CLIPPER LOGISTICS PLC

INTERIM RESULTS FOR THE SIX MONTHS TO 31 OCTOBER 2020

Strong momentum continues driven by the structural shift to e-commerce; upgrading full year expectations

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 2020 ("**H1 FY21**").

Financial Highlights

- Group revenue up 19.8% to £305.2 million (six months ended 31 October 2019 ("**H1 FY20**"): £254.8 million) with strong revenue growth of 37.7% in e-fulfilment and returns management services.
- Reported Group EBIT increased 21.7% to £20.2 million (H1 FY20: £16.6 million), due to strong growth in e-fulfilment and returns management services and an improvement in contribution from Clicklink.
- In H1 of FY20, reported EBIT included the benefit of a negative goodwill credit of £3.5 million ("**Non-underlying factor**"). Excluding the impact of this Non-underlying factor from the prior year, underlying EBIT increased 54.3%:
    - E-fulfilment and returns management services EBIT up 36.8% to £14.8 million (H1 FY20: £10.8 million), including £0.4 million positive contribution from Clicklink (H1 FY20: £(0.4) million), and up 63.3% adjusting for the prior year Non-underlying factor;
    - Non e-fulfilment logistics EBIT up 4.1% to £10.1 million (H1 FY20: £9.7 million), and up 26.9% adjusting for the prior year Non-underlying factor;
    - Commercial vehicles EBIT up 51.0% to £1.6 million (H1 FY20: £1.1 million).
- On an IAS 17 basis, in order to provide comparability with historical results, EBIT was ahead 27.0%, with underlying EBIT ahead by 78.4%, and profit before tax was ahead by 118.9% compared to the same period last year.
- Group Profit Before Tax and Amortisation up 34.7% to £15.0 million (H1 FY20: £11.1 million).
- Group Profit Before Tax (PBT) up 38.2% to £14.3 million (H1 FY20: £10.4 million).
- Cash generated from operations of £49.1 million (H1 FY20: £19.1 million), reflecting increased customer activity within UK Logistics and improved working capital position.
- Significant reduction in net debt since FY20 to £27.7 million (H1 FY20: £64.4 million). Of net debt, £32.4 million is directly recoverable through open book mechanisms.
- Basic earnings per share up 40% to 11.2 pence (H1 FY20: 8.0 pence).
- Interim dividend increased by 14.3% to 4.0 pence per share (H1 FY20: 3.5 pence).

Operational Highlights

- Clipper has continued to see strong trading across the business in H1 FY21, benefiting particularly from the continued structural shift to e-commerce that has been accelerated during the ongoing COVID-19 pandemic.
- The Group has increased its distribution centre portfolio to accommodate this increased activity and now has 52 sites throughout the UK and mainland Europe with over 14.5 million square feet of warehouse space under the Group's management.
- Clipper has processed over 7.4 billion items of PPE and issued 3.9 billion items on the NHS contract since its commencement at the end of H2 FY20.
- Commencement of new operations in H1 FY21 with N Brown, Gordon Bros, H&M, Joules, Linenbundle, Lussostone, Revolution Beauty, T M Lewin and Unipart.
- This momentum will continue into H2 FY21 as new operations commence with high profile customers.
- Continued implementation of automation programmes including the use of robotic technology with a number of UK customers. Currently exploring a shared user facility utilising autonomous mobile robots ("AMR") with Geek+.
- Technical Services continues to perform strongly, processing record volumes, within the UK and Europe.
- Awards from various logistics institutions, including the Chartered Institute of Logistics and Transport as well as being accredited by the Good Business Charter, the first logistics company to receive this accreditation.
- Clipper Logistics was named 2020 National Courier Awards Military Collaboration winner for their work with 101 Logistic Brigade in support of the NHS in the fight against COVID-19.

Current Trading and Outlook

- Full year earnings expected to be ahead of the Board's previous expectations.
- Shortly after the period end, Clipper has delivered a successful Black Friday weekend, with many sites reporting record volumes.
- Remains positive about the longer-term outlook and believes the Group is well positioned to achieve further growth both in the UK and internationally.

Commenting on the results, Steve Parkin, Executive Chairman of Clipper, said:
"The Group has successfully chartered the uncertainty and disruption caused by the pandemic to deliver impressive revenue growth of 19.8% and underlying EBIT growth of 54.3%. The Group benefited directly from the structural shift and acceleration of online retail such that our e-fulfilment and returns management division saw underlying EBIT growth of 63.3% which included a positive contribution from our Clicklink joint venture."

"In addition, we are immensely proud of the operations which have commenced in the period with major customers including N Brown, Joules, Linenbundle, Revolution Beauty, T M Lewin and Unipart."

"I would like to thank all colleagues, who have worked tirelessly to continue to support our customers through the pandemic."

"We have a solid new business pipeline in the UK, and we have the infrastructure to deliver innovative, technology-focused omni-channel solutions to retailers."

"Whilst conscious of the UK macro-economic climate, given our strategic positioning in the e-commerce sector, we remain positive about the long term outlook. It is pleasing trading has continued to be positive post-period end, with the key Black Friday trading weekend seeing record daily volumes for many customers. We therefore expect full year earnings to be materially ahead of the Board's previous expectations. Given this financial and operational momentum, Clipper remains confident that the Group is well positioned to achieve future growth, both in the UK and internationally."

A conference call for sell-side analysts only will be held at 09.30am today, 3 December 2020. Please contact Buchanan at clipper@buchanan.uk.com if you wish to attend.

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This announcement is released by Clipper Logistics plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 ("MAR"). It is disclosed in accordance with the Group's obligations under Article 17 of MAR. Upon the publication of this announcement, this information is considered to be in the public domain.

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of Clipper Logistics plc by David Hodkin, Chief Financial Officer.

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 2020 (unaudited)	**6 months ended 31 October 2019 (unaudited)**	**Change**	**Year ended 30 April 2020 (audited)**
	£m	**£m**	**%**	**£m**
Revenue	**305.2**	**254.8**	+19.8%	500.7
EBIT	**20.2**	**16.6**	+21.7%	32.5
EBIT (excluding Non-underlying factors)	**20.2**	**13.1**	+54.3%	29.0
Profit before tax and amortisation	**15.0**	**11.1**	+34.7%	21.3
Profit before tax	**14.3**	**10.4**	+38.2%	20.1
Earnings per share	**11.2p**	**8.0p**	+40.0%	15.9p
Cash generated from operations	**49.1**	**19.1**	+157.6%	66.8

ALTERNATIVE PERFORMANCE MEASURES ("APMs")

APMs are used by the Board to assess the Group's financial performance, for analysis and for incentive-setting purposes. These measures are not defined by International Financial Reporting Standards ("**IFRS**") and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to and are not intended to be a substitute for IFRS measurements. The table below reconciles APMs to statutory measures as defined by IFRS.

	Six months ended 31 October					
		2020 £m			2019 £m	
	Statutory	**Adjustments**	**Underlying**	**Statutory**	**Adjustments[3]**	**Underlying**
EBIT[1]	**20.2**	**-**	**20.2**	**16.6**	**(3.5)**	**13.1**
EBIT (IAS 17 basis)[2]	**15.4**	**-**	**15.4**	**12.1**	**(3.5)**	**8.6**
Net debt[4]	**186.7**	**(159.0)**	**27.7**	**242.0**	**(177.6)**	**64.4**

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

[2]EBIT (IAS 17 basis) is defined as operating profit, including the Group's share of operating profit in equity-accounted investees and before the amortisation of intangible assets and excludes the impact of IFRS 16.

[3]The adjustment to EBIT in the six months ended 31 October 2019 was a £3,499,000 negative goodwill release relating to the IFRS 3 business combination.

[4]Net debt is defined as financial liabilities: borrowings less cash and cash equivalents less non-current financial assets less short-term and long-term lease liabilities. Underlying net debt excludes lease liabilities arising as result of IFRS 16.

OPERATING AND FINANCIAL REVIEW

Group summary

Revenue
Group revenue increased by 19.8% to £305.2 million (H1 FY20: £254.8 million).

Group revenue growth of £50.4 million was wholly attributable to growth in the e-fulfilment and returns management business activity. In the Logistics division, in the UK: approximately 10% of this growth was due to the full six months impact of new contracts won in H1 FY20; approximately 50% was due to revenue growth on new contracts won in the second six months of the prior year ("**H2 FY20**"); 10% was due to revenue arising from contracts won in H1 FY21; and the remainder was due to organic growth in existing customers in the UK. Within Europe and the Commercial vehicles division, revenue declined in H1 FY21 compared to H1 FY20 and was directly attributable to the impact of COVID-19, with the closure of non-essential retail.

New contracts which commenced in FY20 include Amara Living, Hope & Ivy, Simba Sleep, SLG and the Very Group. New contracts which commenced in H1 FY21 include: H&M, Linenbundle, N-Brown, Next, Revolution Beauty, TM Lewin and a significant increase in supporting Supply Chain Coordination (NHS) with the storage and distribution of PPE. Against this, the following customers have been lost: Antler, M&Co and Secret Sales (due to entering administration).

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

EBIT
Group EBIT increased by £3.6 million, or 21.7%, to £20.2 million (H1 FY20: £16.6 million), in part due to the strong revenue growth of 19.8% discussed above. In addition to these revenue drivers, included in the prior year is a material Non-underlying factor of £3.5 million from a negative goodwill credit arising on a business combination in H1 FY20. There was no similar contribution to EBIT in

H1 FY21. Excluding this, underlying EBIT increased by £7.1 million (54.3%) in H1 FY21 compared to H1 FY20, £0.8 million of which is attributable to improved contribution to Group EBIT from Clicklink.

By segment:

- E-fulfilment and returns management EBIT increased by £4.0 million, or 36.8%, to £14.8 million (underlying: increase of 63.3%);
- Non e-fulfilment EBIT increased by £0.4 million, or 4.1%, to £10.1 million (underlying: increase of 26.9%);
- Commercial vehicles division EBIT increased by £0.5 million, or 51.0%, to £1.6 million; and
- Central logistics and head office costs increased by £1.3 million, or 26.2% to £6.3 million.

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

Net finance costs

Net finance costs have decreased by 8.2% to £5.1 million (H1 FY20: £5.5 million), largely as a result of the unwind of lease liability interest costs, and a reduction in interest paid on bank loans and overdrafts due to lower requirement of rolling credit facilities. Offsetting this, but to a lesser extent, are increased interest costs on the commercial vehicles stocking lines.

Profit before tax and amortisation and Profit before tax

As a result of the above, Group profit before tax and amortisation increased by 34.7% to £15.0 million (H1 FY20: £11.1 million) and Group profit before tax increased by 38.2% to £14.3 million (H1 FY20: £10.4 million).

Taxation

The tax charge on profit before tax was £2.9 million (H1 FY20: £2.3 million). The effective tax rate in H1 FY21 is 20.2% (H1 FY20: 21.7%), the decrease being due to a higher proportion of Group profit being generated in the UK. The headline rate of corporation tax in the UK is 19%, unchanged from the prior year. Certain expenditure being disallowed for tax purposes, in both the UK and Europe, leads to an effective rate higher than the headline rate. The effective tax rate applied at the half year is an estimate of the expected full year rate.

Basic Earnings Per Share (EPS)

EPS was 11.2 pence in H1 FY21, 40.0% up on the same period of the prior year (H1 FY20: 8.0 pence).

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 4.0 pence per share, which will be paid on 4 January 2021 to shareholders on the register at 11 December 2020. This represents an increase of 14.3% (0.5 pence per share) compared to the interim dividend of 3.5 pence paid in January 2020.

Cashflow

Cash generated from operations in H1 FY21 was £49.1 million (H1 FY20: £19.1 million), the £30.0 million increase compared to H1 FY20 being predominantly due to good working capital performance. In H1 FY21, the working capital inflow was £10.1 million compared to £12.3 million outflow in H1 FY20, as a result of increased volumes of activity in UK Logistics, the introduction of new customers, deferral of some indirect taxes, but also due to continued focus on billing and cash collection throughout the period.

As result of the uncertainty arising from the COVID-19 pandemic, protective measures were undertaken by the Group in order to preserve cash. This included the deferral of payments relating to property leases, extension of supplier payment terms, deferrals of income taxes and VAT. Supplier payments have returned to normal terms within H1 FY21, and the majority of the lease payments have now also been paid. The deferred VAT of £10.0 million will be paid in H2 FY22 and residual income taxes of £8.5 million will be paid in full in H2 FY21.

Capital spend across non-current assets has decreased by £3.4 million to £3.4 million in H1 FY21 compared to £6.8 million in H1 FY20. This is as a result of lower customer related requirements in H1 FY21 compared to H1 FY20.

Income tax payments and interest payments excluding IFRS 16 lease interest are largely in line with the first six months of the prior year. There was a £2.9 million cash outflow in H1 FY20 relating to a business combination with no such similar outflow in H1 FY21. Dividend payments are £6.3 million, a £0.3 million decrease on H1 FY20.

Lease repayments, net of drawdowns have increased by £7.9 million to £23.2 million in H1 FY21 as a result of additions in the prior year.

The net repayment on the revolving credit facility of £8.0 million in H1 FY21 compares to a net drawdown of £17.0 million in H1 FY20.

Net debt

Net debt at the end of H1 FY21 is £27.7 million (excluding leases liabilities arising as a result of the application of IFRS 16), compared to £64.4 million at the end of H1 FY20. Net debt was £45.1 million at 30 April 2020, the decrease since the year end being largely due to the working capital inflow as result of increased activity, reduced capital expenditure and deferrals of VAT and income taxes as discussed above. Much of our net debt relates to capital to be recovered from blue-chip customers over the term of their open book contracts. Recoverable capex on open book contracts at 31 October 2020 amounts to £32.4 million.

OUTLOOK

The key Black Friday trading weekend occurred shortly after the end of H1 FY21. In this period, the Group processed record daily volumes for many of our customers and is pleased to report that early customer feedback has been very positive. The Board remains confident that the Group is strategically well positioned to capitalise on the mega-trend towards online retail, not just in the UK but also in mainland Europe.

SEGMENTAL REVIEW

Overview

Group revenue increased by 19.8% to £305.2 million (H1 FY20: £254.8 million), with revenue by segment as set out in the table below:

Revenue (unaudited) - £ millions	**Six months to 31 October**		
	2020	**2019**	**Change**
E-fulfilment & returns management services	188.0	136.5	+37.7%
Non e-fulfilment logistics	82.2	74.8	+9.9%
Total value-added logistics	**270.2**	**211.3**	**+27.9%**
Commercial vehicles	**36.7**	**43.6**	**-16.0%**
Intra-Group	(1.7)	(0.1)	
Consolidated total	**305.2**	**254.8**	**+19.8%**

Group EBIT increased by £3.6 million, or 21.7%, to £20.2 million (H1 FY20: £16.6 million), with EBIT by segment as set out in the table below:

Group EBIT (unaudited) - £ millions	**Six months to 31 October**		
	2020	**2019**	**Change**
E-fulfilment & returns management services	14.8	10.8	+36.8%
Non e-fulfilment logistics	10.1	9.7	+4.1%
Central logistics costs	(4.4)	(3.4)	-28.9%
Total value-added logistics	**20.5**	**17.1**	**+19.8%**
Commercial vehicles	**1.6**	**1.1**	**+51.0%**
Head office costs	(1.9)	(1.6)	-20.6%
Consolidated total	**20.2**	**16.6**	**+21.7%**

Excluding underlying factors:

Group EBIT (unaudited) - £ millions	**Six months to 31 October**		
	2020	**2019**	**Change**
E-fulfilment & returns management services	14.8	9.0	+63.3%
Non e-fulfilment logistics	10.1	8.0	+26.9%
Central logistics costs	(4.4)	(3.4)	-28.9%
Total value-added logistics	**20.5**	**13.6**	**+50.6%**
Commercial vehicles	**1.6**	**1.1**	**+51.0%**
Head office costs	(1.9)	(1.6)	-20.6%
Consolidated total	**20.2**	**13.1**	**54.3%**

To aid understanding and for greater comparability to historical results, on an underlying IAS 17 basis Group EBIT would have been:

Group EBIT (unaudited) - £ millions	**Six months to 31 October**		
	2020	**2019**	**Change**
E-fulfilment & returns management services	11.8	6.6	+79.1%
Non e-fulfilment logistics	8.3	6.1	+34.2%
Central logistics costs	(4.4)	(3.4)	-28.9%
Total value-added logistics	**15.7**	**9.3**	**+67.8%**
Commercial vehicles	**1.6**	**0.9**	**+86.2%**
Head office costs	(1.9)	(1.6)	-20.6%
Consolidated total	**15.4**	**8.6**	**+78.4%**

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		
£ millions	**2020**	**2019**	**Change**
Revenue	188.0	136.5	+37.7%
EBIT	14.8	10.8	+36.8%
EBIT (excluding Non-underlying factors)	14.8	9.0	+63.3%

Revenue

Revenue from E-fulfilment and returns management services grew by £51.5 million (37.7%) from £136.5 million in H1 FY20 to £188.0 million in H1 FY21.

This revenue growth was achieved in certain operations which were still in the start-up phase in H1 FY20 such as the services we perform for Amara Living, Hope and Ivy, Simba Sleep and the Very Group. These contributed a full six months' revenue to the results for H1 FY21, having only contributed in part to the results of H1 FY20.

Growth has also been derived from H&M, Linenbundle, Medusa-19, Revolution Beauty and T M Lewin which commenced in H1 FY21. These activities did not contribute to revenue for H1 FY20 and only contribute for part of H1 FY21. As such, these will not generate a full contribution to the Group's annual revenue and profits until the year ending 30 April 2022.

Operations which did not commence until H2 FY20, including the distribution and storage of PPE for the NHS, generated no contribution to the results for H1 FY20 but contribute a full six months to the revenue and profit of H1 FY21.

Technical Services delivered strong revenue growth in H1 FY21 and are significantly ahead of plan. The 'box-in-a-box' solution at the Northampton ADC has shown significant growth and the volumes processed for Amazon in Germany continue to grow. A new mezzanine floor at the Oldham facility is nearing completion and will allow for further capacity.

We have processed record volumes on several of our existing contracts such as PrettyLittleThing.com, Wilko and Zara as a result of the acceleration in growth within online, contributing considerable organic revenue growth to the H1 FY21 results.

We expect this structural shift in consumer behaviour to be permanent and therefore we expect further organic revenue growth in H2 FY21.

EBIT

EBIT from E-fulfilment and returns management services grew by £4.0 million (36.8%) from £10.8 million in H1 FY20 to £14.8 million in H1 FY21.

In addition to the significant revenue drivers noted above, EBIT in H1 FY20 benefited from a negative goodwill credit of £1.8 million. Underlying EBIT growth therefore was 63.3%. The table below normalises the effect of these impacts:

	Six months to 31 October		
£ millions	**2020**	**2019**	**Change**
As reported	14.8	10.8	+36.8%
Negative goodwill	-	(1.8)	
Underlying EBIT	14.8	9.0	+63.3%

In addition, EBIT benefited from an improvement in the contribution from the Clicklink operation. We expect Clicklink to be profitable for the full year FY21, but due to its seasonality - with over 40% of annual revenues being generated in the Nov-Jan quarter – this will add further to the positive contribution in H2 FY21.

The revenue of joint ventures is not directly consolidated into Group revenue, so adding new customers will have no impact on Group revenue, but they do have an impact on the joint venture's profitability, 50% of which is consolidated into Group EBIT. Clicklink is currently preparing to process volumes forecasted to be 30% higher than in the previous 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		
£ millions	**2020**	**2019**	**Change**
Revenue	82.2	74.8	+9.9%
EBIT	10.1	9.7	+4.1%
EBIT (excluding Non-underlying factors)	10.1	8.0	+26.9%

Revenue

Revenue from Non e-fulfilment logistics increased in H1 FY21 compared to H1 FY20. Revenue was £74.8 million in H1 FY20 and was £82.2 million in H1 FY21. Growth of Non e-fulfilment logistics activity was therefore 9.9%.

A number of new activities which commenced in H1 FY20 contributed revenue for the full six months in H1 FY21, having only contributed in part to the revenue for H1 FY20. Contracts won in H2 FY20 such as the NHS, Joules and New Girl Order are contributing to the revenue growth in H1 FY21 compared to H1 FY20.

Organic growth in certain contracts such as Morrisons contributed to the revenue growth in H1 FY20 for both transport and warehouse. Also worth noting is the storage of PPE. Offsetting this, but to a lesser extent, are reduced revenues on contracts with Harvey Nichols, M&S and transport operations for EWM and New Look as a result of closure of non-essential retail stores by the UK Government in response to COVID-19.

In H1 FY21 the transport contract with M&Co ceased following the company entering administration.

EBIT
EBIT from Non e-fulfilment logistics grew by £0.4 million (4.1%) from £9.7 million in H1 FY20 to £10.1 million in H1 FY21.

EBIT in this operating segment benefited from a £1.7 million contribution from negative goodwill in H1 FY20.

The table below normalises the effect of these impacts:

£ millions	**Six months to 31 October 2020**	**2019**	**Change**
As reported	10.1	9.7	+4.1%
Negative goodwill	-	(1.7)	
Underlying EBIT	10.1	8.0	+26.9%

After adjusting for this, underlying EBIT increased 26.9%.

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 promotions, accounting and IT, and the costs of the solutions development team.

£ millions	**Six months to 31 October 2020**	**2019**	**Change**
EBIT	(4.4)	(3.4)	-28.9%

Central logistics overheads of £4.4 million are £1.0 million adverse to the prior year (H1 FY20: £3.4 million). To support the growth in E-fulfilment and returns management services and Non e-fulfilment logistics, the Group 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.

£ millions	**Six months to 31 October 2020**	**2019**	**Change**
Revenue	36.7	43.6	-16.0%
EBIT	1.6	1.1	+51.0%

Revenue
Commercial vehicles revenue decreased by £6.9 million (16.0%) from £43.6 million in H1 FY20 to £36.7 million in H1 FY21, the reduction substantially all due to new vehicle sales. 727 new vehicles were sold generating £20.4 million of revenue in H1 FY21, compared to 743 sold in H1 FY20 generating £26.9 million of revenue. Parts sales are also down for the first half of the year. The closure of non-essential retail impacted Commercial vehicles with several of its locations closed during the first lockdown.

EBIT
EBIT has increased for H1 FY21 compared to H1 FY20 due to improved dealer incentives and cost reduction initiatives.

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.

£ millions	Six months to 31 October 2020	2019	Change
EBIT	(1.9)	(1.6)	-20.6%

We incurred Head office costs of £1.9 million in H1 FY21 (H1 FY20: £1.6 million). The £0.3 million increase was driven by: increased salary costs of £0.2 million reflecting increased headcount, increased expenditure on corporate events and travel expenditure of £0.1 million.

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 FY21.

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;
- providing unique solutions to growing customers leveraging on our multi-user capabilities;
- 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;
- 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; and
- working with government agencies to develop solutions and support for the High Street of the future.

We continue to seek out value-additive acquisition opportunities in the UK, Europe and beyond. We have identified and analysed several potential targets in H1 FY21, but none that have resulted in any firm offer being made.

RISK MANAGEMENT

A risk management process is used by the Group to identify, monitor, manage and mitigate against such risks. The principal risks and uncertainties facing the business are unchanged from those identified in the 2020 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;
- Fraud risk; and
- COVID-19

The Group has mitigation strategies in place to deal with these risks. Further details can be found on pages 22 to 25 in the 2020 Annual Report.

CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS TO 31 OCTOBER 2020

Interim Group Income Statement (unaudited)

Year ended 30 April 2020 £'000		Note	6 months ended 31 October 2020 £'000	6 months ended 31 October 2019 £'000
500,671	**Revenue**	3	**305,167**	254,750
(358,653)	Cost of sales		**(212,480)**	(184,272)
142,018	**Gross profit**		**92,687**	70,478
4,097	Other net gains or losses	5	**(77)**	3,706
(114,686)	Administration and other expenses		**(73,587)**	(57,898)
31,429	**Operating profit before share of equity-accounted investees, net of tax**		**19,023**	16,286
(231)	Share of equity-accounted investees, net of tax		**377**	(390)
31,198	**Operating profit**		**19,400**	15,896
32,454	**EBIT**		**20,169**	16,573
(1,240)	Less: amortisation of other intangible assets		**(635)**	(740)
(16)	share of tax and finance costs of equity-accounted investees		**(134)**	63
31,198	**Operating profit**		**19,400**	15,896
(11,155)	Finance costs	7	**(5,141)**	(5,555)
64	Finance income	8	**69**	30
20,107	**Profit before income tax**		**14,328**	10,371
(3,915)	Income tax expense	9	**(2,898)**	(2,254)
16,192	**Profit for the financial period**		**11,430**	8,117
15.9p	**Basic earnings per share**	10	**11.2p**	8.0p
15.8p	**Diluted earnings per share**	10	**11.1p**	7.9p

Interim Group Statement of Comprehensive Income (unaudited)

Year ended 30 April 2020 £'000		Note	6 months ended 31 October 2020 £'000	6 months ended 31 October 2019 £'000
16,192	**Profit for the financial period**		**11,430**	8,117
	Other comprehensive income (expense) for the period, net of tax:			
	To be classified to the income statement in subsequent periods:			
(504)	Exchange differences on retranslation of foreign operations		**237**	(41)
15,688	**Total comprehensive income for the period attributable to equity holders of the parent company**		**11,667**	8,076

Interim Group Statement of Financial Position (unaudited)

30 April 2020 £'000		Note	31 October 2020 £'000	31 October 2019[1] £'000
	ASSETS			
	Non-current assets			
25,951	Goodwill		**25,951**	25,951
11,997	Other intangible assets		**11,673**	13,743
37,948	Intangible assets		**37,624**	39,694
28,966	Property, plant and equipment	12	**29,684**	27,777
186,213	Right-of-use-assets	13	**170,725**	192,231
634	Investments		**1,011**	475
1,950	Non-current financial assets		**1,950**	1,950
1,154	Deferred tax assets		**1,570**	1,080
256,865	**Total non-current assets**		**242,564**	263,207
	Current assets			
27,857	Inventories		**25,105**	31,167
102,742	Trade and other receivables		**124,023**	111,728
2,724	Cash and cash equivalents	14	**7,707**	2,287
133,323	**Total current assets**		**156,835**	145,182
390,188	**TOTAL ASSETS**		**399,399**	408,389
	EQUITY AND LIABILITIES			
	Current Liabilities			
130,813	Trade and other payables		**159,274**	131,038
19,315	Financial liabilities: borrowings	15	**282**	435
38,378	Lease liabilities: short term		**36,332**	35,782
99	Short term provisions		**86**	116
1,760	Current income tax liabilities		**1,534**	63
190,365	**Total current liabilities**		**197,508**	167,434
	Non-current liabilities			
126	Financial liabilities: borrowings	15	**11,072**	34,219
163,906	Lease liabilities: long term		**148,626**	175,825
6,521	Long term provisions		**6,690**	6,102
170,553	**Total non-current liabilities**		**166,388**	216,146
360,918	**TOTAL LIABILITIES**		**363,896**	383,580
	Equity shareholders' funds			
51	Share capital		**51**	51
2,174	Share premium		**2,262**	2,174
(612)	Currency translation reserve		**(375)**	(150)
84	Other reserve		**84**	84
6,006	Merger reserve		**6,006**	6,006
1,669	Share based payment reserve		**2,398**	1,784
19,898	Retained earnings		**25,077**	14,860
29,270	**TOTAL EQUITY**		**35,503**	24,809
390,188	**TOTAL EQUITY AND LIABILITIES**		**399,399**	408,389

[1] To aid comparability, the comparatives for the six months ended 31 October 2019 have been re-presented from that previously reported to follow the treatment adopted in the six months ended 31 October 2020 and the year ended 30 April 2020. Previously reported in the six months ended 31 October 2019 was Property, plant and equipment of £66,046,000 , Right-of-use assets of £153,962,000, Deferred tax assets of £4,085,000, Current financial liabilities: borrowings of £(36,217,000), Lease liabilities short term of £nil , Short term provisions of £nil, Non-current financial liabilities: borrowings of £(215,800,000), Lease liabilities: long term of £nil, Deferred tax liabilities of £(3,005,000) and long term provisions of £(461,000).

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 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	-	114	-		-	-	-	114
IFRS 16 transition	-	-	-	-	-	-	(20,129)	(20,129)
Dividends	-	-	-		-	-	(6,608)	(6,608)
Balance at 31 October 2019	51	2,174	84	(150)	6,006	1,784	14,860	24,809
Profit for the period	-	-	-	-	-	-	8,075	8,075
Other comprehensive income / (expense)	-	-	-	(462)	-	-	(1)	(463)
Equity settled transactions	-	-	-	-	-	(115)	20	(95)
Share issue	-	-	-	-	-	-	-	-
IFRS 16 transition	-	-	-	-	-	-	502	502
Dividends	-	-	-	-	-	-	(3,558)	(3,558)
Balance at 30 April 2020	51	2,174	84	(612)	6,006	1,669	19,898	29,270
Profit for the period	-	-	-	-	-	-	11,430	11,430
Other comprehensive income / (expense)	-	-	-	237	-	-	-	237
Equity settled transactions	-	-	-	-	-	729	55	784
Share issue	-	88	-	-	-	-	-	88
Dividends	-	-	-	-	-	-	(6,306)	(6,306)
Balance at 31 October 2020	**51**	**2,262**	**84**	**(375)**	**6,006**	**2,398**	**25,077**	**35,503**

Interim Group Statement of Cash Flows (unaudited)

Year ended 30 April 2020		**Note**	**6 months ended 31 October 2020**	6 months ended 31 October 2019[1]
£'000			**£'000**	£'000
20,107	Profit before income tax		**14,328**	10,371
	Adjustments to reconcile profit before tax to net cash flows:			
3,244	Depreciation and impairment of property, plant and equipment		**1,908**	2,414
2,114	Amortisation and impairment of intangible assets		**1,145**	1,067
32,946	Depreciation of right-of-use assets		**16,872**	14,941
(468)	Gain on disposal of non-current assets	5	**(117)**	(113)
(3,499)	Negative goodwill	5	**-**	(3,499)
231	Share of equity-accounted investees, net of tax		**(377)**	390
(582)	Exchange differences		**141**	(77)
11,091	Net finance costs	7, 8	**5,072**	5,525
348	Share based payments charge	17	**123**	392
	Working capital adjustments			
(8,527)	(Increase) in trade and other receivables		**(21,267)**	(17,344)
(3,365)	(Increase) / decrease in inventories		**2,847**	(6,814)
13,182	Increase in trade and other payables		**28,472**	11,826
66,822	**Cash generated from operations**		**49,147**	19,079
46	Interest received		**56**	1
(2,954)	Interest paid		**(575)**	(562)
(3,541)	Income tax paid		**(2,887)**	(3,153)
60,373	**Net cash flows from operating activities**		**45,741**	15,365
	Investing activities			
(8,141)	Purchase of property, plant and equipment	12	**(2,593)**	(6,447)
(3,260)	New right-of-use assets acquired	13	**-**	(2,019)
389	Proceeds from sale of property, plant and equipment		**206**	363
106	Proceeds from right-of-use assets		**-**	-
(951)	Purchase of intangible assets		**(812)**	(326)
117	Proceeds from sale of intangible assets		**-**	-
(2,899)	Acquisition of a business		**-**	(2,899)
(14,639)	**Net cash flows from investing activities**		**(3,199)**	(11,328)
	Financing activities			
2,000	Net drawdown / (repayment) of revolving credit facility		**(8,000)**	17,000
114	Shares issued		**88**	114
(10,166)	Dividends paid	11	**(6,306)**	(6,608)
(789)	Repayment of bank loans		**(156)**	(507)
5,654	Financing advanced in relation to right-of-use assets		**499**	6,518
(43,340)	Repayment of lease liabilities		**(23,684)**	(21,784)
(46,527)	**Net cash flows from financing activities**		**(37,559)**	(5,267)
(793)	Net increase / (decrease) in cash and cash equivalents		**4,983**	(1,230)
3,517	Cash and cash equivalents at start of period		**2,724**	3,517
2,724	**Cash and cash equivalents at end of period**		**7,707**	2,287

[1] To aid comparability, the comparatives for the six months ended 31 October 2019 have been re-presented from that previously reported to follow the treatment adopted in the six months ended 31 October 2020 and the year ended 30 April 2020. Previously reported in the six months ended 31 October 2019: Net cash flows from operating activities of £10,234,000, Net cash flows from investing activities £(11,328,000) and Net cash flows from financing activities £(136,000).

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 2020. 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 2020. The financial information for the half year ended 31 October 2020 and for the equivalent period in 2019 has not been audited or reviewed.

The information for the year ended 30 April 2020 does not constitute statutory accounts as defined in section 434 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 Operating and Financial 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.

The Group continues to give consideration to the ongoing COVID-19 pandemic as part of its assessment of viability and ability to continue for the foreseeable future.

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.

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

The significant judgments 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 2020.

3. Revenue

The Group has applied IFRS 15 in all periods.

Disaggregation of revenue

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

Revenue recognised in the income statement is analysed as follows:

Year ended 30 April 2020		**6 months ended 31 October 2020**	6 months ended 31 October 2019
£'000		**£'000**	£'000
276,979	E-fulfilment & returns management services	**187,981**	136,533
143,847	Non e-fulfilment logistics	**82,247**	74,811
420,826	Value-added logistics services	**270,228**	211,344
82,495	Commercial vehicles	**36,677**	43,639
(2,650)	Inter-segment sales	**(1,738)**	(233)
500,671	Revenue from external customers	**305,167**	254,750

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 2020 £'000		6 months ended 31 October 2020 £'000	6 months ended 31 October 2019[1] £'000
	Operating profit		
22,099	E-fulfilment & returns management services	14,766	10,794
17,708	Non e-fulfilment logistics	10,143	9,741
(6,922)	Central logistics	(4,389)	(3,405)
32,885	Value-added logistics services	20,520	17,130
2,389	Commercial vehicles	1,592	1,054
(2,820)	Head office costs	(1,943)	(1,611)
32,454	Group EBIT	20,169	16,573
(1,240)	Amortisation of other intangible assets	(635)	(740)
(16)	Share of tax and finance costs of equity-accounted investees	(134)	63
31,198	Operating profit	19,400	15,896
(11,155)	Finance costs	(5,141)	(5,555)
64	Finance income	69	30
20,107	Profit before income tax	14,328	10,371

[1] In the reported interim results for the six months ended 31 October 2019, the impact of IFRS 16 was shown separately to aid comparability to the six months ended 31 October 2018. The £4,428,000 impact of IFRS 16 for the six months ended 31 October 2019 has been allocated as follows: £2,416,000 in E-fulfilment & returns management services; £1,813,000 in Non e-fulfilment logistics and £199,000 in Commercial vehicles.

5. Other net gains or losses

Other net gains or losses comprises the following amounts

Year ended 30 April 2020 £'000		6 months ended 31 October 2020 £'000	6 months ended 31 October 2019 £'000
3,499	Negative goodwill	-	3,499
123	Profit on sale of property, plant and equipment	117	113
345	Profit on disposal of lease liabilities	-	-
44	Dealership contributions	12	67
335	Rental income	47	27
(249)	Exceptional items	(253)	-
4,097	Total net gains or (losses)	(77)	3,706

Exceptional items in the six months ended 31 October 2020 relate to the cost of reorganisation within the Commercial vehicles division.

6. Staff costs

Directors' remuneration is in line with the disclosures set out in the 2020 Annual Report.

7. Finance costs

Year ended 30 April 2020 £'000		6 months ended 31 October 2020 £'000	6 months ended 31 October 2019 £'000
744	On bank loans and overdrafts	**268**	326
9,403	On lease liability agreements	**4,351**	4,780
138	Amortisation of debt issue costs	**70**	70
385	Commercial vehicle stocking interest	**243**	178
96	Invoice discounting	**29**	47
58	Other interest payable	**47**	36
331	Discount charges on long-term provisions	**133**	118
11,155	Total interest expense for financial liabilities measured at amortised cost	**5,141**	5,555

8. Finance income

Year ended 30 April 2020 £'000		6 months ended 31 October 2020 £'000	6 months ended 31 October 2019 £'000
1	Bank interest	**-**	-
4	Other interest	**39**	1
59	Amounts receivable from related parties	**30**	29
64	Total interest income for financial assets measured at amortised cost	**69**	30

9. Taxation

Tax has been provided on the profit before taxation, at the estimated effective rate for the full year of 20.2% (Year ended 30 April 2020: 19.5%).

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 2020 £'000		6 months ended 31 October 2020 £'000	6 months ended 31 October 2019 £'000
16,192	Profit attributable to ordinary equity holders of the parent company	**11,430**	8,117
Thousands		**Thousands**	Thousands
101,656	Basic weighted average number of shares	**101,672**	101,653
15.9p	Basic earnings per share	**11.2p**	8.0p
102,511	Diluted weighted average number of shares	**102,990**	102,203
15.8p	Diluted earnings per share	**11.1p**	7.9p

11. Dividends

Year ended 30 April 2020 £'000		6 months ended 31 October 2020 £'000	6 months ended 31 October 2019 £'000
6,608	Final dividend for the year ended 30 April 2019 of 6.5p per share	-	6,608
3,558	Interim dividend for the year ended 30 April 2020 of 3.5p per share	-	-
-	Final dividend for the year ended 30 April 2020 of 6.2p per share	6,306	-
10,166	Total dividends paid	6,306	6,608

An interim dividend for the current year of £4,069,000 at 4.0p per share was approved by the board on 2 December 2020. The dividend will be payable on 4 January 2021 to shareholders on the register at the close of business on 11 December 2020.

12. Property, plant and equipment

During the six months ended 31 October 2020, the Group acquired property, plant and equipment with a cost of £2,593,000 (six months ended 31 October 2019: £6,447,000). Included in the additions during the period are assets in the course of construction amounting to £5,000 (2019: £nil).

13. Right-of-use assets

30 April 2020 £'000		31 October 2020 £'000	31 October 2019 £'000
n/a	Balance brought forward	186,213	n/a
164,505	Recognised on transition to IFRS 16	-	164,505
39,681	Reclassification on transition	-	39,681
144	Transfer from property, plant and equipment	374	-
-	Transfer to property, plant and equipment	(68)	-
13,769	Additions	590	2,840
388	Remeasurement of asset	-	-
2,407	Acquisitions	-	-
(1,682)	Disposals and other movements	(73)	(13)
(32,946)	Depreciation charge	(16,872)	(14,941)
(53)	Foreign currency adjustment	561	159
186,213	Balance carried forward	170,725	192,231

14. Cash and cash equivalents

30 April 2020 £'000		31 October 2020 £'000	31 October 2019 £'000
2,724	Cash and cash equivalents	7,707	2,287
-	Bank overdraft	-	-
2,724	Total cash and cash equivalents	7,707	2,287

15. Financial liabilities - borrowings

30 April 2020 £'000		**31 October 2020 £'000**	31 October 2019[1] £'000
	Non-current:		
126	Bank loans	**72**	219
-	Revolving credit advances	**11,000**	34,000
163,906	Obligations under leasing agreements	**148,626**	175,825
164,032		**159,698**	210,044
	Current:		
-	Bank overdrafts	**-**	-
19,000	Revolving credit advances	**-**	-
315	Bank loans	**282**	435
38,378	Obligations under leasing agreements	**36,332**	35,782
57,693		**36,614**	36,217
221,725	Total borrowings	**196,312**	246,261
2,724	Less: Cash and cash equivalents	**7,707**	2,287
1,950	Non-current financial assets	**1,950**	1,950
172,001	'operating leases' adjustment relating to IFRS 16	**158,993**	177,664
45,050	Net debt	**27,662**	64,360

[1] To aid comparability, the comparatives for the six months ended 31 October 2019 have been re-presented from that previously reported to follow the treatment adopted in the six months ended 31 October 2020 and the year ended 30 April 2020.

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 2020 £'000		**31 October 2020 £'000**	31 October 2019 £'000
19,315	In one year or less	**282**	435
126	Between one and five years	**11,072**	34,219
-	After five years	**-**	-
19,441		**11,354**	34,654

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 2023. At 31 October 2020 £11,000,000 (2019: £34,000,000) 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 2020 £'000		31 October 2020 £'000	31 October 2019 £'000
	Non-current financial assets:		
1,950	Book value	**1,950**	1,950
1,907	Fair value	**1,948**	1,946
	Non-current borrowings:		
164,032	Book value	**159,698**	210,044
163,531	Fair value	**159,307**	208,401

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 2020. Details of grants in prior periods are set out in the 2020 Annual Report. During the six months ended 31 October 2020, the Company issued 53,298 (2019: 47,893) ordinary shares for aggregate consideration of £88,000 (2019: £114,000) to satisfy share options. At 31 October 2020 options over 491,948 ordinary shares (2019: 507,568) were exercisable.

The charge for share based payments in the six months ended 31 October 2020 is £123,000 (2019: £392,000).

The increase in deferred tax asset during the period in relation to share based payments amounted to £653,000, which has been recognised in the share based payment reserve.

18. 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 2020 £'000		**6 months ended 31 October 2020 £'000**	6 months ended 31 October 2019 £'000
	Income statement:		
19,088	Revenue credited	**7,459**	9,908
2,438	Costs charged	**1,520**	1,477
59	Finance income credited	**30**	29
	Statement of financial position:		
1,950	Non-current financial assets	**1,950**	1,950
2,066	Trade and other receivables	**1,781**	2,380
179	Trade and other payables	**293**	241

Other related party transactions are in line with the disclosures set out in the 2020 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 2020 and for the equivalent period in 2019 has been prepared on the basis of the accounting policies set out in the 2020 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 2020 are as listed in the 2020 Annual Report.

This report was approved by the Board for release on 3 December 2020 and is available on the Company's website www.clippergroup.co.uk under "Investor News" then "Results and Presentations".

By order of the Board