant mechanisation/automation project. Furthermore, we continue to innovate with organisations such as Tempus Novo to think out-of-the-box on recruitment, all strategies to reduce exposure to any labour shortages.

Our European activities continue to progress. A new Servicecare electrical refurbishment operation has been launched in H1 FY19 from one of our existing logistics sites in Germany, replicating a similar operation for the same customer in the UK, and the second Westwing site is ready to go live in Poznań, Poland, as noted in the Outlook section below.

The Group also continues to identify and monitor potential acquisition targets providing complementary activities, whether in existing markets or further afield. We acquired two such businesses in H1 FY18, and we will continue to monitor the market for potential targets and partners which will deliver enhanced earnings and increased shareholder value.

OUTLOOK

Trading continues to perform well in the early part of the second half of the year, underpinned by a strong business development pipeline with varying scales and at various stages of progression, albeit with the majority not scheduled to start until the financial year commencing 1 May 2019.

From early November 2018, Clicklink has secured increased parcel rates driven by its clearly-differentiated service proposition, which will fundamentally change the trading performance of this entity.

We have also secured a new e-fulfilment operation with brewer Adnams which has now gone live.

Operationally we delivered a successful Black Friday to Cyber Monday trading period for our customers. We expect to see the current high activity levels extend through to Christmas and the Boxing Day sales, and further into January with the post-Christmas period being the peak demand period for returns management services.

We continue to experience some localised pressures on the availability of seasonal labour, in part due to continued Brexit uncertainties and in part due to competitive market pressures around labour rates. We have worked with agency labour providers to mitigate these challenges during the peak trading period through certain innovative recruitment and retention strategies, including our Fresh Start programme, and our customers have supported us commercially with such measures.

The commercial vehicles business has seen new vehicle volumes suppressed in the first half of the current financial year. Operating costs have been reduced accordingly, and we expect the second half to return to normal levels of profitability.

In Poland, the fit-out of our second warehouse in Poznań - which includes a large Picktower installation - is now ready to accommodate the enlarged Westwing operation which will go live imminently. In Germany, we are currently relocating existing operations from Kempen to more cost-effective and operationally appropriate locations in Neuss and Nettetal.

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 40.7% to £107.1 million in H1 FY19 (H1 FY18: £76.1 million). EBIT is 17.1% ahead of the equivalent period in the prior year at £6.2 million (H1 FY18: £5.3 million).

The growth has been driven through:

- new customer wins from the prior year generating a full six months of contribution in H1 FY19 including M&S returns, River Island, ASOS returns in Poland, with Clicklink benefiting from Urban Outfitters and Supergroup joining the network;
- those operations new to H1 FY19, including Brissi, Ginger Ray, Pretty Little Thing and the new Servicecare offering for Amazon in Germany;
- growth with existing customers including ASOS (in both the UK and Poland), Ireland's largest retailer, s.Oliver and Wilko; and
- the earnings-enhancing impact of RepairTech Limited, acquired in June 2017. Repairtech has secured a number of new customers post-acquisition including Vestel and Hisense.

Due to the structure of our contractual relationships, with over 70% of revenue in our UK logistics operations being on open book terms, EBIT is the key metric rather than EBIT margin. The seasonality of our Click and Collect operations distort reported margin percentages between the first six months of the financial year and the second six months.

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 15.8% ahead of the same period of the prior year at £76.1 million (H1 FY18: £65.7 million), and EBIT was 16.4% higher at £7.3 million (H1 FY18: £6.3 million), including £2.8 million from property-related advisory services (H1 FY18: £nil). Excluding this new income stream, EBIT was down in the period, due in particular to volume reductions on a closed book contract with a key customer which is restructuring its business, together with reduced levels of tobacco activity. However, new contract wins, together with improving levels of tobacco activity, provide positive earnings momentum as we enter the second half of the financial year.

The growth in revenues is attributable to:

- those new contracts which commenced in FY18 so which contribute to the full H1 FY19 period, including Crosswater, Edinburgh Woollen Mill and Halfords, and the effect of the acquisition of Tesam Distribution Limited, albeit noting that M&S women's knitwear has subsequently been withdrawn from our operation;
- those recently commenced operations, including Brissi, Ginger Ray, Levi Strauss, and Neon Sheep;

- organic growth with Browns, C&A, and Morrisons; and
- contributions from property-related advisory services.

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 are in line with the prior year (H1 FY18: £2.5 million), as noted above.

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 £45.4 million for H1 FY19, 22.8% down on the same period of last year (H1 FY18: £58.8 million). EBIT fell by 36.9% to £0.9 million in the same period (H1 FY18: £1.4 million). There has been a reluctance by the manufacturer to provide dealer support this year, and whilst there has been some relaxing of this in relation to vans, there is very little manufacturer support for heavy truck sales. This is having a significant impact upon all dealers in the network, and the management team in Northern Commercials have been focusing on cost reduction to offset as much of the impact as possible. We expect the second half of the current financial year to show improved performance.

Financial Review

Revenue

Group revenue increased by 14.1% to £227.9 million (H1 FY18: £199.7 million).

Revenue (unaudited)	**Six months to 31 October**		
	2018	**2017**	**Change**
E-fulfilment & returns management services	£107.1 m	£76.1 m	+40.7%
Non e-fulfilment logistics	£76.1 m	£65.7 m	+15.8%
Total value-added logistics	£183.2 m	£141.8 m	+29.2%
Commercial vehicles	£45.4 m	£58.8 m	-22.8%
Intra-Group	£(0.7)m	£(0.9)m	
Consolidated total	£227.9 m	£199.7 m	+14.1%

EBIT

Group EBIT increased by 16.1% to £10.7 million (H1 FY18: £9.2 million).

Group EBIT (unaudited)	**Six months to 31 October**		
	2018	**2017**	**Change**
E-fulfilment & returns management services	£6.2 m	£5.3 m	+17.1%
Non e-fulfilment logistics	£7.3 m	£6.3 m	+16.4%
Central logistics costs	£(2.5)m	£(2.5)m	
Total value-added logistics	£11.0 m	£9.1 m	+21.2%
Commercial vehicles	£0.9 m	£1.4 m	-36.9%
Head office costs	£(1.2)m	£(1.3)m	
Consolidated total	£10.7m	£9.2 m	+16.1%

Net finance costs

Net finance costs were £1.0 million (H1 FY18: £0.9 million). These costs have increased by 7.1% due to the full year impact of the two strategic acquisitions in the prior year, together with significant capital expenditure throughout the year ending 30 April 2018 and in H1 FY19, 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 £1.9 million (H1 FY18: £1.7 million). The effective tax rate in the period is 21.0%, the same as in H1 FY18. The headline rate of corporation tax in the UK is 19%, unchanged from the prior year.

Earnings Per Share (EPS)

EPS was 7.2p in the period, 14.3% up on the prior period (H1 FY18: 6.3p), slightly lower than the EBIT growth of 16.1%. The EBIT growth does not translate fully to EPS growth, in part because of the full six months' effect of amortisation charges relating to the two subsidiaries acquired throughout the course of H1 FY18 and in part because of increased dilution following the issue of 1.25 million additional shares.

Dividend

An interim dividend for the current year of 3.2 pence per share was approved by the Board on 3 December 2018. The dividend will be payable on 7 January 2019 to shareholders on the register at the close of business on 14 December 2018.

Cashflow

Cash generated from operations in the period was £10.1 million (H1 FY18: £12.6 million).

Whilst the profit before tax from operating activities increased £1.3 million in H1 FY19 compared with H1 FY18, H1 FY19 included the benefit of a non-cash share based payment credit of £0.7 million, compared to a charge of £0.6 million in H1 FY18 – a £1.3 million benefit year on year. Net cash used in working capital during the period was £4.4 million (H1 FY18: £1.2 million), as we had a higher than normal level of accrued revenue at the half-year. (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 (H1 FY18: £(21.2) million), inventories of £(2.1) million (H1 FY18: £(0.1) million) and trade and other payables of £18.9 million (H1 FY18: £20.1 million), per the cash flow statement.)

Tax cash outflows were largely in line for H1 FY19 compared to H1 FY18 being £1.9 million (H1 FY18: £2.0 million). There have been no fundamental changes to tax rates year-on-year.

Capital expenditure in the period on non-current assets was £11.1 million (H1 FY18: £6.3 million), compared to a depreciation and impairment charge of £3.5 million (H1 FY18: £3.3 million). This increase in capital expenditure is predominantly due to £3.9 million of spend on one customer project, £2.2 million on a new mezzanine installation for another, £1.7 million in Poland on the new Poznań facility and £2.1 million on the fit-out of our new Crick facility (each of which will be fully recovered from the relevant customers through open book contract mechanisms, together with a finance fee). £3.2 million (H1 FY18: £2.6 million) of the capital expenditure was financed on hire purchase or finance lease agreements and £0.3 million (H1 FY18: £nil) was financed by specific bank debt.

Deferred consideration of £0.5 million was paid in H1 FY19 in respect of one of the prior year acquisitions. Cash outflows of £11.8 million were incurred in H1 FY18 as a result of the two acquisitions.

Net debt at 31 October 2018 was £42.1 million (2017: £38.8 million). The increase in net debt compared to the prior year is primarily due to the capital expenditure noted above. At 31 October 2018, there are undrawn bank facilities of £17.9 million (2017: £23.5 million) committed and available. See note 13 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 2018 Annual Report. The key such 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 GDPR;
- Financial resilience of customers;
- Downturn in the UK commercial property market;
- 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 2018 Annual Report.

CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS TO 31 OCTOBER 2018

Interim Group Income Statement (unaudited)

Year ended 30 April 2018 £'000		Note	6 months ended 31 October 2018 £'000	6 months ended 31 October 2017 £'000
400,115	**Revenue**	3	**227,927**	199,685
(283,324)	Cost of Sales		**(164,901)**	(142,027)
116,791	**Gross profit**		**63,026**	57,658
2,398	Other net gains		**119**	78
(98,358)	Administration and other expenses		**(52,308)**	(48,280)
20,831	**Operating profit before share of equity-accounted investees, net of tax**		**10,837**	9,456
(889)	Share of equity-accounted investees, net of tax		**(572)**	(598)
19,942	**Operating profit**		**10,265**	8,858
20,854	**EBIT**		**10,695**	9,210
(1,094)	Less: amortisation of other intangible assets		**(593)**	(478)
182	share of tax and finance costs of equity-accounted investees		**163**	126
19,942	**Operating profit**		**10,265**	8,858
(2,014)	Finance costs	6	**(1,023)**	(951)
38	Finance income	7	**26**	20
17,966	**Profit before income tax**		**9,268**	7,927
(3,685)	Income tax expense	8	**(1,947)**	(1,663)
14,281	**Profit for the financial period**		**7,321**	6,264
14.2p	**Basic earnings per share**	9	**7.2p**	6.3p
14.1p	**Diluted earnings per share**	9	**7.2p**	6.1p

Interim Group Statement of Comprehensive Income (unaudited)

Year ended 30 April 2018 £'000		Note	6 months ended 31 October 2018 £'000	6 months ended 31 October 2017 £'000
14,281	**Profit for the financial period**		**7,321**	6,264
	Other comprehensive income (expense) for the period, net of tax:			
	To be classified to the income statement in subsequent periods:			
(106)	Exchange differences on retranslation of foreign operations		**10**	(100)
14,175	**Total comprehensive income for the period attributable to equity holders of the parent company**		**7,331**	6,164

Interim Group Statement of Financial Position (unaudited)

30 April 2018 £'000		Note	31 October 2018 £'000	31 October 2017 £'000
	ASSETS			
	Non-current assets			
25,951	Goodwill		**25,951**	26,958
11,267	Other intangible assets		**11,698**	9,833
37,218	Intangible assets		**37,649**	36,791
44,998	Property, plant and equipment	11	**51,205**	46,703
1,278	Investments		**706**	1,569
1,950	Non-current financial assets		**1,950**	1,450
-	Deferred tax assets		**-**	-
85,444	**Total non-current assets**		**91,510**	86,513
	Current assets			
22,099	Inventories		**24,725**	30,858
73,430	Trade and other receivables		**94,630**	70,837
2,275	Cash and cash equivalents	12	**2,119**	926
97,804	**Total current assets**		**121,474**	102,621
183,248	**TOTAL ASSETS**		**212,984**	189,134
	EQUITY AND LIABILITIES			
	Current Liabilities			
102,402	Trade and other payables		**120,693**	110,612
9,219	Financial liabilities: Borrowings	13	**10,609**	7,813
78	Short term provisions		**76**	281
2,540	Current income tax liabilities		**2,873**	1,913
114,239	**Total current liabilities**		**134,251**	120,619
	Non-current liabilities			
26,664	Borrowings	13	**35,536**	33,319
1,486	Long term provisions		**1,592**	1,417
1,541	Deferred tax liabilities		**869**	1,244
29,691	**Total non-current liabilities**		**37,997**	35,980
143,930	**TOTAL LIABILITIES**		**172,248**	156,599
	Equity shareholders' funds			
51	Share capital		**51**	50
1,710	Share premium		**1,859**	348
(139)	Currency translation reserve		**(129)**	(133)
84	Other reserve		**84**	84
6,006	Merger reserve		**6,006**	6,006
2,745	Share based payment reserve		**2,272**	2,882
28,861	Retained earnings		**30,593**	23,298
39,318	**TOTAL EQUITY**		**40,736**	32,535
183,248	**TOTAL EQUITY AND LIABILITIES**		**212,984**	189,134

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 2017	50	80	84	(33)	6,006	2,038	21,845	30,070
Profit for the period	-	-	-	-	-	-	6,264	6,264
Other comprehensive income / (expense)	-	-	-	(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
Profit for the period	-	-	-	-	-	-	8,017	8,017
Other comprehensive income / (expense)	-	-	-	(6)	-	-	-	(6)
Equity settled transactions	-	-	-	-	-	(137)	355	218
Share issue	1	1,362	-	-	-	-	-	1,363
Dividends	-	-	-	-	-	-	(2,809)	(2,809)
Balance at 30 April 2018	51	1,710	84	(139)	6,006	2,745	28,861	39,318
Profit for the period	-	-	-	-	-	-	7,321	7,321
Other comprehensive income / (expense)	-	-	-	10	-	-	-	10
Equity settled transactions	-	-	-	-	-	(473)	96	(377)
Share issue	-	149	-	-	-	-	-	149
Dividends	-	-	-	-	-	-	(5,685)	(5,685)
Balance at 31 October 2018	**51**	**1,859**	**84**	**(129)**	**6,006**	**2,272**	**30,593**	**40,736**

Interim Group Statement of Cash Flows (unaudited)

Year ended 30 April 2018 £'000		Note	6 months ended 31 October 2018 £'000	6 months ended 31 October 2017 £'000
17,966	Profit before tax from operating activities		**9,268**	7,927
	Adjustments to reconcile profit before tax to net cash flows:			
6,394	Depreciation and impairment of property, plant and equipment		**3,482**	3,264
1,621	Amortisation and impairment of intangible assets		**902**	655
(2,203)	Gain on disposal of property, plant and equipment		**(52)**	(38)
889	Share of equity-accounted investees, net of tax		**572**	598
(198)	Exchange differences		**(7)**	(190)
1,976	Net finance costs	6, 7	**997**	931
1,219	Share based payments charge / (credit)	15	**(721)**	596
	Working capital adjustments			
(23,785)	(Increase) / decrease in trade and other receivables		**(21,175)**	(21,174)
8,816	(Increase) / decrease in inventories		**(2,111)**	(88)
11,801	Increase / (decrease) in trade and other payables		**18,913**	20,079
24,496	**Cash generated from operations**		**10,068**	12,560
38	Interest received		**1**	2
(1,932)	Interest paid		**(976)**	(856)
(3,968)	Income tax paid		**(1,938)**	(2,005)
18,634	**Net cash flows from operating activities**		**7,155**	9,701
	Investing activities			
(6,849)	Purchase of property, plant and equipment	11	**(6,253)**	(3,575)
6,658	Proceeds from sale of property, plant and equipment		**144**	86
(844)	Purchase of intangible assets		**(1,332)**	(134)
3	Proceeds from sale of intangible assets		**-**	-
(11,773)	Acquisition of subsidiary undertakings net of cash acquired	16	**(500)**	(11,773)
(12,805)	**Net cash flows from investing activities**		**(7,941)**	(15,396)
	Financing activities			
17	New bank loans		**-**	17
(101)	Debt issue costs paid		**-**	(90)
9,000	Net drawdown of revolving credit facility		**9,000**	14,500
-	Finance leases advanced in respect of prior year purchases of property, plant and equipment		**298**	-
1,631	Shares issued		**149**	268
(7,622)	Dividends paid	10	**(5,685)**	(4,813)
(500)	Non-current financial assets advanced		**-**	-
(812)	Repayment of bank loans		**(510)**	(398)
(7,366)	Repayment of capital on finance leases		**(3,392)**	(3,725)
(5,753)	**Net cash flows from financing activities**		**(140)**	5,759
76	Net increase / (decrease) in cash and cash equivalents		**(926)**	64
862	Cash and cash equivalents at start of period		**938**	862
938	**Cash and cash equivalents at end of period**		**12**	926

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 2018. 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 2018. The financial information for the half year ended 31 October 2018 and for the equivalent period in 2017 has not been audited or reviewed.

The information for the year ended 30 April 2018 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
IFRS 15 "Revenue from contracts with customers"	1 January 2018
IFRS 9 "Financial instruments" (issued in 2014)	1 January 2018

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

As reported within the 2018 Annual Report and Accounts, IFRS 9 Financial Instruments was issued by the IASB in July 2014, and became effective for the Group from 1 May 2018. Applying IFRS 9 has resulted in changes to the measurement and disclosure of financial instruments and introduced a new expected loss impairment model. The Group has adopted the simplified approach to recognise lifetime credit losses for trade receivables and contract assets. The adoption of the standard has not had a significant impact on the Group's consolidated results or financial position.

IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014 and became effective for the Group from 1 May 2018. The Group has applied the cumulative catch-up approach, therefore comparative periods have not been restated, and are presented as previously reported, under IAS 18. Under IFRS 15, revenue is recognised when the customer obtains control of the goods and services transferred by the Group and the related performance obligations have been satisfied. The amount recognised reflects the amount of consideration that the Group expects to be entitled to in exchange for those goods and services. The implementation of the standard did not have a material effect on the Group's financial statements as at 1 May 2018, therefore no transition adjustment was made. There was no material effect on the Group's results in the six-month period to 31 October 2018 compared to those that would have been reported under IAS 18.

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 2018.

3. Revenue

The Group has applied IFRS 15 from 1 May 2018, using the cumulative effect method and therefore comparative information has not been restated and continues to be reported under IAS 18. The implementation of the standard did not have a material effect on the Group's financial statements as at 1 May 2018, therefore no transition adjustment was made.

There was no material effect on the Group's results in the six-month period to 31 October 2018 compared to those that would have been reported under IAS 18.

Nature, timing and satisfaction of performance obligations

Revenue Stream	Impact of IFRS 15
Open book revenue	Revenue relating to costs to serve the customer are invoiced in line with the customer receiving and consuming benefits under the contract via the "Open book" charging mechanism with either a fixed or variable management fee, and is recognised in the period in which it is earned. Performance obligations are satisfied over time and measured against minimum service level agreements. There has been no change in the timing of revenue recognition on application of IFRS 15.
Closed book revenue	In closed book contracts, revenue is typically recognised based on a pre-agreed price and is typically per unit/parcel/ delivery or pallet etc. Revenue based on a pre-agreed rate-card is recognised as services are provided, in line with the customer receiving and consuming benefits under the contract. There has been no change in the timing of revenue recognition on application of IFRS 15.
Management fees	Fixed management fees are recognised over the contract term. Performance obligations are satisfied over time. There has been no change in the timing of revenue recognition on application of IFRS 15. Variable management fees (a fixed percentage of costs) are recognised as the corresponding costs are incurred i.e. where we have the right to invoice the customer at an amount that corresponds directly with performance to date, we apply the practical expedient to recognise revenue at that amount.
Property-related advisory services	Property-related advisory fees are recognised as services are provided. There has been no change in the timing of revenue recognition on the application of IFRS 15.
Key performance indicators/ gain-shares/ penalties	Variable revenue is recognised to the extent it is highly probable a significant revenue reversal will not occur. There has been no change in the timing of revenue recognition on application of IFRS 15.
Sale of motor vehicles, parts and aftersales services	Sales of vehicles and parts are recognised when the goods have been supplied. Aftersales services are recognised when the service has been completed in line with stage of completion of the transaction at the reporting date, assessed by the time expended on services that are charged on a labour rate basis. Under IFRS 15, revenue is recognised when the customer has control of the goods. This has had no impact on the current revenue recognition policies.
Repairs and maintenance contracts	There is no change to the recognition of revenue from the sale of warranty products as a result of transition to IFRS 15. Under the new accounting standard, revenue is recognised in line with the performance obligation, i.e. the period in which the customer can exercise their rights under the warranty, and therefore recognised over the life of the warranty, as was the case under IAS 18.

Disaggregation of revenue

Revenue has been disaggregated in the table below in line with how management reviews the performance of the Group.

Revenue recognised in the income statement is analysed as follows:

Year ended 30 April 2018 £'000		**6 months ended 31 October 2018 £'000**	6 months ended 31 October 2017 £'000
159,350	E-fulfilment & returns management services	**107,107**	76,146
139,144	Non e-fulfilment logistics	**76,083**	65,691
298,494	Value-added logistics services	**183,190**	141,837
103,598	Commercial vehicles	**45,389**	58,795
(1,977)	Inter-segment sales	**(652)**	(947)
400,115	Revenue from external customers	**227,927**	199,685

Non e-fulfilment logistics revenue includes £2,800,000 (year ended 30 April 2018: £4,200,000; 6 months ended 31 October 2017: £nil) in respect of property-related advisory services.

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 the value-added logistics services segment, 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 2018 £'000		**6 months ended 31 October 2018 £'000**	6 months ended 31 October 2017 £'000
	Operating profit		
11,874	E-fulfilment & returns management services	**6,241**	5,328
14,786	Non e-fulfilment logistics	**7,289**	6,263
(5,688)	Central logistics	**(2,544)**	(2,526)
20,972	Value-added logistics services	**10,986**	9,065
2,450	Commercial vehicles	**909**	1,441
(2,568)	Head office costs	**(1,200)**	(1,296)
20,854	Group EBIT	**10,695**	9,210
(1,094)	Amortisation of other intangible assets	**(593)**	(478)
182	Share of tax and finance costs of equity-accounted investees	**163**	126
19,942	Operating profit	**10,265**	8,858
(2,014)	Finance costs	**(1,023)**	(951)
38	Finance income	**26**	20
17,966	Profit before income tax	**9,268**	7,927

5. Staff costs

The Remuneration Committee have concluded that, having considered the trading performance excluding property-related advisory services which were not contemplated at the time the EPS targets were set, none of the long-term incentives due to vest on 14 January 2019 should now vest. Other than this change, Directors' remuneration is in line with the disclosures set out in the 2018 Annual Report.

6. Finance costs

Year ended 30 April 2018 £'000		**6 months ended 31 October 2018 £'000**	6 months ended 31 October 2017 £'000
547	On bank loans and overdrafts	**291**	215
926	On hire purchase agreements	**456**	471
114	Amortisation of debt issue costs	**64**	50
339	Commercial vehicle stocking interest	**148**	180
62	Invoice discounting	**47**	23
26	Other interest payable	**17**	12
2,014	Total interest expense for financial liabilities measured at amortised cost	**1,023**	951

7. Finance income

Year ended 30 April 2018 £'000		6 months ended 31 October 2018 £'000	6 months ended 31 October 2017 £'000
2	Bank interest	-	2
1	Other interest	1	-
35	Amounts receivable from related parties	25	18
38	Total interest income for financial assets measured at amortised cost	26	20

8. 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 2018: 20.5%).

9. 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 2018 £'000		6 months ended 31 October 2018 £'000	6 months ended 31 October 2017 £'000
14,281	Profit attributable to ordinary equity holders of the parent company	7,321	6,264
Thousands		Thousands	Thousands
100,338	Basic weighted average number of shares	101,482	100,216
14.2p	Basic earnings per share	7.2p	6.3p
101,358	Diluted weighted average number of shares	101,885	102,072
14.1p	Diluted earnings per share	7.2p	6.1p

10. Dividends

Year ended 30 April 2018 £'000		6 months ended 31 October 2018 £'000	6 months ended 31 October 2017 £'000
4,814	Final dividend for the year ended 30 April 2017 of 4.8p per share	-	4,813
2,808	Interim dividend for the year ended 30 April 2018 of 2.8p per share	-	-
-	Final dividend for the year ended 30 April 2018 of 5.6p per share	5,685	-
7,622	Total dividends paid	5,685	4,813

An interim dividend for the current year of £3,249,000 at 3.2p per share was approved by the board on 3 December 2018. The dividend will be payable on 7 January 2019 to shareholders on the register at the close of business on 14 December 2018.

11. Property, plant and equipment

During the six months ended 31 October 2018, the Group acquired assets with a cost of £9,759,000 (six months ended 31 October 2017: £6,150,000). Of the assets acquired, £3,225,000 (2017: £2,575,000) was funded by hire purchase or finance lease arrangements in the period and £281,000 (2017: £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 £4,848,000 (2017: £1,833,000), the majority of which will be funded by finance lease arrangements when complete.

12. Cash and cash equivalents

30 April 2018 £'000		**31 October 2018 £'000**	31 October 2017 £'000
2,275	Cash and cash equivalents	**2,119**	926
(1,337)	Bank overdraft	**(2,107)**	-
938	Total cash and cash equivalents	**12**	926

13. Financial liabilities - Borrowings

30 April 2018 £'000		**31 October 2018 £'000**	31 October 2017 £'000
	Non current:		
1,192	Bank loans	**826**	1,304
9,000	Revolving credit advances	**18,000**	14,500
16,823	Obligations under finance leases or hire purchase agreements	**16,997**	17,919
(351)	Unamortised debt issue costs	**(287)**	(404)
26,664		**35,536**	33,319
	Current:		
1,337	Bank overdrafts	**2,107**	-
887	Bank loans	**1,025**	809
6,995	Obligations under finance leases or hire purchase agreements	**7,477**	7,004
9,219		**10,609**	7,813
35,883	Total borrowings	**46,145**	41,132
2,275	Less: cash and cash equivalents	**2,119**	926
1,950	loans to related party	**1,950**	1,450
31,658	Net debt	**42,076**	38,756

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 2018 £'000		31 October 2018 £'000	31 October 2017 £'000
887	In one year or less	**1,025**	809
10,192	Between one and five years	**18,826**	15,804
-	After five years	**-**	-
(351)	Unamortised debt issue costs	**(287)**	(404)
10,728		**19,564**	16,209

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 2018 £18,000,000 (2017: £14,500,000) of the revolving credit facility was drawn.

14. Financial instruments

Fair value of financial instruments

The book value of trade and other receivables, trade and other payables, cash and cash equivalents & 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 2018 £'000		31 October 2018 £'000	31 October 2017 £'000
	Non-current financial assets:		
1,950	Book value	**1,950**	1,450
1,907	Fair value	**1,902**	1,387
	Non-current borrowings:		
26,664	Book value	**35,536**	33,319
25,919	Fair value	**34,752**	32,485

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

- Interest-bearing loans and borrowings: fair value is calculated based on discounted expected future principal and interest 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. 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 2018. Details of grants in prior periods are set out in the 2018 Annual Report. During the six months ended 31 October 2018 the Company issued 170,247 ordinary shares for aggregate consideration of £149,000 to satisfy share options. At 31 October 2018 options over 507,824 ordinary shares (2017: 28,349) were exercisable.

The credit for share based payments in the six months ended 31 October 2018 is £721,000 (2017: charge of £596,000).

The increase in deferred tax asset during the period in relation to share based payments amounted to £349,000, which has been recognised in the share based payment reserve.

16. Business combinations

In June 2018, the Company paid deferred consideration of £500,000 in relation to the acquisition of RepairTech Limited which was completed in the prior year.

None of the provisional fair values reported in the 2018 Annual Report in respect of acquisitions have required any adjustment.

17. 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 2018		**6 months ended 31 October 2018**	6 months ended 31 October 2017
£'000		**£'000**	£'000
	Income statement:		
15,738	Revenue credited	**8,609**	7,579
1,682	Costs charged	**969**	646
35	Finance income credited	**25**	18
	Statement of financial position:		
1,950	Non-current financial assets	**1,950**	1,450
1,491	Trade and other receivables	**2,406**	1,527
168	Trade and other payables	**279**	182

Property-related advisory service fees of £2,800,000 receivable from Hamsard 3476 Limited have been credited to the income statement in the period. The statement of financial position at 31 October 2018 includes £2,800,000 in trade and other receivables. Other related party transactions are in line with the disclosures set out in the 2018 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 2018 and for the equivalent period in 2017 has been prepared on the basis of the accounting policies set out in the 2018 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 as at 31 October 2018 are listed in the 2018 Annual Report.

This report was approved by the Board for release on 5 December 2018 and is available on the Company's website www.clippergroup.co.uk under "Investor News" then "Results and Presentations".

By order of the Board