CLIPPER LOGISTICS PLC

INTERIM RESULTS FOR THE SIX MONTHS TO 31 OCTOBER 2019

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 2019 ("**H1 FY20**").

Financial Highlights

Note: IFRS 16 'Leases' was adopted using the modified retrospective approach with effect from 1 May 2019. The adoption of IFRS 16 significantly affects the Group results, including improving H1 FY20 EBIT by £4.4 million and increasing net debt at the transition date by £193.8 million. Under the modified retrospective approach, the results for the six months ended 31 October 2018 ("**H1 FY19**") do not get restated. Consequently, it is not possible to compare directly the results of H1 FY20 with the results of H1 FY19. To aid comparison with H1 FY19, discussion of the results is on a comparable IAS 17 basis, unless otherwise stated. Please see the Alternative Performance Measures section for further detail.

- Group revenue up 11.7% to £254.6 million (six months ended 31 October 2018 ("**H1 FY19**"): £227.9 million).
- Reported Group EBIT increased 13.5% to £12.1 million (H1 FY19: £10.7 million), due to strong revenue growth in e-fulfilment and returns management and an improvement in contributions from Clicklink. By segment:
  - E-fulfilment and returns management services EBIT up 34.2% to £8.4 million (H1 FY19: £6.2 million), including £(0.5) million contribution from Clicklink (H1 FY19: £(0.7) million);
  - Non e-fulfilment logistics EBIT up 8.8% to £7.9 million (H1 FY19: £7.3 million). There were no property-related advisory fees in H1 FY20 (H1 FY19: £2.8 million); and
  - Commercial vehicles EBIT down 5.9% to £0.86 million (H1 FY19: £0.91 million).
- Reported EBIT growth has been diluted by the net impact of certain items (property related income of £2.8 million in H1 FY19, negative goodwill credit of £3.5 million in H1 FY20 and an increase in share-based payment charges between H1 FY19 and H1 FY20 of £1.1 million) ("**Non-underlying factors**"). Excluding the impact of these Non-underlying factors from each year, underlying EBIT increased 26.0%.
- Group Profit Before Tax and Amortisation up 10.4% to £10.9 million (H1 FY19: £9.9 million).
- Group Profit Before Tax (PBT) up 9.5% to £10.1 million (H1 FY19: £9.3 million).
- Cash generated from operations of £2.2 million (H1 FY19: £10.1 million), reflecting short-term working capital one-off items.
- Earnings per share up 8.3% to 7.8 pence (H1 FY19: 7.2 pence). (IFRS 16 basis up 11.1% to 8.0 pence)
- Interim dividend increased by 9.4% to 3.5 pence per share (H1 FY19: 3.2 pence).
- IFRS 16 increases H1 FY20 operating profit and EBIT by £4.4 million, finance costs by £4.2 million and profit before tax by £0.2 million. It increases net debt at the end of H1 FY20 by £183.4 million from £64.4 million to £247.8 million (H1 FY19: £42.1 million) and increases right of use assets by £154.0 million. Earnings per share increases to 8.0 pence.

Operational Highlights

- Commencement of new operations in H1 FY20 with Hope & Ivy, Simba Sleep, SLG, Amara, Shop Direct and a new operation providing services to the M&S National Distribution Centres.

- Automation programmes commenced with Superdry, and trials of robotic technology commenced with a number of other UK customers.

- Significant European growth trajectory continuing, with revenue growth in Poland of 111.6% and in Germany of 33.4%.

- Launch of a partnership with specialist retail sector magazine Drapers to offer expertise, knowledge and insight to fashion brands and retailers.

- Awards from multiple logistics industry bodies for various of our innovative employee attraction and retention programmes, including Fresh Start and our own degree programme with Sheffield Hallam University.

- Awarded RoSPA Gold Award for health & safety.

- Added additional mezzanine level to the Northampton warehouse to accommodate the new Amara operation.

- Digital marketing strategy including new Clipper website, Facebook pages and other social media channels in order to promote Team Clipper.

- In H1 FY20, Clicklink has commenced delivering select third party retailers' click and collect volume into Waitrose under the John Lewis Partnership's collaboration approach with other retailers. This began with Boden and has potential for much further growth. Clicklink's customer base has now increased to 30 customers.

- Shortly after the period end, Clipper delivered a successful Black Friday weekend, with many sites reporting record volumes.

Commenting on the results, Steve Parkin, Executive Chairman of Clipper, said:
"The Group continues to see impressive revenue and EBIT performance in the first six months of the year, largely driven by the particularly strong growth in e-fulfilment and returns management and an improving contribution from our Clicklink Joint Venture."

"A number of new operations have commenced in the period with major customers including Hope & Ivy, Simba Sleep, SLG, Shop Direct and M&S. Our business continues to perform well in Europe, with revenue growth in Poland of 111.6% and Germany of 33.4%. This is supported by a solid new business pipeline in the UK where we continue to offer value-add e-commerce and logistics services, including automation programmes, as we trial robotic technologies with a number of customers."

"As retailers increasingly collaborate to minimise their route-to-market costs, Clipper, given its presence and infrastructure in retail logistics, is ideally placed to facilitate consolidation on behalf of retailers."

"Trading has continued to be positive post-period end, with the key Black Friday trading weekend seeing record daily volumes in certain sites, and we expect full year earnings to be broadly in line with the board's expectations. Notwithstanding the difficulties facing the UK high street and the uncertainties of the UK political environment in the current year, Clipper remains positive about the longer-term outlook and believe the Group is well positioned to achieve further growth in both the UK and internationally."

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 2019 (unaudited) IFRS 16 basis[1] £m	6 months ended 31 October 2019 (unaudited) IAS 17 basis[1] £m	6 months ended 31 October 2018 (unaudited) IAS 17 basis £m	Change IAS 17 basis £m	12 months ended 30 April 2019 (audited) IAS 17 basis £m
Revenue	**254.8**	**254.6**	227.9	+11.7%	460.2
EBIT	**16.6**	**12.1**	10.7	+13.5%	20.2
EBIT (excluding Non-underlying factors)	**13.5**	**9.0**	7.2	+26.0%	15.9
Profit before tax and amortisation	**11.1**	**10.9**	9.9	+10.4%	18.1
Profit before tax	**10.4**	**10.1**	9.3	+9.5%	16.9
Earnings per share	**8.0p**	**7.8p**	7.2p	+8.3%	13.2p
Cash generated from operations	**18.8**	**2.2**	10.1	-78.6%	28.3

1 IFRS 16 was adopted on 1 May 2019 using the modified retrospective approach, without restating prior year figures. To aid comparability across periods the discussion of results is based on an IAS 17 basis, unless otherwise stated. Information on the impact of adopting IFRS 16 is presented in Note 21 to the interim financial statements.

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, for H1 FY20, before the impact of any IFRS 16 adjustments. Due to the structure of our contractual relationships, with circa 60% 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.

IFRS 16 'Leases' was adopted with effect from 1 May 2019. To aid comparison with the prior year, the alternative performance measures for H1 FY20 set out in this report are provided on an IAS 17 basis, unless otherwise stated. These measures have been used by the Board throughout the period for evaluating performance of the business. As a result of adopting IFRS 16, operating lease rental costs have been replaced by depreciation of right of use assets and interest on lease liabilities. This has resulted in an increase in underlying operating profit of £4,429,000 compared to that reported on the previous IAS 17 basis. Net financing costs have increased by £4,204,000 leaving underlying profit before tax £225,000 higher and profit after tax £187,000 higher for H1 FY20 under IFRS 16 versus the equivalent measure on an IAS 17 basis. On adoption of IFRS 16, Right of use assets of £164.6 million were recognised, new lease liabilities of £193.8 million were recognised, deferred tax assets of £4.1 million were recognised and other IAS 17 net liabilities of £5.0 million were derecognised, together reducing retained earnings and reserves by £20.1 million. We will continue to present the results on the comparable IAS 17 basis in the Annual Report for the year ending 30 April 2020. IFRS 16 has no impact on overall cash flows but there are significant changes to where cash flows are disclosed: Net cash flows from operating activities are favourably impacted by £12.5 million, net cash flows from investing activities are adversely impacted by £2.0 million and net cash flows from financing activities are adversely impacted by £10.5 million.

Profit before tax and amortisation is defined as the profit before tax, before amortisation of intangible assets arising on consolidation and, for H1 FY20, before the impact of any IFRS 16 adjustments.

OPERATING AND FINANCIAL REVIEW

Note: discussion of the results is on a comparable IAS 17 basis, unless otherwise stated.

Group summary

Revenue
Group revenue increased by 11.7% to £254.6 million (H1 FY19: £227.9 million).

Group revenue growth of £26.7 million was largely attributable to growth in the e-fulfilment and returns management business activity. Approximately half of this growth was due to the full six months impact of new contracts won in H1 FY19, approximately a quarter was due to revenue growth in continental Europe and the remainder was due to new contracts won in the second six months of the prior year ('**H2 FY19**') and H1 FY20; and growth in existing customers in the UK.

New contracts which commenced in FY19 include: PrettyLittleThing, Mountain Warehouse, Brissi, Neon Sheep, Levi Strauss, Sports Direct, Vestel and Ginger Ray. New contracts commenced in FY20 include: Hope & Ivy, Simba Sleep, SLG, Amara, Shop Direct and a new M&S National Distribution Centre operation. Against this, the following customers have been lost: Bench and Links of London (due to liquidation); C&A (due to a Brexit-related relocation); consolidation activities at Meadowhall (due to the commercial unsustainability of the facility); M&S warehousing at Swadlincote (which has been taken back in-house); and Go Outdoors, Haddad, Pepkor and Whistles (contracts which were not renewed on reaching the end of the term).

There is no property-related consultancy revenue in H1 FY20 (H1 FY19: £2.8 million).

Please refer to the Segmental Review section for a more detailed discussion on each operating segment.

EBIT
Group EBIT increased by £1.4 million, or 13.5%, to £12.1 million (H1 FY19: £10.7 million), in part due to the strong revenue growth of 11.7% discussed above. In addition to these revenue drivers, there are several other material Non-underlying factors impacting EBIT. Of the £1.4 million increase:

- £3.5 million of favourable contribution resulted from a provisional negative goodwill credit arising on a business combination in H1 FY20 (see note 18). There was no similar contribution to EBIT in H1 FY19.
- EBIT for H1 FY19 benefited from a £2.8 million contribution to EBIT from property-related consultancy activities. There was no similar contribution to EBIT in H1 FY20.
- In H1 FY19, there was a credit to the income statement of £0.7 million in respect of share based payment accruals built up in previous years. In H1 FY20 there is a share based payment charge of £0.4 million. This is a swing of £1.1 million.

Excluding these items, underlying EBIT increased by £1.9 million (26.0%) in H1 FY20 compared to H1 FY19, £0.3 million of which is attributable to improved contribution to Group EBIT from Clicklink.

By segment:

- E-fulfilment and returns management EBIT increased by £2.1 million, or 34.2%, to £8.4 million;
- Non e-fulfilment EBIT increased by £0.6 million, or 8.8%, to £7.9 million; and
- Commercial vehicles division EBIT decreased by £54,000, or 5.9%, to £855,000.

Please refer to the Segmental Review section for a more detailed discussion on each operating segment.

The "statutory" measure of EBIT includes the impact of IFRS 16 for the first time in H1 FY20, the Group having transitioned to IFRS 16 on 1 May 2019. Those costs which would have been reported as straight line operating lease rentals in prior periods are now replaced by straight line depreciation and reducing balance interest components. Consequently, results for H1 FY20 on a statutory basis are not directly comparable with those reported for prior periods. Operating lease rentals of £17.2 million have been added back and depreciation of £12.8 million has been deducted, together improving "statutory" EBIT by £4.4 million. Please refer to note 21.2 for details of the IFRS 16 impacts on the Condensed Financial Statements.

The management team will review the overhead base of the business over the first half of calendar year 2020.

Net finance costs
Net finance costs have increased by 32.5% to £1.3 million (H1 FY19: £1.0 million), largely as a result of increased lease liability interest costs following significant capital expenditure in the year ended 30 April 2019, and to a lesser extent increased interest costs on the commercial vehicles stocking lines.

After accounting for IFRS 16 in H1 FY20, "statutory" Net finance costs were increased from £1.3 million to £5.5 million compared to the IAS 17 equivalent cost.

Profit before tax and amortisation and Profit before tax
As a result of the above, Group profit before tax and amortisation increased by 10.4% to £10.9 million (H1 FY19: £9.9 million) and Group profit before tax increased by 9.5% to £10.1 million (H1 FY19: £9.3 million).

Taxation
The tax charge on profit before tax was £2.2 million (H1 FY19: £1.9 million). The effective tax rate in H1 FY20 is 21.8% (H1 FY19: 21.0%), the increase being due to a higher proportion of Group profit being generated in Poland. The headline rate of corporation tax in the UK is 19%, unchanged from the prior year. The headline tax rate in Poland is also 19% but calculated off a different taxable income base. The effective rate of tax on profit in Poland for H1 FY20 is 36%.

Earnings Per Share (EPS)
EPS was 7.8p in H1 FY20, 8.3% up on the same period of the prior year (H1 FY19: 7.2p).

On an IFRS 16 basis EPS was 8.0p in H1 FY20.

Dividend
In line with Clipper's dividend policy and reflecting the Group's earnings growth, the Board is pleased to announce an interim dividend of 3.5 pence per share, which will be paid on 6 January 2020 to shareholders on the register at 13 December 2019. This represents an increase of 9.4% (0.3 pence per share) compared to the interim dividend of 3.2 pence paid in January 2019.

Cashflow
Cash generated from operations in H1 FY20 was £2.2 million (H1 FY19: £10.1 million), the £7.9 million reduction compared to H1 FY19 as a result of a higher working capital outflow: In H1 FY20, the working capital outflow was £12.1 million compared to £4.4 million in H1 FY19, primarily as a result of increased volumes of activity in UK Logistics and the introduction of new customers. We expect much of this to reverse by the end of the financial year as short-term working capital impacts unwind.

Capital spend across tangible and intangible fixed assets has decreased by £4.3 million to £6.8 million in H1 FY20 compared to £11.1 million in H1 FY19. The main items of capital expenditure in H1 FY20 have been on improvements to one of the Peterborough warehouses and on an additional mezzanine floor in the Northampton ADC to facilitate new customers and customer growth. Clipper has invested significantly in its facilities and we expect capital expenditure to be materially lower going forwards.

Income tax payments are £1.2 million higher than the first six months of the prior year as a result of higher payments on account in the UK and Poland, and interest payments are £0.3 million adverse, largely due to an increase in lease liability interest (see above). There was a £2.9 million cash outflow in H1 FY20 relating to a business combination (see note 18), compared to a £0.5 million cash outflow in H1 FY19 for deferred consideration on another. Dividend payments are £6.6 million, a £0.9 million increase on H1 FY19.

Net finance lease repayments and drawdowns are largely in line with H1 FY19 in H1 FY20.

The additional working capital investment has been funded through drawings on the revolving credit facility, which have increased by £17.0 million in H1 FY20 compared to £9.0 million in H1 FY19.

Net debt
(On a pre-IFRS 16 basis) Net debt at the end of H1 FY20 is £64.4 million, compared to £42.1 million at the end of H1 FY19. Net debt was £46.0 million at 30 April 2019, the increase since the year end being largely due to the working capital outflow, capital expenditure and dividends discussed above. Much of our net debt relates to capital to be recovered from open book customers over the term of the customer contracts.

After taking account of IFRS 16, net debt is £247.8 million, following the recognition of £183.4 million of incremental lease liabilities (relating to £154.0 million of right of use assets).

OUTLOOK

The key Black Friday trading weekend occurred shortly after the end of H1 FY20. In this period, the Group processed record daily volumes on certain sites and is pleased to report that early customer feedback has been very positive.

On 20 November 2019, the Board of Clipper Logistics plc announced that it had received a preliminary approach from Sun European Partners, LLP in relation to the potential acquisition of the entire issued, and to be issued, share capital of the Group. There can be no certainty any offer will be made, nor as to the terms of any such offer, and a further update will be provided in due course.

SEGMENTAL REVIEW

Overview

Group revenue increased by 11.7% to £254.6 million (H1 FY19: £227.9 million), with revenue by segment as set out in the table below:

Revenue (unaudited)	**Six months to 31 October**		
	2019	**2018**	**Change**
E-fulfilment & returns management services	£136.5 m	£107.1 m	+27.5%
Non e-fulfilment logistics	£74.8 m	£76.1 m	-1.7%
Total value-added logistics	£211.3 m	£183.2 m	+15.4%
Commercial vehicles	£43.6 m	£45.4 m	-3.9%
Intra-Group	£(0.4) m	£(0.7)m	
Consolidated total (IAS 17 basis)[1]	**£254.6 m**	**£227.9 m**	**+11.7%**
IFRS 16 adjustments	£0.1 m		
Consolidated total (IFRS 16 basis)[1]	**£254.8 m**		

Group EBIT increased by £1.4 million, or 13.5%, to £12.1 million (H1 FY19: £10.7 million), with EBIT by segment as set out in the table below:

Group EBIT (unaudited)	**Six months to 31 October**		
	2019	**2018**	**Change**
E-fulfilment & returns management services	£8.4 m	£6.2 m	+34.2%
Non e-fulfilment logistics	£7.9 m	£7.3 m	+8.8%
Central logistics costs	£(3.4)m	£(2.5)m	-33.8%
Total value-added logistics	£12.9 m	£11.0 m	+17.4%
Commercial vehicles	£0.9 m	£0.9 m	-5.9%
Head office costs	£(1.6)m	£(1.2)m	-34.3%
Consolidated total (IAS 17 basis)[1]	**£12.1 m**	**£10.7 m**	**+13.5%**
Add back: operating lease rentals[1]	£17.2 m		
Deduct: depreciation of right of use assets[1]	£(12.8)m		
Consolidated total (IFRS 16 basis)[1]	**£16.6 m**		

1 IFRS 16 was adopted on 1 May 2019 using the modified retrospective approach, without restating prior year figures. To aid comparability across periods the discussion of results is based on an IAS 17 basis, unless otherwise stated. Information on the impact of adopting IFRS 16 is presented in Note 21 to the condensed financial statements for the 6 months to 31 October 2019.

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.

	Six months to 31 October		
	2019	**2018**	**Change**
Revenue	£136.5 m	£107.1 m	+27.5%
EBIT	£8.4 m	£6.2 m	+34.2%
EBIT (excluding Non-underlying factors)	£6.7 m	£6.2 m	+6.7%

Revenue

Revenue from E-fulfilment and returns management services grew by £29.4 million (27.5%) from £107.1 million in H1 FY19 to £136.5 million in H1 FY20.

This revenue growth was achieved in certain operations which were still in the start-up phase in H1 FY19 such as the services we perform for PrettyLittleThing in the UK and Vestel in Clipper Technical Services. These contributed a full six months' revenue to the results for H1 FY20, having only contributed in part to the results of H1 FY19.

Growth has also been derived from the Shop Direct, Hope & Ivy, Simba Sleep and Amara activities which commenced in H1 FY20. These activities did not contribute to revenue for H1 FY19 and only contribute for part of H1 FY20. As such, these will not generate a full contribution to the Group's annual revenue and profits until the year ending 30 April 2021.

Operations which did not commence until H2 FY19, including Mountain Warehouse in Poznan, Poland, generated no contribution to the results for H1 FY19 but contribute a full six months to the revenue and profit of H1 FY20.

We also saw significant organic revenue growth with certain customers, especially in Poland, and organic decline with certain others. Repairtech, within Technical Services, delivered its record month of output in October after five consecutive months of growth.

Brissi, a customer for whom we commenced an operation in H1 FY19, ceased trading in H1 FY20 due to financial distress.

The activities we previously provided to Go Outdoors from our Swadlincote facility have now been transferred from Clipper and consolidated with their other activities, albeit we will still generate some revenue for a period, as the space commitment is contracted until March 2020.

EBIT

EBIT from E-fulfilment and returns management services grew by £2.1 million (34.2%) from £6.2 million in H1 FY19 to £8.4 million in H1 FY20.

In addition to the significant revenue drivers noted above, EBIT in H1 FY20 also benefited from a negative goodwill credit of £1.7 million (the £3.5 million credit was split evenly across E-fulfilment & returns management services and Non e-fulfilment logistics) arising on a business combination and benefited from an improvement in the contribution from the Clicklink operation, following sales price increases to customers in November 2018. We expect Clicklink to be profitable for the full year FY20, but due to its seasonality - with over 40% of annual revenues being generated in the Nov-Jan quarter – this significant improvement does not show in the H1 FY20 results.

Several new customers have also been brought onstream in the Clicklink joint venture operation in H1 FY20 including Cotswold Outdoors and Cotton Traders. The revenue of joint ventures is not directly consolidated into Group revenue so these wins have no impact on Group revenue, but they do have an impact on the joint venture's profitability, 50% of which gets consolidated into Group EBIT. In H1 FY20, Clicklink has commenced a new operation with John Lewis and Boden; the John Lewis Partnership is embracing increased collaboration by retailers with Waitrose stores now being used as collection points for select third party retailers' click and collect volume, beginning with Boden. We expect Clicklink to be profitable for the full year.

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.

	Six months to 31 October 2019	2018	Change
Revenue	£74.8 m	£76.1 m	-1.7%
EBIT	£7.9 m	£7.3 m	+8.8%
EBIT (excluding Non-underlying factors)	£6.2 m	£5.1 m	+20.9%

Revenue

Revenue from Non e-fulfilment logistics declined slightly in H1 FY20 compared to H1 FY19. Revenue was £76.1 million in H1 FY19 and was £74.8 million in H1 FY20, although the six months of the prior year benefited from £2.8 million of property-related consultancy revenue. Underlying growth of Non e-fulfilment logistics activity was therefore 2.1%.

A number of new activities which commenced in H1 FY19, including Neon Sheep, Levi Strauss and Ginger Ray, contribute revenue for the full six months in H1 FY20, having only contributed in part to the revenue for H1 FY19.

We commenced services for Sports Direct in H2 FY19. Consequently, this activity contributed nothing to the revenues and profits for H1 FY19, but contributes a full six months of revenue and profits to H1 FY20.

Various contracts ceased in H2 FY19, including: Bench (due to liquidation); C&A (due to a Brexit-related relocation); Meadowhall consolidation activities (due to commercial unviability of the operation) and M&S Swadlincote activities (due to the activities being taken in house by M&S).

New activities with SLG and providing services to the M&S National Distribution Centres commenced in H1 FY20. Against this, H1 FY20 also saw an end to services for Haddad, Pepkor and Whistles, as the contracts were not renewed, and for Links of London (due to financial distress).

EBIT

EBIT from Non e-fulfilment logistics grew by £0.6 million (8.8%) from £7.3 million in H1 FY19 to £7.9 million in H1 FY20.

EBIT in this operating segment also benefited from a £1.7 million contribution from negative goodwill in H1 FY20. However, H1 FY19 benefited from a one-off benefit too: £2.8 million of property-related consultancy.

Comparisons of EBIT in this business operation are also affected by a change in accounting classification in H1 FY20 compared to H1 FY19. In H1 FY19, overheads costs of £0.6 million relating to our German operations were included in (and therefore adversely impacted) Non e-fulfilment logistics EBIT. In H1 FY20, these costs, again £0.6 million, are categorised within Central Logistics costs.

The table below normalises the effect of these impacts:

	Six months to 31 October 2019	2018
As reported	£7.9 m	£7.3 m
Remove property-related consultancy	-	(£2.8) m
Negative goodwill	£(1.7) m	-
Impact of German overheads	-	£0.6 m
Total value-added logistics	£6.2 m	£5.1 m

After adjusting for these impacts, normalised EBIT is up 20.9%.

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.

	Six months to 31 October		
	2019	**2018**	**Change**
EBIT	£(3.4) m	£(2.5) m	-33.8%
EBIT (excluding Non-underlying factors)	£(3.2) m	£(3.4) m	+5.5%

Central logistics overheads of £3.4 million are 33.8% adverse to the prior year (H1 FY19: £2.5 million).

As noted above, the change in accounting classification of the German overheads adds £0.6 million into reported Central logistics overhead costs in H1 FY20 compared to H1 FY19. In addition, there was a £0.2 million share based payment charge in H1 FY20 compared to a £0.3 million credit in H1 FY19. Adjusting for the one-off impact of these, Central Logistics overheads were largely flat compared to H1 FY19.

To support the growth in E-fulfilment and returns management services and Non e-fulfilment logistics, Clipper has continued to invest in the Logistics overhead base, particularly in developing innovative business solutions for retail, for both current customers and future customers.

Commercial vehicles

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

Main dealerships are located in Brighouse, Manchester, Northampton, Dunstable and Tonbridge. Thus, the business operates across the north of England and into Wales, through the Midlands, and into the South-east.

	Six months to 31 October		
	2019	**2018**	**Change**
Revenue	£43.6 m	£45.4 m	-3.9%
EBIT	£0.9 m	£0.9 m	-5.9%
EBIT (excluding Non-underlying factors)	£0.9 m	£1.0 m	-4.9%

Revenue

Commercial vehicles revenue decreased £1.8 million (3.9%) from £45.4 million in H1 FY19 to £43.6 million in H1 FY20, the reduction substantially all due to new vehicle sales. 743 new vehicles were sold generating £26.9 million of revenue in H1 FY20, compared to 851 sold in H1 FY19 generating £27.9 million of revenue. Parts sales are also down for the first half of the year.

EBIT

Whilst underlying trading slightly is down year-on-year, dealer support bonuses have increased and, as a result, EBIT is largely flat for H1 FY20 compared to H1 FY19.

Head office costs

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

	Six months to 31 October		
	2019	**2018**	**Change**
EBIT	£(1.6)m	£(1.2)m	-34.3%
EBIT (excluding Non-underlying factors)	£(1.5)m	£(1.7)m	+13.8%

We incurred Head office costs of £1.6 million in H1 FY20 (H1 FY19: £1.2 million). The £0.4 million adverse variance between H1 FY19 and H1 FY20 was driven by: share based payments, which contributed a £0.1 million charge in H1 FY20 compared to a £0.5 million credit in H1 FY19 (£0.6 million adverse impact); Employer's NI thereon, which contributed no charge in H1 FY20 compared to a credit of £0.2 million in H1 FY19 (£0.2 million adverse impact); and H1 FY20 project legal fees (£0.2 million adverse impact); and was partly offset by: a favourable variance due to the non-recurrence in H1 FY20 of those costs incurred in H1 FY19 in respect of Clipper's 25th birthday celebration costs (£0.6 million favourable impact).

STRATEGY

The Group's direction continues to be shaped by the same four key strategic pillars of earlier years, namely:

- 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.

There have been significant developments in each of these areas in H1 FY20.

In terms of expanding the customer base, please refer to commentary provided elsewhere in this report.

New products and services have been developed and continue to be developed both for existing customers and with a view to attracting new customers. These include:

- making use of ever-improving automation technologies, including robots in several of our sites;
- cross-fertilising the existing customer bases of Logistics and Technical Services with new services;
- providing innovative solutions to consolidate supplier deliveries into customer warehouses;
- developing a plug and play Warehouse Management System which has already been implemented for two customers;
- entering into a new partnership arrangement with a Carrier Management System provider to improve the delivery options available to our customers and to reduce our customers' carrier costs; and
- offering a customs agency service in order to address customers' needs around Brexit, but which can also be used for non-EU imports and exports.

In Europe, the Westwing operation has grown significantly, the profits of the transport business are much improved and the new Mountain Warehouse business has left the start-up phase and is now operating "business as usual". We continue to explore business development opportunities in Europe, both in terms of new customers and locations for our existing European business, and in terms of identifying strategic acquisition targets.

We continue to seek out value-additive acquisition opportunities in the UK, Europe (see above) and beyond. We have identified and analysed several potential targets in H1 FY20, but none that have resulted in any firm offer being made.

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 2019 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, particularly in the context of a hard Brexit;
- 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, particularly given the current challenges facing UK retailers;
- Downturn in the UK commercial property market;
- Liquidity risk;
- Credit risk; and
- Fraud risk.

The Group has in place mitigation strategies to deal with these risks. Further details can be found on pages 20 to 23 in the 2019 Annual Report.

CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS TO 31 OCTOBER 2019

Interim Group Income Statement (unaudited)

Year ended 30 April 2019 IAS 17[1] £'000		Note	6 months ended 31 October 2019 IFRS 16[1] £'000	6 months ended 31 October 2018 IAS 17[1] £'000
460,171	**Revenue**	3	**254,750**	227,927
(331,879)	Cost of Sales		**(184,272)**	(164,901)
128,292	**Gross profit**		**70,478**	63,026
(327)	Other net gains or losses	5	**3,706**	119
(108,481)	Administration and other expenses		**(57,898)**	(52,308)
19,484	**Operating profit before share of equity-accounted investees, net of tax**		**16,286**	10,837
(413)	Share of equity-accounted investees, net of tax		**(390)**	(572)
19,071	**Operating profit**		**15,896**	10,265
20,213	**EBIT**		**16,573**	10,695
(1,185)	Less: amortisation of other intangible assets		**(740)**	(593)
43	share of tax and finance costs of equity-accounted investees		**63**	163
19,071	**Operating profit**		**15,896**	10,265
(2,199)	Finance costs	7	**(5,555)**	(1,023)
58	Finance income	8	**30**	26
16,930	**Profit before income tax**		**10,371**	9,268
(3,524)	Income tax expense	9	**(2,254)**	(1,947)
13,406	**Profit for the financial period**		**8,117**	7,321
13.2p	**Basic earnings per share**	10	**8.0p**	7.2p
13.1p	**Diluted earnings per share**	10	**7.9p**	7.2p

1 IFRS 16 was adopted on 1 May 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in Note 21 to the condensed financial statements for the 6 months to 31 October 2019.

Interim Group Statement of Comprehensive Income (unaudited)

Year ended 30 April 2019 IAS 17[1] £'000		Note	6 months ended 31 October 2019 IFRS 16[1] £'000	6 months ended 31 October 2018 IAS 17[1] £'000
13,406	**Profit for the financial period**		**8,117**	7,321
	Other comprehensive income (expense) for the period, net of tax:			
	To be classified to the income statement in subsequent periods:			
31	Exchange differences on retranslation of foreign operations		**(41)**	10
13,437	**Total comprehensive income for the period attributable to equity holders of the parent company**		**8,076**	7,331

Interim Group Statement of Financial Position (unaudited)

30 April 2019 IAS 17[1] £'000		Note	31 October 2019 IFRS 16[1] £'000	31 October 2018 IAS 17[1] £'000
	ASSETS			
	Non-current assets			
25,951	Goodwill		**25,951**	25,951
11,390	Other intangible assets		**13,743**	11,698
37,341	Intangible assets		**39,694**	37,649
61,470	Property, plant and equipment	12	**66,046**	51,205
	Right of use asset	13	**153,962**	-
865	Investments		**475**	706
1,950	Non-current financial assets		**1,950**	1,950
-	Deferred tax assets		**4,085**	-
101,626	**Total non-current assets**		**266,212**	91,510
	Current assets			
24,049	Inventories		**31,167**	24,725
96,347	Trade and other receivables		**111,728**	94,630
3,517	Cash and cash equivalents	14	**2,287**	2,119
123,913	**Total current assets**		**145,182**	121,474
225,539	**TOTAL ASSETS**		**411,394**	212,984
	EQUITY AND LIABILITIES			
	Current Liabilities			
125,982	Trade and other payables		**131,038**	120,693
12,285	Financial liabilities: Borrowings	15	**36,217**	10,609
214	Short term provisions		**-**	76
803	Current income tax liabilities		**63**	2,873
139,284	**Total current liabilities**		**167,318**	134,251
	Non-current liabilities			
39,110	Borrowings	15	**215,800**	35,536
1,610	Long term provisions		**461**	1,592
2,320	Deferred tax liabilities		**3,005**	869
43,040	**Total non-current liabilities**		**219,266**	37,997
182,324	**TOTAL LIABILITIES**		**386,584**	172.248
	Equity shareholders' funds			
51	Share capital		**51**	51
2,060	Share premium		**2,175**	1,859
(108)	Currency translation reserve		**(150)**	(129)
84	Other reserve		**84**	84
6,006	Merger reserve		**6,006**	6,006
1,643	Share based payment reserve		**1,784**	2,272
33,479	Retained earnings		**14,860**	30,593
43,215	**TOTAL EQUITY**		**24,810**	40,736
225,539	**TOTAL EQUITY AND LIABILITIES**		**411,394**	212,984

1 IFRS 16 was adopted on 1 May 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in Note 21 to the condensed financial statements for the 6 months to 31 October 2019.

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 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
Profit for the period	-	-	-	-	-	-	6,085	6,085
Other comprehensive income / (expense)	-	-	-	21	-	-	-	21
Equity settled transactions	-	-	-	-	-	(629)	50	(579)
Share issue	-	201	-	-	-	-	-	201
Dividends	-	-	-	-	-	-	(3,249)	(3,249)
Balance at 30 April 2019	51	2,060	84	(108)	6,006	1,643	33,479	43,215
Profit for the period	-	-	-	-	-	-	8,117	8,117
Other comprehensive income / (expense)	-	-	-	(42)	-	-	1	(41)
Equity settled transactions	-	-	-	-	-	141	-	141
Share issue	-	115	-		-	-	-	115
IFRS 16 transition	-	-	-	-	-	-	(20,129)	(20,129)
Dividends	-	-	-		-	-	(6,608)	(6,608)
Balance at 31 October 2019	**51**	**2,175**	**84**	**(150)**	**6,006**	**1,784**	**14,860**	**24,810**

Interim Group Statement of Cash Flows (unaudited)

Year ended 30 April 2019 IAS 17[1] £'000		**Note**	**6 months ended 31 October 2019 IFRS 16[1] £'000**	6 months ended 31 October 2018 IAS 17[1] £'000
16,930	Profit before tax from operating activities		**10,371**	9,268
	Adjustments to reconcile profit before tax to net cash flows:			
7,426	Depreciation and impairment of property, plant and equipment		**17,355**	3,482
1,973	Amortisation and impairment of intangible assets		**1,067**	902
(124)	Gain on disposal of property, plant and equipment	5	**(113)**	(52)
-	Negative goodwill	5, 18	**(3,499)**	-
413	Share of equity-accounted investees, net of tax		**390**	572
104	Exchange differences		**(77)**	(7)
2,141	Net finance costs	7, 8	**5,525**	997
(1,178)	Share based payments charge / (credit)	17	**392**	(721)
	Working capital adjustments			
(22,915)	(Increase) / decrease in trade and other receivables		**(17,344)**	(21,175)
(773)	(Increase) / decrease in inventories		**(6,814)**	(2,111)
24,298	Increase / (decrease) in trade and other payables		**11,593**	18,913
28,295	**Cash generated from operations**		**18,846**	10,068
55	Interest received		**1**	1
(2,027)	Interest paid		**(5,460)**	(976)
(4,276)	Income tax paid		**(3,153)**	(1,938)
22,047	**Net cash flows from operating activities**		**10,234**	7,155
	Investing activities			
(24,320)	Purchase of property, plant and equipment[2]	12	**(6,447)**	(9,759)
-	New right of use assets acquired	13	**(2,019)**	-
490	Proceeds from sale of property, plant and equipment		**363**	144
(2,096)	Purchase of intangible assets[2]		**(326)**	(1,332)
(500)	Acquisition of subsidiary undertakings net of cash acquired	18	**(2,899)**	(500)
(26,426)	**Net cash flows from investing activities**		**(11,328)**	(11,447)
(4,379)	**Net cash flows from operating and investing activities**		**(1,094)**	(4,292)
	Financing activities			
(20)	Debt issue costs paid		**-**	-
8,000	Net drawdown of revolving credit facility		**17,000**	9,000
-	Finance leases advanced in respect of prior year purchases of property, plant and equipment		**-**	298
350	Shares issued		**115**	149
(8,934)	Dividends paid	11	**(6,608)**	(5,685)
(747)	Repayment of bank loans		**(507)**	(510)
18,698	Finance leases advanced in respect of purchases of property, plant and equipment and purchases of intangible assets[2]		**6,518**	3,506
(10,389)	Repayment of capital on finance leases		**(16,654)**	(3,392)
6,958	**Net cash flows from financing activities**		**(136)**	3,366
2,579	Net increase / (decrease) in cash and cash equivalents		**(1,230)**	(926)
938	Cash and cash equivalents at start of period		**3,517**	938
3,517	**Cash and cash equivalents at end of period**		**2,287**	12

1 IFRS 16 was adopted on 1 May 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in Note 21 to the condensed financial statements for the 6 months to 31 October 2019.

2 The cashflows for the six months ended 31 October 2018 for these items have been re-presented for ease of comparability with the presentation convention adopted in the six months ended 31 October 2019 and the year ended 30 April 2019. Purchases of property, plant and equipment and intangible assets are now presented gross of the related finance lease drawdown, having previously been presented net of the related finance lease drawdown. In the six months ended 31 October 2018, purchase of property, plant and equipment was reported as £(6,253,000), purchase of intangible assets was reported as £(1,332,000) and finance leases advanced in respect of purchases of property, plant and equipment and intangible assets was reported as £nil.

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 2019, other than in relation to the adoption of IFRS 16 'Leases' (see below). 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 2019. The financial information for the half year ended 31 October 2019 and for the equivalent period in 2018 has not been audited or reviewed.

The information for the year ended 30 April 2019 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
IFRS 16 'Leases' became effective, and was adopted by the Group, for the current reporting period.

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

Under the transition rules, the Group has applied IFRS 16 using the modified retrospective approach with the cumulative effect of applying the standard recognised in retained earnings on 1 May 2019 with no restatement of comparative information. The Group has taken available exemptions for short-term leases and low value leases (<£5,000).

The effect on the Group's results for the six months to 31 October 2019 compared to those that would have been reported under IAS 17 are shown in Note 21.

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.

The adoption of IFRS 16 (see note 21) involved exercising judgment to determine the incremental rate of borrowing where the interest rate implicit in the lease is not readily determinable. Judgment was also required to determine the length of leases where an extension or termination option exists. It has been assumed any early termination options within property leases would not be exercised and that the group would take advantage of all extension options available.

Other than in relation to IFRS 16, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty in preparing these condensed interim financial statements were the same as those that applied to the consolidated financial statements for the year ended 30 April 2019.

3. Revenue

The Group has applied IFRS 15 in all periods.

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 2019 £'000		**6 months ended 31 October 2019 £'000**	6 months ended 31 October 2018 £'000
233,872	E-fulfilment & returns management services	**136,533**	107,107
145,286	Non e-fulfilment logistics	**74,811**	76,083
379,158	Value-added logistics services	**211,344**	183,190
82,552	Commercial vehicles	**43,639**	45,389
(1,539)	Inter-segment sales	**(360)**	(652)
-	IFRS 16 adjustments to accrued revenue(1)	**127**	-
460,171	Revenue from external customers	**254,750**	227,927

Note 1: The terms of a particular customer contract mean that IFRS 16 also results in an adjustment to revenue.

No property-related advisory services revenue is included in the six months ended 31 October 2019. In the six months ended 31 October 2018, non e-fulfilment logistics revenue included £2,800,000 in respect of such services. A further £300,000 was included in the remainder of that year, bringing the total for the year ended 30 April 2019 to £3,100,000.

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.

4. Segment information (continued)

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

Year ended 30 April 2019 £'000		**6 months ended 31 October 2019 £'000**	6 months ended 31 October 2018 £'000
	Operating profit		
13,560	E-fulfilment & returns management services	**8,378**	6,241
13,048	Non e-fulfilment logistics	**7,928**	7,289
(5,551)	Central logistics	**(3,405)**	(2,544)
21,057	Value-added logistics services	**12,901**	10,986
1,137	Commercial vehicles	**855**	909
(1,981)	Head office costs	**(1,612)**	(1,200)
20,213	Group EBIT (IAS 17 basis)	**12,144**	10,695
	Add back: operating lease rentals	**17,210**	
	Deduct: depreciation of right of use assets	**(12,781)**	
	Group EBIT (IFRS 16 basis)	**16,573**	
(1,185)	Amortisation of other intangible assets	**(740)**	(593)
43	Share of tax and finance costs of equity-accounted investees	**63**	163
19,071	Operating profit	**15,896**	10,265
(2,199)	Finance costs	**(5,555)**	(1,023)
58	Finance income	**30**	26
16,930	Profit before income tax	**10,371**	9,268

5. Other net gains or losses

Other net gains or losses comprises the following amounts

Year ended 30 April 2019 £'000		**6 months ended 31 October 2019 £'000**	6 months ended 31 October 2018 £'000
-	Negative goodwill	**3,499**	-
124	Profit on sale of property, plant and equipment	**113**	52
98	Dealership contributions	**67**	67
51	Rental income	**27**	-
(600)	Net costs of a non-recurring event	**-**	-
(327)	Total net gains or (losses)	**3,706**	119

6. Staff costs

Directors' remuneration is in line with the disclosures set out in the 2019 Annual Report.

7. Finance costs

Year ended 30 April 2019 £'000		6 months ended 31 October 2019 £'000	6 months ended 31 October 2018 £'000
691	On bank loans and overdrafts	**326**	291
953	On lease liability agreements	**4,898**	456
130	Amortisation of debt issue costs	**70**	64
316	Commercial vehicle stocking interest	**178**	148
94	Invoice discounting	**47**	47
15	Other interest payable	**36**	17
2,199	Total interest expense for financial liabilities measured at amortised cost	**5,555**	1,023

8. Finance income

Year ended 30 April 2019 £'000		6 months ended 31 October 2019 £'000	6 months ended 31 October 2018 £'000
6	Other interest	**1**	**1**
52	Amounts receivable from related parties	**29**	**25**
58	Total interest income for financial assets measured at amortised cost	**30**	**26**

9. Taxation

Tax has been provided on the profit before taxation, at the estimated effective rate for the full year of 21.7% (Year ended 30 April 2019: 20.8%).

10. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. 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 period 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 2019 £'000		6 months ended 31 October 2019 £'000	6 months ended 31 October 2018 £'000
13,406	Profit attributable to ordinary equity holders of the parent company	**8,117**	7,321
Thousands		**Thousands**	Thousands
101,512	Basic weighted average number of shares	**101,653**	101,482
13.2p	Basic earnings per share	**8.0p**	7.2p
102,061	Diluted weighted average number of shares	**102,203**	101,885
13.1p	Diluted earnings per share	**7.9p**	7.2p

11. Dividends

Year ended 30 April 2019 £'000		6 months ended 31 October 2019 £'000	6 months ended 31 October 2018 £'000
5,685	Final dividend for the year ended 30 April 2018 of 5.6p per share	-	5,685
3,249	Interim dividend for the year ended 30 April 2019 of 3.2p per share	-	-
-	Final dividend for the year ended 30 April 2019 of 6.5p per share	6,608	-
8,934	Total dividends paid	6,608	5,685

An interim dividend for the current year of £3,558,000 at 3.5p per share was approved by the board on 4 December 2019. The dividend will be payable on 6 January 2020 to shareholders on the register at the close of business on 13 December 2019.

12. Property, plant and equipment

During the six months ended 31 October 2019, the Group acquired assets with a cost of £6,447,000 (six months ended 31 October 2018: £9,759,000. Of the assets acquired, £4,499,000 (2018: £3,225,000) was funded by leasing arrangements in the period and £nil (2018: £281,000) 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 £nil (2018: £4,848,000) and assets acquired as part of a business combination of £2,899,000 (2018: £nil) (see note 18).

13. Right of use assets

30 April 2019 £'000		31 October 2019 £'000	31 October 2018 £'000
n/a	Balance brought forward	n/a	n/a
n/a	Recognised on transition to IFRS 16 (note 21.1)	164,631	n/a
n/a	Additions	2,019	n/a
n/a	Depreciation charge	(12,781)	n/a
n/a	Foreign currency adjustment	93	n/a
n/a	Balance carried forward (note 21.2)	153,962	n/a

14. Cash and cash equivalents

30 April 2019 £'000		31 October 2019 £'000	31 October 2018 £'000
3,517	Cash and cash equivalents	2,287	2,119
-	Bank overdraft	-	(2,107)
3,517	Total cash and cash equivalents	2,287	12

15. Financial liabilities - Borrowings

30 April 2019 £'000		31 October 2019 £'000	31 October 2018 £'000
	Non current:		
549	Bank loans	**391**	826
17,000	Revolving credit advances	**34,000**	18,000
21,803	Obligations under leasing agreements	**181,581**	16,997
(242)	Unamortised debt issue costs	**(172)**	(287)
39,110		**215,800**	35,536
	Current:		
-	Bank overdrafts	**-**	2,107
785	Bank loans	**435**	1,025
11,500	Obligations under leasing agreements	**35,782**	7,477
12,285		**36,217**	10,609
51,395	Total borrowings	**252,017**	46,145
3,517	Less: cash and cash equivalents	**2,287**	2,119
1,950	loans to related party	**1,950**	1,950
45,928	Net debt	**247,780**	42,076

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

The Group's obligations under leases 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 2019 £'000		31 October 2019 £'000	31 October 2018 £'000
785	In one year or less	**435**	1,025
17,549	Between one and five years	**34,391**	18,826
-	After five years	**-**	-
(242)	Unamortised debt issue costs	**(172)**	(287)
18,092		**34,654**	19,564

The Group has access to a committed overdraft of £8,000,000 and a non-amortising revolving credit facility of £35,000,000 repayable in January 2021. At 31 October 2019 £34,000,000 (2018: £18,000,000) of the revolving credit facility was drawn.

16. 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 2019 £'000		**31 October 2019 £'000**	31 October 2018 £'000
	Non-current financial assets:		
1,950	Book value	**1,950**	**1,950**
1,950	Fair value	**1,946**	**1,902**
	Non-current borrowings:		
39,110	Book value	**215,800**	**35,536**
38,830	Fair value	**214,338**	**34,752**

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.

17. Share based payments

There have been no options granted in the six months ended 31 October 2019. Details of grants in prior periods are set out in the 2019 Annual Report. During the six months ended 31 October 2019, the Company issued 47,893 (2018: 170,247) ordinary shares for aggregate consideration of £115,000 (2018: £149,000) to satisfy share options. At 31 October 2019 options over 507,568 ordinary shares (2018: 507,824) were exercisable.

The charge for share based payments in the six months ended 31 October 2019 is £392,000 (2018: credit of £721,000).

The increase in deferred tax liability during the period in relation to share based payments amounted to £125,000, which has been recognised in the share based payment reserve.

18. Business combinations

In April 2019, the Group entered into a series of contracts with a customer, which when combined represented a business combination in accordance with IFRS 3 'Business Combinations'. The acquisition consists of premises, assets and a workforce, together carrying out a logistics service business that will be outsourced to the Group. The business acquired is an unincorporated entity. Several areas required significant judgment by management, in particular that the transfer of employees under TUPE and the lease of the premises commenced only after the year end, limiting the ability of the Group to control the relevant activities of the acquired business. On balance the Group has concluded that the effective date of the business combination is 1 July 2019 and that this series of transactions should be reflected within the year ending 30 April 2020. This is when management have concluded that control has passed to the Group. The Group has carried out a provisional fair value exercise of the business combination, which will give rise to provisional 'negative goodwill' of £3,499,000. The 'negative goodwill' has been recognised within the Group income statement in the six months ended 31 October 2019.

18. Business combinations (continued)

The provisional fair value table for the business combination is shown below.

Purchase consideration and cash flows:

	£'000
Cash consideration payable	**2,899**
Cash consideration receivable	**(2,765)**
Total net consideration payable	**134**

Acquisition:

	Provisional fair values £'000
Assets:	
Property, plant and equipment	**2,899**
Customer relationship	**3,091**
Liabilities:	
Current provisions	**(1,600)**
Deferred tax liabilities	**(757)**
Total identifiable net assets at fair value	**3,633**
'Negative goodwill' arising on acquisition	**(3,499)**
Total consideration	**134**

As part of the series of transactions, the customer will pay the Group consideration in return for the Group assuming certain potential liabilities. This resulted in the net consideration payable being less than the provisional fair value of net assets acquired, principally the customer relationship, which gave rise to 'negative goodwill'.

Professional fees and costs in relation to the acquisition are expected to not exceed £50,000.

19. 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 2019 £'000		6 months ended 31 October 2019 £'000	6 months ended 31 October 2018 £'000
	Income statement:		
20,392	Revenue credited	**9,908**	8,609
2,750	Costs charged	**1,477**	969
52	Finance income credited	**29**	25
	Statement of financial position:		
1,950	Non-current financial assets	**1,950**	1,950
1,626	Trade and other receivables	**2,380**	2,406
227	Trade and other payables	**241**	279

Other related party transactions are in line with the disclosures set out in the 2019 Annual Report.

20. Subsequent events

On 20 November 2019, the Board of Clipper Logistics plc announced that there had been a preliminary approach from Sun European Partners, LLP in relation to the potential acquisition of the entire issued, and to be issued, share capital of the Group. There can be no certainty any offer will be made, nor as to the terms of any such offer, and a further update will be provided in due course.

21. Impact of IFRS 16

21.1. On the transition statement of financial position

The below table sets out the impact IFRS 16 has had on the statement of financial position at the point of transition.

	Note	30 April 2019 Under IAS 17 (as previously reported) £'000	IFRS 16 adjustments £'000	**1 May 2019 Under IFRS 16 £'000**
ASSETS				
Non-current assets				
Goodwill		25,951	-	25,951
Other intangible assets		11,390	-	11,390
Intangible assets		37,341	-	37,341
Property, plant and equipment		61,470	-	61,470
Right of use asset	(a)	-	164,631	164,631
Investments		865	-	865
Non-current financial assets		1,950	-	1,950
Deferred tax assets	(b)	-	4,121	4,121
Total non-current assets		101,626	168,752	270,378
Current assets				
Inventories		24,049	-	24,049
Trade and other receivables	(c)	96,347	(4,758)	91,589
Cash and cash equivalents		3,517	-	3,517
Total current assets		123,913	(4,758)	119,155
TOTAL ASSETS		225,539	163,994	389,533
EQUITY AND LIABILITIES				
Current Liabilities				
Trade and other payables	(d)	125,982	(8,252)	117,730
Financial liabilities: Borrowings	(e)	12,285	21,167	33,452
Short term provisions	(f)	214	(114)	100
Current income tax liabilities		803	-	803
Total current liabilities		139,284	12,801	152,085
Non-current liabilities				
Borrowings	(g)	39,110	172,631	211,741
Long term provisions	(h)	1,610	(1,309)	301
Deferred tax liabilities		2,320	-	2,320
Total non-current liabilities		43,040	171,322	214,362
TOTAL LIABILITIES		182,324	184,123	366,447
Equity shareholders' funds				
Share capital		51	-	51
Share premium		2,060	-	2,060
Currency translation reserve		(108)	-	(108)
Other reserve		84	-	84
Merger reserve		6,006	-	6,006
Share based payment reserve		1,643	-	1,643
Retained earnings	(i)	33,479	(20,129)	13,350
TOTAL EQUITY		43,215	(20,129)	23,086
TOTAL EQUITY AND LIABILITIES		225,539	163,994	389,533

21. Impact of IFRS 16 (continued)

21.1. On the transition statement of financial position (continued)

Notes to IFRS 16 transition restatement:

a. Right of use assets
These have been valued at an amount equal to the lease liability at the start of the lease but using the discount rate at 1 May 2019 (the date of initial application) and depreciated, determined on a lease by lease basis.

b. Deferred tax assets
Under IAS 12, the net liability recognised on transition to IFRS 16 creates a temporary difference from that which will be deducted for tax purposes, creating a deferred tax asset.

c. Trade and other receivables
Stamp duty land tax, rental prepayments and rent deposits were included within trade and other receivables. Under IFRS 16, these are included within the right of use asset and lease liability, as appropriate.

d. Trade and other payables
Lease incentive accruals have been reclassified to right of use assets on adoption of IFRS 16.

e. Financial liabilities: Borrowings (current)
Lease liabilities have been measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

f. Short term provisions
Dilapidations provisions have been reclassified to right of use assets on adoption of IFRS 16.

g. Financial liabilities: Borrowings (non-current)
Lease liabilities have been measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

h. Long term provisions
Dilapidations provisions have been reclassified to right of use assets on adoption of IFRS 16.

i. Retained earnings
For the majority of leases the Group has calculated the right of use asset as though IFRS 16 had been applied since the start of the lease and depreciated, resulting in a charge to retained earnings as the right of use asset is lower than the finance lease liability recognised.

The weighted average incremental borrowing rate applied by the Group upon transition was 4.3%. Incremental borrowing rates applied to individual leases by the Group ranged between 2.8% and 7.4%.

21. Impact of IFRS 16 (continued)

21.2. On the Condensed Financial Statements for the 6 months to 31 October 2019

The following tables summarise the impact the adoption of IFRS 16 has had on the group income statement, group statement of financial position and group statement of cash flows:

Group Income Statement

	Note	6 months ended 31 October 2019 Under IAS 17 £'000	IFRS 16 adjustments £'000	6 months ended 31 October 2019 Under IFRS 16 £'000
Revenue		**254,623**	**127[1]**	**254,750**
Cost of Sales		**(184,272)**	**-**	**(184,272)**
Gross profit		**70,351**	**127**	**70,478**
Other net gains or losses		**3,706**	**-**	**3,706**
Administration and other expenses		**(62,200)**	**4,302**	**(57,898)**
Operating profit before share of equity-accounted investees, net of tax		**11,857**	**4,429**	**16,286**
Share of equity-accounted investees, net of tax		**(390)**	**-**	**(390)**
Operating profit		**11,467**	**4,429**	**15,896**
EBIT		**12,144**	**4,429**	**16,573**
Less: amortisation of other intangible assets		**(740)**	**-**	**(740)**
share of tax and finance costs of equity-accounted investees		**63**	**-**	**63**
Operating profit		**11,467**	**4,429**	**15,896**
Finance costs		**(1,351)**	**(4,204)**	**(5,555)**
Finance income		**30**	**-**	**30**
Profit before income tax		**10,146**	**225**	**10,371**
Income tax expense		**(2,216)**	**(38)**	**(2,254)**
Profit for the financial period		**7,930**	**187**	**8,117**

Note 1: The terms of a particular customer contract mean that IFRS 16 also results in an adjustment to revenue.

As a result of adopting IFRS 16, operating lease rental costs have been replaced by depreciation of right of use assets and interest on lease liabilities. This has resulted in an increase in underlying operating profit of £4,429,000 compared that reported on the previous IAS 17 basis. Net financing costs have increased by £4,204,000 leaving underlying profit before tax £225,000 higher under IFRS 16 compared to on an IAS 17 basis.

21. Impact of IFRS 16 (continued)

21.2. On the Condensed Financial Statements for the 6 months to 31 October 2019 (continued)

Group Statement of Financial Position

	Note	31 October 2019 Under IAS 17 £'000	IFRS 16 adjustments £'000	31 October 2019 Under IFRS 16 £'000
ASSETS				
Non-current assets				
Goodwill		25,951	-	25,951
Other intangible assets		13,743	-	13,743
Intangible assets		39,694	-	39,694
Property, plant and equipment		66,046	-	66,046
Right of use asset		-	153,962	153,962
Investments		475	-	475
Non-current financial assets		1,950	-	1,950
Deferred tax assets		-	4,085	4,085
Total non-current assets		**108,165**	**158,047**	**266,212**
Current assets				
Inventories		31,167	-	31,167
Trade and other receivables		116,870	(5,142)	111,728
Cash and cash equivalents		2,287	-	2,287
Total current assets		**150,324**	**(5,142)**	**145,182**
TOTAL ASSETS		**258,489**	**152,905**	**411,394**
EQUITY AND LIABILITIES				
Current Liabilities				
Trade and other payables		139,955	(8,917)	131,038
Financial liabilities: Borrowings		11,984	24,233	36,217
Short term provisions		20	(20)	-
Current income tax liabilities		63	-	63
Total current liabilities		**152,022**	**15,296**	**167,318**
Non-current liabilities				
Borrowings		56,613	159,187	215,800
Long term provisions		2,097	(1,636)	461
Deferred tax liabilities		3,005	-	3,005
Total non-current liabilities		**61,715**	**157,551**	**219,266**
TOTAL LIABILITIES		**213,737**	**172,847**	**386,584**
Equity shareholders' funds				
Share capital		51	-	51
Share premium		2,175	-	2,175
Currency translation reserve		(150)	-	(150)
Other reserve		84	-	84
Merger reserve		6,006	-	6,006
Share based payment reserve		1,784	-	1,784
Retained earnings		34,802	(19,942)	14,860
TOTAL EQUITY		**44,752**	**(19,942)**	**24,810**
TOTAL EQUITY AND LIABILITIES		**258,489**	**152,905**	**411,394**

21. Impact of IFRS 16 (continued)

21.2. On the Condensed Financial Statements for the 6 months to 31 October 2019 (continued)

Group Statement of Cashflows

	Note	6 months ended 31 October 2019 IAS 17 £'000	IFRS 16 adjustments £'000	6 months ended 31 October 2019 IFRS 16 £'000
Profit before tax from operating activities		10,146	225	10,371
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and impairment of property, plant and equipment		4,574	12,781	17,355
Amortisation and impairment of intangible assets		1,067	-	1,067
Gain on disposal of property, plant and equipment		(113)	-	(113)
Negative goodwill		(3,499)	-	(3,499)
Share of equity-accounted investees, net of tax		390	-	390
Exchange differences		(76)	(1)	(77)
Net finance costs		1,321	4,204	5,525
Share based payments charge / (credit)		392	-	392
Working capital adjustments				
(Increase) / decrease in trade and other receivables		(17,728)	384	(17,344)
(Increase) / decrease in inventories		(6,814)	-	(6,814)
Increase / (decrease) in trade and other payables		12,491	(898)	11,593
Cash generated from operations		2,151	16,695	18,846
Interest received		1	-	1
Interest paid		(1,256)	(4,204)	(5,460)
Income tax paid		(3,153)	-	(3,153)
Net cash flows from operating activities		(2,257)	12,491	10,234
Investing activities				
Purchase of property, plant and equipment		(6,447)	-	(6,447)
New right of use assets acquired		-	(2,019)	(2,019)
Proceeds from sale of property, plant and equipment		363	-	363
Purchase of intangible assets		(326)	-	(326)
Acquisition of subsidiary undertakings net of cash acquired		(2,899)	-	(2,899)
Net cash flows from investing activities		(9,309)	(2,019)	(11,328)
Net cash flows from operating and investing activities		(11,566)	10,472	(1,094)
Financing activities				
Net drawdown of revolving credit facility		17,000	-	17,000
Shares issued		115	-	115
Dividends paid		(6,608)	-	(6,608)
Repayment of bank loans		(507)	-	(507)
Finance leases advanced in respect of purchases of property, plant and equipment and purchases of intangible assets		4,499	2,019	6,518
Repayment of capital on finance leases		(4,163)	(12,491)	(16,654)
Net cash flows from financing activities		10,336	(10,472)	(136)
Net increase / (decrease) in cash and cash equivalents		(1,230)	-	(1,230)
Cash and cash equivalents at start of period		3,517	-	3,517
Cash and cash equivalents at end of period		2,287	-	2,287

Although IFRS 16 has no impact on the Group’s total cash flow, outflows from financing activities increase while the cash inflows from operating activities have increased as rental costs previously recognised solely as cash outflows from operations are now apportioned between finance charges and a reduction of the lease liability.

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 2019 and for the equivalent period in 2018 has been prepared on the basis of the accounting policies set out in the 2019 Annual Report (as amended by the adoption of IFRS 16 'Leases') 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 2019 are as listed in the 2019 Annual Report.

This report was approved by the Board for release on 4 December 2019 and is available on the Company's website www.clippergroup.co.uk under "Investors" then "Results & Presentations".

By order of the Board