

Eddie Stobart Logistics plc
 (“Eddie Stobart” or the “Group”)

Full Year Results 2018

Strong performance, end-to-end platform developed to drive future growth.

Eddie Stobart announces its full year results for the 12 months ended 30 November 2018.

Underlying Results	2018	2017	Change	Statutory Results	2018	2017	Change
Revenue	£843.1m	£623.9m	35.1%	Revenue	£843.1m	£623.9m	35.1%
EBIT ¹	£55.3m	£48.5m	14.0%	Operating profit before exceptionals	£37.5m	£31.0m	21.0%
EBIT ¹ %	6.6%	7.8%	(1.2)ppts	Operating profit after exceptionals	£29.7m	£26.6m	11.7%
EBITDA ²	£62.9m	£55.3m	13.7%	Profit before tax	£23.6m	£9.9m	138.4%
EBITDA ² %	7.5%	8.9%	(1.4)ppts	Profit after tax	£16.2m	£4.9m	230.6%
Adjusted profit before tax ³	£49.2m	£37.3m	31.9%	Dividend per share	6.30p	5.80p	8.6%
Adjusted profit after tax ⁴	£41.8m	£32.3m	29.4%	Net cash from operating activities	£(3.3)m	£18.9m	(117.5)%
Adjusted free cash ⁵	£1.7m	£30.0m	(94.3)%	Earnings per share	4.4p	1.2p	266.7%
Adjusted earnings per share ⁶	11.4p	9.8p	16.3%	Net debt	£159.7m	£109.5m	45.8%

Alternative performance measures (see note 3 for reconciliation to statutory measures)

¹ Underlying EBIT is defined as Profit from operating activities before exceptional items, amortisation of acquired intangibles, employee share costs funded by previous parent holding group, charges to the income statement relating to the management incentive plan and long term incentive plan, investor and management charges, the impact of severe weather, start-up costs associated with contract wins, including the gain arising on any lease agreements and Group's share of profit from equity accounted investees.

² Underlying EBITDA is defined as Underlying EBIT before depreciation of property, plant and equipment.

³ Adjusted profit before tax is defined as profit before tax adding back exceptional items, amortisation of acquired intangibles, employee share costs funded by previous parent holding group, charges to the income statement relating to the management incentive plan and long term incentive plan, the impact of severe weather, start-up costs associated with contract wins and including the gain arising on lease agreements.

⁴ Adjusted profit after tax is Adjusted profit before tax less tax

⁵ Adjusted free cash flow is defined as cash generated from operating activities less purchase of property, plant and equipment adding back proceeds from sale of property, plant and equipment and less income taxes paid and adding back the cash impact of exceptional items.

⁶ Adjusted earnings per share is defined as adjusted profit after tax divided by the weighted average basic number of shares in issue at 30 November 2018

Group highlights:

- 2018 represents a major milestone in delivering Eddie Stobart's strategy of becoming a full end-to-end solution provider
- Strong revenue growth of 35% to £843.1m (2017: £623.9m), driven by new contract wins with an annualised total revenue of £162m, organic growth from existing customers and contributions from our acquired businesses
- All customer sectors achieved significant growth with E-commerce revenues growing 65% to £171.0m (2017: £103.4m), Retail increasing by 43% to £241.1m (2017: £168.6m), Consumer increasing by 26% to £182.1m (2017: £144.6m) and MIB growing 16% to £211.1m (2017: £182.0m)
- Continued strong performance from our acquired businesses iForce Group, The Pallet Network Group (TPN), The Logistic People and Speedy Freight following successful integration and delivery of planned synergies
- Underlying EBIT¹ growth of 14% to £55.3m (2017: £48.5m)
- Underlying EBIT¹ margin reduced from 7.8% to 6.6% reflecting temporary costs of reoptimising the provider networks as a result of major contract wins in the first half of the year. Margins are expected to improve in 2019
- Statutory profit before tax increased 138% to £23.6m (2017: £9.9m)
- Statutory operating profit before exceptional costs grew 21% from £31.0m to £37.5m
- Net debt increased to £159.7m (2017: £109.5m) reflecting new debt associated with the acquisition of TPN and working capital investment to support year on year revenue increase which is expected to normalise in 2019
- Adjusted earnings per share increased 16.3% to 11.4p (2017: 9.8p) and statutory earnings per share is 4.4 pence per share for the year (2017: 1.2 pence per share)
- Final dividend proposed of 4.76 pence per share making a total dividend of 6.30 pence per share for the full year

Chief Executive Alex Laffey commented:

“We were pleased with our strong performance in 2018, during which we made significant progress in delivering our strategy of becoming a full-service logistics and supply chain organisation.

We continue to develop our end-to-end supply chain capabilities and in June acquired The Pallet Network, which gave the Group a presence in pallet distribution across the UK and provides cross-selling opportunities to serve our customers’ growing needs. All of our acquired businesses traded in line with expectations during the year and delivered their planned synergies.

Whilst we remain mindful of the current political and economic uncertainty, we are confident that our unique operating model provides us with the flexibility to respond rapidly to changing market conditions.

The new financial year has started in line with the Board's expectations.”

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Chairman's statement

We have made great progress in developing our end-to-end supply chain capabilities and remain well placed to access future growth opportunities.

I am pleased to report another year of strong progress at Eddie Stobart Logistics plc. In addition to winning a significant level of new contracts in our core transport and warehousing operations, we made another successful acquisition, The Pallet Network, a leading palletised freight distribution network.

Building our end-to-end platform

Since the IPO, we have acquired four excellent businesses, iForce, Speedy Freight, The Logistic People and The Pallet Network, that have added to our overall supply chain capabilities. Having visited the operations of each of these businesses, the Board was impressed with the strength of the management teams and commitment of the employees. Market leading IT systems are used to deliver cost effective and efficient services.

These businesses complement the core Eddie Stobart transport and warehousing operations and are expected to enhance our opportunities for organic growth in the UK and expansion in Europe. Going forward into the current year we expect that these acquired companies should contribute an increasing proportion of our turnover, positively impacting our growth prospects.

People

We have appointed a new Chief Financial Officer, Anoop Kang, who will join us on 1 April 2019, to succeed Damien Harte who is retiring due to family health reasons. Anoop brings significant experience gained in a range of senior financial positions and we look forward to him joining the Board. We are grateful to Damien for all he has done to lead us successfully through the Company's IPO in 2017 and our subsequent acquisitions.

We have made good progress in strengthening our executive management team and have successfully recruited experienced and talented individuals from within and outside the logistics sector. Whilst we have developed the capabilities of our teams across all sectors, we have been particularly successful in recruiting individuals with sector leading experience who further strengthen our E-commerce skills and knowhow providing us with the capabilities to deliver our future growth plans and continuous operational improvements.

We continue to invest in the future and remain focussed on attracting the best people into our business and developing their skills. Training for all our people remains a top priority and we are delighted that our training initiatives won an industry award this year. Through our graduate scheme we help graduates gain the experience they will need to become future leaders of our business.

Financial performance

We are pleased with our 2018 financial performance with sales increasing 35% to £843.1 million (2017: £623.9 million) and adjusted EBIT increasing 14% to £55.3 million (2017: £48.5 million). As noted in our January trading update EBIT margin reduced in the first half of the year as a consequence of costs incurred in implementing our major new contract wins.

Our sales growth demonstrates the increasing attractiveness of our unique end-to-end operating model, combined with the performance and synergies generated by our acquired businesses.

The Board is recommending a final dividend of £18.1m (4.76 pence per share) making a total of £23.9m (6.30 pence per share) for the 2018 financial year.

Outlook

Whilst we remain mindful of the current political and economic uncertainty, we are confident that our unique operating model provides us with the flexibility to respond rapidly to changing market conditions.

The new financial year has started in line with the Board's expectations.

Finally, I would like to thank fellow members of the Board, all employees, customers and wider stakeholders for their continued support and much valued contributions.

Philip H Swatman
Chairman

Chief Executive's statement

Our performance in 2018 demonstrates a significant step forward in terms of delivering our strategy of becoming a full service logistics and supply chain organisation, with revenues increasing to £843 million.

Our strong performance is evidenced by the revenue increase of more than £200 million (35%) achieved in the year including, on an annualised basis, £162 million of new contract wins plus £119 million of contract renewals.

Key contracts won include; PepsiCo Walkers, Britvic, Cemex and Tarmac. In addition, we also renewed contracts with Johnson & Johnson, Unilever and Coca-Cola.

Our unique consulting-led, pay-as-you-go network model, offering unrivalled benefits in terms of flexibility and competitive cost to our blue chip customer base, continues to underpin this success.

This model allows us to leverage value from the entire supply chain including solution design, technology, property and infrastructure.

Our acquired businesses, iForce, Speedy Freight, The Logistic People and The Pallet Network continue to trade to expectations and have contributed significantly to the overall strategy. The integration of their offerings into the Group and realisation of identified synergies are progressing to plan.

We continue to invest in transport operations, property and infrastructure to ensure we maintain momentum. Our significant investment in people and technology will deliver operational efficiencies and improve customer service.

Group revenues and profit

I am pleased with our strong revenue performance in what continues to be a difficult and challenging time in the market. Across all areas of our business there have been significant increases in revenues along with strong trading performances during the peak periods.

Group revenue increased by 35% to £843.1million for the year (2017: £623.9 million). Underlying EBIT increased by 14% to £55.3 million (2017: £48.5 million) whilst operating profit before exceptional items increased by 21% to £37.5 million (2017: £31.0 million).

Operational performance

We have delivered a strong performance across each of the four core sectors of Retail, Consumer, Manufacturing, Industrial and Bulk (MIB), and E-commerce. Our Specialist Services and European business units have also performed well.

In our Retail sector we have seen revenues increase by 43% to £241.1 million (2017: £168.6 million), as some retailers continue to outsource their non-core operations in order to focus on their in-store and online businesses. The Eddie Stobart unique pay-as-you-go transport model offers flexibility and cost transparency and high levels of service to our customers.

We are proud to work with the majority of the UK's leading food retailers. Our plan is to work with existing and new customers to simplify operations and innovate further whilst leveraging our full end-to-end supply chain capabilities.

In the Consumer sector revenues were up 26% to £182.1 million (2017: £144.6 million), primarily from contract wins in the first half of the year. Our focus remains on delivering innovative, competitively priced solutions that meet the high levels of service demanded by our customers in this sector.

We have seen significant growth in our E-commerce sector with revenues up 65% to £171.0 million (2017: £103.4 million). The E-commerce sector now represents 20% of total Group revenues.

Our iForce business has been key to our success in this sector with a number of contract wins with leading brands as well as strong growth from existing customers.

In the MIB sector revenues increased by 16% to £211.1 million (2017: £182.0 million), as our customers recognise greater efficiency and certainty around uninterrupted supply of resources offered by an outsourced service.

Contract logistics and warehousing

In contract logistics and warehousing, which includes iForce, we reported revenues of £246.2 million in the year, an increase of 76% from £139.5 million in 2017.

We continue to be successful in the development of our warehousing portfolio as part of our strategy to become an end-to-end logistics solutions provider. We have expanded and repositioned our facilities in response to the ongoing trend towards E-commerce sales at the expense of the high-street. We now have 8.8m sq. ft. of modern, optimally located warehouse assets operating close to full capacity.

We have now opened our redeveloped site at Goresbrook Park, Dagenham, which is already fully occupied and operating at capacity. We have also developed and opened our new multi-user facility at Corby, Northamptonshire which will support both iForce and Eddie Stobart contract logistics and E-commerce growth in 2019 and beyond.

In developing our warehouse portfolio we focus on location, design and site development. This enables us to work early in the development cycle with developers to secure competitively priced and optimally located warehousing space to ensure future growth.

Road transport operations

Our road transport operations reported revenues of £535.2 million in the year, up 29% compared to the prior year (2017: £414.3 million). We maintained service quality whilst facing the challenges of implementing multiple new major contracts won in the first half of the year.

Through the efforts of our operational teams, these new contracts have been successfully implemented.

European operations

In continental Europe revenues increased by 6% to £41.0 million (2017: £38.6 million) as a result of new contract wins in both automotive and general cargo as well as existing customer growth supported by contract renewals.

Brand

We remain committed to evaluating all of our options around our name and leading brand. We have engaged with a brand specialist and talked to customers, shareholders and employees regarding our brand and their perceptions of the value it brings.

The Board remains confident that whatever the outcome, value will be created and retained in the long-term for all key stakeholders.

Leadership and people

Over the past 18 months, we have transformed our leadership team adding more diverse skills and broader industry expertise. We have recruited experienced senior leaders from within and outside the industry. The senior leadership team supports our strategy and shares my ambition and vision for the business. We remain excited by the opportunities ahead of us.

Managing talent and investing in our people remains a priority for the Group and we are committed to ensuring that employees have access to the appropriate resources to keep their skills up to date, as well as attracting the best people.

Technology

The Group remains at the forefront in its use of state-of-the-art technologies. We continue to invest in digitisation to enhance functionality, streamline and simplify both the core operations and back-office support functions, whilst driving further efficiencies and improving visibility of service to our customers.

We recently completed the centralisation of all our systems and technology activities and our programme is on track to deliver the most comprehensive upgrade to our end-to-end supply chain capabilities through the seamless flow of information across each of our operating divisions.

Our technology shared service centre is also now delivering service and cost synergies through the simplification and rationalisation of our systems landscape.

We have several ongoing projects, all aligned to our business strategy that will deliver additional functionality to simplify operations, deliver efficiencies and improve profitability:

- MyWorkforce system automates and streamlines the often complex scheduling of our workforce, leading to the self-management of our employee base
- Our optimised transport solution is well advanced and phased implementation is scheduled for the latter part of 2019. This will further enhance the service we deliver to our customers as well as driving significant operational efficiencies
- Our exploitation of advanced business analytics tools and “big data” techniques continues to deliver previously elusive insights into service and operational performance
- A newly introduced cloud-based solution, “Integration Platform as a Service” (IPaaS), sets the standard for the industry, delivering real-time integration across the Group’s systems and enabling an agile response to our customers’ information needs

Market conditions

Whilst we remain mindful of the current political and economic uncertainty, we are confident that our unique operating model provides us with the flexibility to respond rapidly to changing market conditions.

In Eddie Stobart Logistics plc, most of our operations are in either the UK or continental Europe with less than 2% of our revenue generated through crossing the English Channel.

Alex Laffey

Chief Executive Officer

Chief Financial Officer's statement

Revenue and underlying EBIT¹ grew by 35% and 14% respectively

Performance summary

Underlying Results	2018	2017	Change	Statutory Results	2018	2017	Change
Revenue	£843.1m	£623.9m	35.1%	Revenue	£843.1m	£623.9m	35.1%
EBIT ¹	£55.3m	£48.5m	14.0%	Operating profit before exceptional	£37.5m	£31.0m	21.0%
EBIT ¹ %	6.6%	7.8%	(1.2)ppts	Operating profit after exceptional	£29.7m	£26.6m	11.7%
EBITDA ²	£62.9m	£55.3m	13.7%	Profit before tax	£23.6m	£9.9m	138.4%
EBITDA ² %	7.5%	8.9%	(1.4)ppts	Profit after tax	£16.2m	£4.9m	230.6%
Adjusted profit before tax ³	£49.2m	£37.3m	31.9%	Dividend per share	6.30p	5.80p	8.6%
Adjusted profit after tax ⁴	£41.8m	£32.3m	29.4%	Net cash from operating activities	£(3.3)m	£18.9m	(117.5)%
Adjusted free cash ⁵	£1.7m	£30.0m	(94.3)%	Earnings per share	4.4p	1.2p	266.7%
Adjusted earnings per share ⁶	11.4p	9.8p	16.3%	Net debt	£159.7m	£109.5m	45.8%

¹ Underlying EBIT is defined as Profit from operating activities before exceptional items, amortisation of acquired intangibles, employee share costs funded by previous parent holding group, charges to the income statement relating to the management incentive plan and long term incentive plan, investor and management charges, the impact of severe weather, start-up costs associated with contract wins, including the gain arising on any lease agreements and Group's share of profit from equity accounted investees.

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⁶ Adjusted earnings per share is defined as adjusted profit after tax divided by the weighted average basic number of shares in issue at 30 November 2018

The Directors believe that a more relevant presentation of the financial results for the period is arrived at by adjusting for certain items, which otherwise could distort understanding of the performance of the Group year-on-year. By adjusting certain items a more representative view of the underlying trading performance of the business is arrived at.

A full reconciliation of adjusting items to their statutory equivalent is set out in note 3 of these extracts of the financial statements and definitions for these adjusting items are set out above.

Underlying EBIT and underlying EBITDA, together with net debt and revenue per month and YTD are the primary financial key indicators by which the performance of the business is monitored. EBIT, EBITDA and revenue are assessed against board approved budgets.

Revenue by Sector	2018	Weighting	2017	Weighting	Growth
	£m	%	£m	%	%
Retail	241.1	29%	168.6	27%	43%
Consumer	182.1	22%	144.6	23%	26%
E-Commerce	171.0	20%	103.4	17%	65%
Manufacturing, Industrial & Bulk (MIB)	211.1	25%	182.0	29%	16%
Non sector specific	37.8	4%	25.3	4%	49%
Revenue	843.1	100%	623.9	100%	35%

The Group's revenues were £843.1m for the year ended 30 November 2018 (2017: £623.9m) which represented growth of 35%.

This significant revenue increase was a consequence of the continued strong performance of the businesses we acquired in 2017 and 2018, the high level of contract wins in the year and organic growth from existing customers. Like-for-like growth (excluding the revenue impact of our acquired subsidiaries iForce, Speedy Freight and TPN) was 18%.

All of our customer sectors achieved double digit revenue growth:

- Our E-commerce revenue grew 65% to £171.0m (2017: £103.4m) and 249% overall since 2016. This confirms the successful implementation of our E-commerce strategy, with E-Commerce now making up 20% of total Group sales
- Retail revenue grew 43% to £241.1m (2017: £168.6m). Despite the challenging trading environment in the retail sector, the Group continues to benefit from the trend towards outsourcing, strong organic growth from existing customers and low levels of exposure to customers supplying in the retail fashion sector
- Consumer revenue was £182.1m (2017: £144.6) a 26% increase compared to 2017 as significant first half contract wins fed through into sales
- MIB revenue grew £29.1m (16%) to £211.1m (2017: £182.0m)

The annualised, full year impact of new contract wins in the year was £162m. In addition we renewed contracts with an annual value of £119m. The high level of new contract wins and renewals demonstrates the strength and continued attractiveness of the Group's unique pay as you go network model.

Profit and margins

Underlying EBIT for the 12 months to 30 November 2018 was £55.3m (2017: £48.5m), which was broadly in line with market expectations. Our underlying EBIT margin was 6.6% compared to 7.8% in 2017, reflecting the temporary costs of reoptimising the provider networks as a result of major contract wins in the first half of the year.

As discussed in the CEO report, this reflects investment (predominantly in the first half of the year) in implementing the significant contract wins. As expected, margins improved in the second half of the year and are expected to recover further in 2019.

Investment in infrastructure

We continue to invest in our network to ensure we have the required assets in terms of transport, technology and warehousing to support future growth plans. In particular, we continue to leverage our expertise to optimise our warehouse portfolio and generate value.

In 2018 we completed the redevelopment of our Goresbrook, Dagenham site by commissioning a new 180,000sq ft warehouse to increase the total warehouse space at the site to 441,000 sq ft. doubling the pallet capacity of the site to 60,000 pallets spaces. The site synergistically offers multi-user capacity for Eddie Stobart, TPN and Speedy Freight operations and is fully occupied and operating at capacity.

In Corby, we worked in partnership with the developer to commission and build an 840,000 sq. ft purpose built facility which was completed in Q1 2019. This multi-user site will support both iForce and Eddie Stobart contract logistics and underpin E-commerce growth in 2019 and beyond.

We also commissioned a new facility for iForce at Rugby, now fully utilised to meet the needs of a range of E-commerce customers.

Looking forward, our property team are partnering with a developer and working with planning and highways specialists on a proposal (subject to planning permission) to open a 644,000 sq. ft warehouse at Appleton, adjacent to our operational headquarters and group head office and training centre. We anticipate this facility will come on line subject to planning in Q4 2020.

We have also successfully capitalised on the long-term trend towards E-commerce and now have 8.8m sq. ft. of warehouse space (including warehousing acquired as part of the TPN acquisition), operating at optimum capacity with rents at or below market. As a consequence, our future operating lease commitments have increased in line with the additional space.

Cash flow and funding

Cash Flow	2018 £m	2017 £m
Underlying EBITDA	62.9	55.3
Net capital expenditure	(10.6)	(5.1)
Working capital	(42.8)	(12.1)
Tax	(3.7)	(2.7)
Other items	(4.1)	(5.4)
Adjusted free cash flow	1.7	30.0
Acquisition of subsidiaries	(22.1)	(48.3)
Proceeds from issue of share capital	29.0	118.0
Net drawdown / (repayment) of borrowings	25.6	(80.4)
Other items	(3.7)	(0.3)
Dividends	(21.6)	(5.0)
Net interest	(7.1)	(7.7)
Exceptionals (cash impact)	(8.5)	(8.5)
Net decrease in cash	(6.7)	(2.2)
Cash at start of year	11.9	14.1
Cash at end of year	5.2	11.9

Adjusted free cash flow was £1.7m in 2018 (2017: £30.0m). The key driver underlying the free cash flow performance was the working capital investment required to support the significant year on year sales increase of £219.2m and in particular the significant growth in the November trading period which impacted the year end working capital position. In addition, certain significant payments expected within 2018 were received early in the next financial year, distorting the year end position.

It is anticipated that 2019 will not require the same level of working capital investment as 2018 and free cash will revert to historical levels. As a consequence the focus will be on net debt reduction.

In addition the Group increased levels of net capital expenditure to £10.6m (2017: £5.1m) as the business continues to invest in systems, technology and specialist assets to support the significant levels of growth. Major areas of expenditure were the fitting out of our additional warehouse space and systems and the development of the iForce proprietary suite of E-commerce software and the unique transport optimisation system to be introduced in the Group transport division in the latter part of 2019 to improve utilisation and reduce cost.

The cash tax charge was a payment of £3.7m in the year as compared to a £2.7m payment in the prior year reflecting higher tax instalments on the increased pre-tax profits in the year to 30 November 2018.

Within the year, the cash cost of acquisitions was £22.1m. The table below reconciles the headline funds raised of £54m with the net cash consideration of £22.1m.

Allocation of funds raised to acquire The Pallet Network Group	2018 £m
Cash consideration net of cash acquired	22.1
Debt assumed and discharged	21.2
Acquisition fees	1.4
Deferred consideration	8.7
Fees taken to equity	0.6
Total	54.0

Net debt

Net Debt	2018	2017
	£m	£m
Finance leases	9.7	17.8
Bank loans	126.4	103.6
Overdraft / (cash)	23.7	(11.9)
Net Debt	159.7	109.5

Our net debt at 30 November 2018 was £159.7m representing an increase of £50.2m against the November 2017 position of £109.5m. Of this, £24.0m was the additional debt drawn down in connection with the acquisition of TPN on 28th June 2018. This additional debt was provided by our existing group of lenders on the same terms as the original term loan facility put in place at April 2017.

The remaining £26.2m increase was primarily for working capital investment necessary to support the £219m of sales growth delivered in the year plus the move into early 2019 of certain payments originally expected in 2018, as well as changes to a more conservative policy made in February 2019 in relation to cash in transit at year end.

Our financing strategy allows for temporary increases in gearing above our target of x 2.0 EBITDA to support growth initiatives. Our 2019 target is to reduce gearing towards the long-term average of x 2.0 EBITDA.

Covenant	Ratio to EBITDA	2018	2017
Leverage Ratio ¹	<3.2	2.4	1.9
Net Interest Cover ¹	>4.0	10.7	10.6

As at 30 November 2018 our leverage ratio was 2.4 comfortably within our banking covenants and we had cash and unused banking facilities of £76.5m.

Financing costs

Finance Income and Finance Expense	2018	2017
	£m	£m
Finance Expense		
Interest payable on bank loans and overdrafts	5.2	6.3
Amortisation of bank fees	0.6	1.0
Interest payable on loan notes	0.1	1.7
Interest payable on finance leases	0.6	0.7
Interest rate swaps - fair value through P&L	(0.4)	-
Total finance expense	6.1	9.7
Finance expense: exceptional items		
Residual capitalised bank fees relating to the previous loan	-	6.6
Costs associated with swap closure	-	1.1
TPN banking arrangement exit costs	0.5	-
Total Finance expense: exceptional items	0.5	7.7

As expected our net finance expense has reduced 37% from £9.7m to £6.1m in 2018. The 2017 net finance expense cost included five months of the pre-IPO capital structure which had both a higher level of borrowing and a more expensive interest structure.

In terms of exceptional costs, we incurred £0.5m in repaying the pre-existing TPN financing facility which was refinanced at the time of the acquisition using the substantially cheaper Group additional banking facilities.

¹ Leverage ratio and net interest cover are based on banking definitions specific to the banking documentation

Exceptional items

Exceptional Items	2018	2017
	£m	£m
IPO related costs	-	4.0
Deferred consideration associated with acquisitions	5.4	0.9
Fees associated with acquisitions	1.9	0.8
Gain on lease agreement	-	(4.6)
Exit from Irish retail sector	-	2.4
Other	0.5	0.9
Total Exceptional Costs	7.8	4.4

Exceptional costs in the year were £7.8m (2017: £4.4m) predominantly relating to the acquisitions of TPN, Speedy Freight and The Logistic People. Elements of consideration to the existing shareholders were deferred in order to continue to incentivise management. Such elements amounted to £5.4m during the year (2017: £0.9m). Fees associated with acquisitions were £1.9m (2017: £0.8m).

Tax

Taxation	2018	2017
	£m	£m
Profit before tax	23.6	9.9
Underlying tax at prevailing tax rate	4.5	1.9
Non-deductible items	2.9	1.9
Adjustments in respect of prior periods	(0.6)	1.2
Other	0.6	-
Tax as reported	7.4	5.0
Effective rate of tax	31.4%	50.5%

The relatively high effective tax rate of 31.4% reflects the non-deductibility of costs associated with acquisitions, deferred consideration, amortisation of the brand and costs relating to employee and management incentive plans. The reduction in effective tax rate from 50.5% in 2017 to 31.4% in 2018 is due to the additional non-deductibility of certain IPO related costs in 2017.

Dividends

Dividends	2018	2017
	pence per share	pence per share
Interim	1.54	1.40
Final (recommended)	4.76	4.40
Total	6.30	5.80
	2018	2017
	£m	£m
Interim	5.8	5.0
Final (recommended)	18.1	15.8
Total	23.9	20.8

In line with our dividend policy, the Group paid an interim dividend of 1.5p (2017: 1.4p) per share with a total payment of £5.8m (2017: £5.0m).

We are also recommending a final dividend of £18.1m (4.76 pence per share) giving a total of £23.9m (6.30 pence per share) for the year. The final dividend will be paid, subject to shareholder approval, on 7 June 2019. The record date will be 11 May 2019.

Earnings per share

Underlying basic and diluted earnings per share are 11.4 pence (2017: 9.8 pence) and 11.3 pence (2017: 9.8 pence) respectively.

Statutory basic and diluted earnings per share was 4.4 pence (2017: 1.2 pence).

Acquisitions

On 28 June 2018, Eddie Stobart Logistics plc acquired, through its wholly-owned subsidiary ESLL Group Limited, 100% of the share capital of TPN, a leading pallet distribution service company which provides customers with reliable and cost-effective pallet distribution through a network of hubs and independent hauliers.

Funds raised of £54.0m translates into a consideration of £43.3m, on a cash and debt free basis, having deducted fund raising fees and deferred consideration. Debt of £24.0m was raised from the existing lending syndicate on the same terms as the existing Group debt and the issue of 21.4m shares, at a price of 140p per share, raised £30m in new equity before expenses.

Further deferred consideration of £8.7m will be payable in two even instalments twelve months and twenty-four months following the acquisition date. The amount has been spread evenly over the twenty-four-month period as an exceptional item, with £2.7m recognised during the year ended 30 November 2018.

TPN was consolidated into the Group as of 28 June 2018 and during the period has contributed revenues of £54.7m and profit before tax of £3.5m to the consolidated results of the Group.

Goodwill arising on the acquisition of £17.4m represents the projected profitability of TPN, including the assembled workforce, together with further potential to exploit synergies between Group business units and within the logistics sector as a whole. None of this goodwill is expected to be deductible for corporation tax purposes.

Subsequent to the acquisition management performed a review of the carrying value of all of the identifiable assets and liabilities of the consolidated companies within TPN. This review resulted in a number of fair value adjustments primarily arising as a consequence of a purchase price allocation exercise using a professional independent expert and done in accordance with IFRS 3 and IAS 38. Please see note 6 of this document for further details.

In addition, during the year further payments were made in respect of the acquisition of The Logistic People (£1.2m) and Speedy Freight (£4.5m). These amounts represent deferred payments linked to conditions agreed at the time of the relevant acquisitions and are accounted for within exceptional items.

Annual General Meeting

The Company will hold its Annual General Meeting on 28 May 2019 at Stretton Green Distribution Park, Appleton, Warrington.

Damien Harte

Chief Financial Officer

Consolidated Income Statement

for the year ended 30 November 2018

	Note	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Continuing operations			
Revenue	2	843,141	623,924
Cost of sales		(662,682)	(485,656)
Gross profit		180,459	138,268
Administrative expenses: before amortisation of acquired intangibles and exceptional items		(129,183)	(96,137)
Amortisation of intangibles		(13,818)	(11,137)
Administrative expenses: before exceptional items		(143,001)	(107,274)
Administrative expenses: exceptional items	4	(7,774)	(4,414)
Total administrative expenses		(150,775)	(111,688)
Profit from operating activities		29,684	26,580
Profit from operating activities: before exceptional items	3	37,458	30,994
Finance income	6	15	5
Finance expenses: before exceptional items	6	(6,110)	(9,650)
Finance expenses: exceptional items	4	(489)	(7,753)
Total finance expense		(6,599)	(17,403)
Net finance expense		(6,584)	(17,398)
Share of profit from equity accounted investees, net of tax		524	733
Profit before tax		23,624	9,915
Income Tax expense		(7,379)	(5,030)
Profit for the year from continuing operations		16,245	4,885
Profit attributable to:			
Eddie Stobart Logistics plc		16,245	3,931
Non-controlling interests		-	954
Profit for the year		16,245	4,885
Earnings per share			
Basic – total operations	8	4.4p	1.2p
Diluted – total operations	8	4.4p	1.2p

The accompanying notes form part of these extracts of the financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 30 November 2018

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Profit for the year	16,245	4,885
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences - foreign operations	655	(175)
Foreign currency translation differences - equity accounted investees	(89)	20
Effective portion of changes in fair value cash flow hedges	-	1,546
Tax on items that are or may be reclassified subsequently to profit or loss	-	(340)
Total Other Comprehensive Income for the year	566	1,051
Total comprehensive income for the year	16,811	5,936
Total comprehensive income attributable to:		
Owners of the Company	16,811	4,982
Non-controlling interests	-	954
Total comprehensive income for the year	16,811	5,936

The accompanying notes form part of these extracts of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 November 2018

	Share capital	Share premium	Merger reserve	Hedge reserve	Translation reserve	Share options reserve	Own shares	Retained earnings	Total	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 December 2016	703	64,647	-	(1,546)	(332)	-	-	24,127	87,599	1,831	89,430
Profit for year ended 30 November 2017	-	-	-	-	-	-	-	3,931	3,931	954	4,885
Total other comprehensive income	-	-	-	1,546	(155)	-	-	(340)	1,051	-	1,051
Transactions with owners of the Company:											
Cancellation of share premium	-	(64,647)	-	-	-	-	-	64,647	-	-	-
Issue of capital (net of costs)	2,876	117,257	7,950	-	-	-	-	(2,064)	126,019	-	126,019
Share based payment charges	-	-	-	-	-	1,079	(2,700)	2,700	1,079	-	1,079
Dividends paid	-	-	-	-	-	-	-	(5,011)	(5,011)	-	(5,011)
	3,579	117,257	7,950	-	(487)	1,079	(2,700)	87,990	214,668	2,785	217,453
Changes in ownership interests in subsidiaries:											
Adjustment for minority interests	-	-	-	-	-	-	-	(2,280)	(2,280)	(2,585)	(4,865)
Dividends paid	-	-	-	-	-	-	-	-	-	(200)	(200)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(2,280)	(2,280)	(2,785)	(5,065)
Balance at 30 November 2017	3,579	117,257	7,950	-	(487)	1,079	(2,700)	85,710	212,388	-	212,388
Profit for year ended 30 November 2018	-	-	-	-	-	-	-	16,245	16,245	-	16,245
Total other comprehensive income	-	-	-	-	566	-	-	-	566	-	566
Issue of capital (net of costs)	214	28,745	-	-	-	-	-	-	28,959	-	28,959
Foreign currency movement	-	-	-	-	-	-	-	(2,507)	(2,507)	-	(2,507)
Share based payment charges	-	-	-	-	-	1,679	-	-	1,679	-	1,679
Dividends paid	-	-	-	-	-	-	-	(21,572)	(21,572)	-	(21,572)
Balance at 30 November 2018	3,793	146,002	7,950	-	79	2,758	(2,700)	77,876	235,858	-	235,858

Consolidated Statement of Financial Position

as at 30 November 2018

		30 November 2018	30 November 2017
	Note	£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment		66,280	59,979
Goodwill	9	189,730	172,353
Intangible assets	9	122,482	99,147
Investments in equity accounted investees		1,576	1,276
Deferred tax asset		5,850	5,976
		385,918	338,731
Current assets			
Inventories		3,126	2,396
Trade and other receivables		231,166	148,979
Cash and cash equivalents		5,234	11,936
		239,526	163,311
Total assets		625,444	502,042
Liabilities			
Current liabilities			
Loans and borrowings	10	(35,908)	(7,767)
Trade and other payables		(169,558)	(128,218)
Current tax liability		(7,038)	(2,770)
Provisions		(3,454)	(3,434)
		(215,958)	(142,189)
Non-current liabilities			
Loans and borrowings	10	(128,989)	(113,666)
Trade and other payables		(25,265)	(18,822)
Deferred tax liabilities		(19,474)	(14,977)
		(173,728)	(147,465)
Total liabilities		(389,686)	(289,654)
Net assets		235,758	212,388
Equity			
Share capital		3,793	3,579
Share premium		146,002	117,257
Merger reserve		7,950	7,950
Translation reserve		79	(487)
Own shares		(2,700)	(2,700)
Share option reserve		2,758	1,079
Retained earnings		77,876	85,710
Total equity attributable to owners of the Company		235,758	212,388
Non-controlling interests		-	-
Total equity		235,758	212,388

Signed on behalf of the Board on 27 March 2019

Damien Harte
Chief Financial Officer
Company Number: 8922456

Consolidated Cash Flow Statement

for the year ended 30 November 2018

	Year ended 30 November 2018	Year ended 30 November 2017
Note	£'000	£'000
Cash flows from operating activities		
Profit for the year from continuing operations	16,245	4,885
Adjustments for:		
Net finance costs	6,095	9,645
Share of profit of equity-accounted investees, net of tax	(524)	(733)
Tax expense	7,379	5,030
Depreciation	7,582	6,797
Amortisation of intangible assets	13,818	11,137
Gain on sale of property, plant and equipment	(2,779)	(2)
Equity settled share-based payment expenses	2,004	1,079
Other non-cash exceptional items	(236)	3,685
Foreign exchange	695	(238)
Changes in:		
Inventories	(730)	(39)
Trade and other receivables	(63,570)	(14,761)
Trade and other payables	21,534	5,218
Deferred income/revenue, including government grant	-	(2,469)
Cash generated from operating activities	7,513	29,234
Net interest paid	(7,154)	(7,678)
Income taxes paid	(3,704)	(2,667)
Net cash generated from operating activities	(3,345)	18,889
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	3,570	3,783
Acquisition of subsidiaries, net of cash acquired	(22,127)	(43,220)
Purchase of property, plant and equipment	(14,179)	(8,865)
Purchase of intangibles	(3,716)	(770)
Interest received	15	5
Dividends received from equity accounted investees	135	416
Net cash used in investing activities	(36,302)	(48,651)
Cash flows from financing activities		
Proceeds from issue of share capital (net of costs)	28,960	118,019
Draw down of revolving finance facility	28,889	-
Draw down of new borrowings (net of costs)	23,355	98,434
Acquisition of non-controlling interests	-	(5,050)
Payment of financing facility, net of costs	(21,530)	(145)
Repayment of bank borrowings	-	(171,232)
Payment of capital element of finance lease liabilities	(5,077)	(7,466)
Dividends paid to minority interests during the year	-	(200)
Prior year and interim dividends paid during the year	(21,572)	(5,011)
Net cash generated from financing activities	33,025	27,349
Net decrease in cash and cash equivalents	(6,622)	(2,413)
Cash and cash equivalents at the start of the financial year	11,936	14,083
Effect of exchange rate fluctuations on cash held	(80)	266
Cash and cash equivalents at the end of the financial year	5,234	11,936

Notes to the Consolidated Financial Statements

for the year ended 30 November 2018

1. Basis of preparation

The figures for the year ended 30 November 2018 have been extracted from the 30 November 2018 audited statutory financial statements that have yet to be delivered to the Registrar of Companies and on which the auditor has yet to issue an opinion. The financial information attached has been prepared in accordance with the recognition and measurement requirements of international financial reporting standards (IFRS) as adopted by the EU and international financial reporting interpretations committee (IFRIC) interpretations issued and effective at the time of preparing those financial statements. The accounting policies applied in the year ended 30 November 2018 are consistent with those applied in the financial statements for the year ended 30 November 2017 unless otherwise stated.

The financial information for the years ended 30 November 2018 and 30 November 2017 does not constitute statutory financial information as defined in Section 434 of the Companies Act 2006 and does not contain all of the information required to be disclosed in a full set of IFRS financial statements. This announcement was approved by the Board of Directors and authorised for issue on 27 March 2019. The auditor's report on the financial statements for 30 November 2017 was unqualified and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain a statement under either Section 498 (2) or 498 (3) of the Companies Act 2006. The financial statements for the year ended 30 November 2017 have been delivered to the Registrar.

Going concern

These extracts of the Consolidated Financial Statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of these financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. To assist in this process, Directors has completed a budgeting process for the financial year ending 30 November 2019, incorporating a detailed income statement, cash flow analysis and statement of financial position, and a forecasting exercise for a period of six months beyond this. The Directors have assessed the funding requirements of the Group and the Company and compared them to banking facilities available. This exercise has not identified any issues that would suggest any significant risk to the Group's continued trading position and the forecasts demonstrate that the Group is expected to remain within its existing finance facilities and their associated covenants. The Directors have therefore adopted the going concern basis in preparing these extracts of the Consolidated Financial Statements.

2. Operating Segments

Eddie Stobart Logistics plc provides contract logistics services in the UK and Europe. In the year to 30 November 2018 the Group managed its operations via distinct functions although it is in the process of moving to managing the business via a sector-based view. Road Transport represents general transport in UK and Ireland, Ports, Special Operations (consisting of work relating to the FIA Formula 1 World Championship™, Truckstops and property services) and Speedy Freight. Contract Logistics and Warehousing represents contract logistics and warehousing services, including iForce Group and The Pallet Network Group. EU Transport represents transport and vehicle transportation in Europe. Other represents head office costs, interest costs and central costs such as HR, IT, Finance, Payroll and other departments which are not directly allocated to business units, as well as driver related services including The Logistic People.

All operations are continuing for each segment.

Analysis of Operating Segments

Segmental	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Revenues		
Road Transport	535,176	414,261
Contract Logistics and Warehousing	246,242	139,506
EU Transport	40,981	38,603
Other Divisions	20,742	31,554
	843,141	623,924
Underlying EBITDA		
Road Transport	53,855	48,506
Contract Logistics and Warehousing	13,724	9,895
EU Transport	2,562	1,492
Other Divisions	(7,249)	(4,569)
	62,892	55,324
Underlying EBITDA Margin		
Road Transport	10.1%	11.7%
Contract Logistics and Warehousing	5.6%	7.1%
EU Transport	6.3%	3.9%
Other Divisions	(34.9)%	(14.5)%
	7.5%	8.9%

The revenue from one customer amounted to more than 10% of the Group's total revenue. The revenue from that customer was £174.2m for the year ended 30 November 2018 (2017: £145.8m) and this was reported in the Road Transport Operating Segment.

For Board reporting purposes the balance sheet is not disaggregated or produced segmentally for the chief operating decision maker, a reconciliation of segment underlying EBITDA to reported profit from operating activities before exceptional items is detailed in note 4.

By Geographical Segment	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
United Kingdom	802,160	585,321
EU	40,981	38,603
	843,141	623,924

2. Operating Segments (continued)

The Group also presents and reviews revenues organised by customer sector.

Analysis of Revenue by Sector

Sector	Year ended	Year ended
	30 November 2018	30 November 2017
	£'000	£'000
Revenues		
Retail	241,108	168,571
Consumer	182,140	144,613
E-Commerce	170,977	103,416
Manufacturing, Industrial & Bulk (MIB)	211,129	182,032
Non-sector specific	37,787	25,292
	843,141	623,924

3. Alternative Performance Measures Reconciliations

Alternative performance measures (APMs)

Alternative performance measures (APMs), such as underlying results, are used in the day-to-day management of the Group, and represent statutory measures adjusted for items which, in the Directors' view, could distort the understanding of comparability and performance of the Group year on year. These items include amortisation of acquired intangibles, share of profit from equity accounted investees, employee share scheme costs which were fully funded by the previous parent holding group, exceptional costs, start-up costs associated with contract wins and the profit impact of severe weather conditions.

3. Alternative Performance Measures Reconciliations (continued)

	Year ended 30 November 2018	Year ended 30 November 2017
	£'000	£'000
Reported profit from operating activities before exceptional items	37,458	30,994
Amortisation of acquired intangibles	13,818	11,137
Share of profit from equity accounted investees	524	733
Employee share scheme costs funded by previous parent holding group	568	413
Management incentive plan and long-term incentive plan	1,111	-
Investor and management charges	-	634
Gain arising on lease agreement	-	4,616
Force majeure - severe weather	445	-
Start up costs associated with contract wins	1,387	-
Underlying EBIT (i)	55,311	48,527
Depreciation	7,581	6,797
Underlying EBITDA (i)	62,892	55,324
Profit after tax attributable to owners of the company	16,245	3,931
Amortisation of acquired intangibles	13,818	11,137
Employee share scheme costs funded by previous parent holding group	568	413
Management incentive plan and long-term incentive plan	1,111	-
Force majeure - severe weather	445	-
Start up costs associated with contract wins	1,387	-
Exceptional items (excluding gain arising on lease agreement)	8,263	16,783
Adjusted profit after tax (note 8)	41,837	32,264
Cash generated from operating activities	7,513	29,234
Purchase of property, plant and equipment	(14,179)	(8,865)
Proceeds from sale of property plant and equipment	3,570	3,783
Income taxes paid	(3,704)	(2,667)
Exceptional items (note (a) below)	8,499	8,482
Adjusted free cash flow	1,699	29,967
(i) Underlying EBIT and Underlying EBITDA are stated before tax but include the tax effect of share of profit from equity accounted investees.		
	Year ended 30 November 2018	Year ended 30 November 2017
	£'000	£'000
Exceptional items (note 4)	(8,263)	(12,167)
Adjusted for:		
Gain arising on lease agreement	-	4,616
Residual capitalised bank fees relating to the previous loan	-	(6,621)
Deferred consideration associated with business acquisitions	236	(942)
Costs associated with business acquisitions	-	(400)
Other non-cash exceptional items	-	(338)
Non-cash exceptional items	236	(3,685)
Cash impact of exceptional items	(8,499)	(8,482)

4. Exceptional Items

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Exceptional items included in administrative expenses		
Costs associated with the IPO of Eddie Stobart Logistics plc	-	(3,947)
Deferred consideration associated with business acquisitions	(5,429)	(942)
Costs associated with business acquisitions	(1,870)	(777)
Gain arising on lease agreement	-	4,616
Exit from Irish retail sector	-	(2,436)
Other exceptional items	(475)	(928)
Total exceptional items included in administrative expenses	(7,774)	(4,414)
Residual capitalised bank fees relating to the previous loan	-	(6,621)
Costs associated with swap closure	-	(1,132)
Exit of lending arrangements of The Pallet Network Group	(489)	-
Total exceptional items included in finance expenses	(489)	(7,753)
Total exceptional items before tax	(8,263)	(12,167)

Deferred consideration associated with business acquisitions relates to contingent consideration accounted for as remuneration relating to the acquisitions of Puro Ventures trading as Speedy Freight at £2.6m (2017: £0.9m), The Logistic People at £0.8m (2017: nil) and The Pallet Network Group at £2.0m (2017: nil).

Costs associated with business acquisitions relates primarily to professional fees associated with the acquisition of The Pallet Network Group during the year. Associated exit fees from the lending arrangements of The Pallet Network Group have been included as an exceptional item of finance expense. Other exceptional items in the current year relate to significant one-off redundancy costs.

In the prior year, other exceptional items represented costs associated with a customer that went into administration in addition to integration plans, legal costs, non-recurring costs associated with winning new business in business segments, and other reorganisation and restructuring undertaken by management as we continued to centralise and integrate acquisitions.

In the prior year the Group undertook an IPO and therefore had significant exceptional costs associated with the listing. A new term loan was arranged in parallel to the listing, with the result that the residual capitalised bank fees relating to the previous loan were written off to the income statement within finance costs, in addition to swap closure costs. The Group also exited a significant contract in Ireland during the prior year and the exceptional costs of £2.4m represent the repatriation of equipment to the UK, termination of equipment lease contracts, storage, decommission and disposal costs of the assets. In the prior year the gain of £4.6m arising on lease agreement related to a major redevelopment of a strategically important site at Goresbrook Park, Dagenham.

5. Acquisitions

Acquisition of The Pallet Network Group

On 28 June 2018, Eddie Stobart Logistics plc acquired, through its wholly-owned subsidiary ESLL Group Limited, 100% of the share capital of The Pallet Network Group Limited, a leading pallet distribution service which provides customers with reliable and cost-effective pallet distribution through a network of hubs and independent hauliers.

The consideration was £30.3m, on a cash and debt free basis, funded by a combination of equity and debt. Debt of £24.0m was raised from the existing lending syndicate under exactly the same terms as the existing debt and the issue of 21.4m shares, at a price of 140p per share, raised £30m in new equity before expenses.

Further deferred consideration of £8.7m will be payable, in two even instalments twelve months and twentyfour months following the transaction date. This amount has been recognised on the Consolidated Statement of Financial Position.

The Pallet Network Group was consolidated into the Group as of 28 June 2018 and during the period has contributed revenues of £54.7m and profit before tax of £3.5m to the consolidated results of the Group.

Goodwill arising on the acquisition represents the projected profitability of The Pallet Network Group. None of this goodwill is expected to be deductible for corporation tax purposes.

Subsequent to acquisition management performed a review of the carrying value of all of the identifiable assets and liabilities of the aggregated companies within The Pallet Network Group. This review resulted in a number of fair value adjustments primarily arising as a consequence of a purchase price allocation exercise using a professional independent expert and done in accordance with IFRS 3 and IAS 38.

Identifiable assets acquired and liabilities assumed	Note	Book value	Adjustments	Fair value recognised on acquisition
		£'000	£'000	£'000
Property, plant and equipment		2,505	-	2,505
Cash at bank and in hand		8,216	-	8,216
Customer-related intangible assets		-	30,154	30,154
Technology-related intangible assets		-	2,089	2,089
Marketing-related intangible assets		-	1,033	1,033
Trade receivables		14,648	-	14,648
Other receivables		3,662	-	3,662
Trade payables		(17,468)	-	(17,468)
Other payables and deferred income		(3,512)	(1,871)	(5,383)
Deferred tax liability arising on intangible assets		-	(5,643)	(5,643)
Deferred tax liability arising on provision		-	318	318
Debt assumed and discharged		(21,165)	-	(21,165)
Total net assets acquired		(13,114)	26,080	12,966
Goodwill				17,377
Total consideration				30,343

Immediately prior to acquisition The Pallet Network Group had £21.2m of outstanding debt due to third parties. This debt was assumed and discharged by group subsidiary ESLL Group Limited on acquisition.

Transaction costs associated with the acquisition have been recorded in the income statement classified as exceptional costs (note 4).

The following table sets out the amounts included in the consolidated statement of cash flows:

<i>Net cash outflow arising on acquisition:</i>	
Cash consideration (net of cash acquired)	22,127
Debt assumed and discharged	21,165
Net cash outflow on acquisition of subsidiary	43,292
Cash expenses incurred on acquisition	1,426
Total cash outflow on acquisition of subsidiary	44,718

6. Finance Income and Finance Expense

	Year ended 30 November 2018	Year ended 30 November 2017
	£'000	£'000
Finance Income		
Bank interest receivable	15	5
Finance Expense		
Interest payable on bank loans and overdrafts	(5,191)	(6,294)
Interest rate swaps: fair value through P&L	399	-
Interest rate swaps: interest charged	(66)	-
Amortisation of bank fees	(574)	(1,000)
Interest payable on loan notes	(91)	(1,716)
Interest payable on finance leases	(587)	(640)
Total finance expense	(6,110)	(9,650)
Finance expense: exceptional items		
Residual capitalised bank fees relating to the previous loan	-	(6,621)
Costs associated with swap closure	-	(1,132)
Exit of lending arrangements of The Pallet Network Group	(489)	-
Total Finance expense: exceptional items	(489)	(7,753)

7. Dividends

At the date of approving these Financial Statements, no final dividend has been approved. However the Directors have recommended a dividend in respect of the year ended 30 November 2018 of 4.76p per share (2017: 4.40p), payable, subject to the approval of the shareholders at the Annual General Meeting to be held on 28 May 2019, on 7 June 2019 to shareholders on the register on 11 May 2019. The ex-dividend date is 10 May 2019. No provision for dividends payable has been made in the financial statements for this financial year. An interim dividend was paid during the year on 7 September 2018 of 1.54p per share (2017: 1.40p).

	Year ended 30 November 2018	Year ended 30 November 2017
	£'000	£'000
Final dividend for the year ended 30 November 2017 of 4.4p per share (2016: nil)	15,735	-
Interim Dividend for the year ended 30 November 2018 of 1.5p per share (2017: 1.4p)	5,837	5,011

8. Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive instruments into ordinary shares.

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Profit attributed to equity shareholders	16,245	3,931
Weighted average number of Ordinary Shares - Basic	'000	'000
Issued ordinary shares at the beginning of the year	357,918	276,668
Net effect of shares issued and purchased during the year	9,041	50,105
	366,959	326,773
Weighted average number of Ordinary Shares - Diluted		
Weighted average number of Ordinary Shares - Basic (as above)	366,959	324,064
Net effect of share options in issue	3,040	3,062
	369,999	327,126
Basic earnings per share for total operations	4.4p	1.2p
Diluted earnings per share for total operations	4.4p	1.2p

An alternative earnings per share measure is set out below, being earnings, before amortisation of acquired intangibles and exceptional items including related tax and exceptional tax items where applicable, since the Directors consider that this provides further information on the underlying performance of the Group:

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Adjusted earnings per share		
Basic	11.4p	9.8p
Diluted	11.3p	9.8p
	£'000	£'000
Adjusted profit after tax (Note 3)	41,837	32,264

9. Goodwill and Intangible Assets

Goodwill	General Transport £'000	Ports £'000	EU Transport £'000	TLP Holdings £'000	iForce £'000	Speedy Freight £'000	TPN £'000	Total £'000
30 November 2016	125,574	5,559	1,000	3,391	-	-	-	135,524
Additions / write downs during the year	6,859	(5,559)	-	-	26,287	9,242	-	36,829
30 November 2017	132,433	-	1,000	3,391	26,287	9,242	-	172,353
Additions during the year	-	-	-	-	-	-	17,377	17,377
30 November 2018	132,433	-	1,000	3,391	26,287	9,242	17,377	189,730

Intangible Assets	Software £'000	Brand names £'000	Customer relationships £'000	Franchise Contracts £'000	Total £'000
Cost at 1 December 2016	-	22,300	86,876	-	109,176
Additions in the year	771	-	-	-	771
Additions in the year arising from acquisition	4,346	646	14,324	6,379	25,695
Foreign currency adjustment	(1)	-	-	-	(1)
Cost at 30 November 2017	5,116	22,946	101,200	6,379	135,641
Additions in the year	3,755	-	-	156	3,911
Additions in the year arising from acquisition	2,089	1,033	30,154	-	33,276
Disposals in the year	-	-	-	(33)	(33)
At 30 November 2018	10,960	23,979	131,354	6,502	172,795
Amortisation and impairment at 1 December 2016	-	9,912	15,445	-	25,357
Amortisation charge for the year	872	3,734	6,354	177	11,137
Amortisation and impairment at 30 November 2017	872	13,646	21,799	177	36,494
Amortisation charge for the year	1,720	3,796	7,867	435	13,818
Foreign currency adjustment	1	-	-	-	1
At 30 November 2018	2,593	17,442	29,666	612	50,313
Net book value at 30 November 2017	4,244	9,300	79,401	6,202	99,147
Net book value at 30 November 2018	8,367	6,537	101,688	5,890	122,482

Details of business combinations made during the year can be found in note 5, along with a description of assets and liabilities acquired and any impact on goodwill and intangibles.

Brand names comprise the Eddie Stobart trademark and designs, which have been licensed by the Group and are being amortised over six years, being the period of the licence agreement.

Customer relationships represent the existing contractual and expected future relationships with customers of the Group at the point of acquisition and are being amortised over 15 years.

Franchise contracts have been valued to be in existence for between 10 to 15 years and are amortised in equal instalments over their economic useful life from the date of inception.

Goodwill is considered to have an indefinite life because there is no foreseeable limit to the period over which it is expected to generate net cash inflows for the Group. Factors taken into consideration in this judgement are the long period over which the business has been established, the strength of brand awareness and the longevity of the industries in which the business is involved.

A description of goodwill acquired in the current year is provided in note 5.

9. Goodwill and Intangible Assets (continued)

Annual test for impairment

For the purpose of impairment testing, goodwill and other intangibles are allocated to business segments the lowest level at which those assets are monitored for internal management purposes. The recoverable amount of each CGU is determined from value-in-use calculations.

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management for year one and cash flow projections for years two to five using growth rates that are considered to be in line with the general trends in which each CGU operates, with the exception of iForce and Speedy Freight, with both businesses expected to achieve rapid growth over the following 2-5 years. Terminal cash flows are based on these five-year projections, assumed to grow perpetually at 2.5%. In accordance with IAS 36, the growth rates for beyond the forecasted five years do not exceed the long-term average growth rate for the industry. The key assumptions forming inputs to the cash flows are revenues and operating cash flows.

Margins have been assumed to remain broadly at existing levels and management remain confident of delivering on the projections above, despite Brexit. However, in the event that this plan is not delivered, there is a future risk of impairment. All forecasts have been discounted at a pre-tax discount rate of 9.0% (2017: 8.8%), with the increase during the year primarily representing the market increases in the cost of debt. No impairment losses have been recognised in the year.

Sensitivity

The estimated recoverable amounts of all CGUs exceed their respective carrying amounts by a total of approximately £410m (2017: £423m). All of the CGUs are sensitive to the discount rate and projected margins, however, management believes that no reasonable adjustment to the discount rate or projected margins would cause the carrying value of the unit to exceed its recoverable amount. Each 10 basis point increase in the discount rate applied has the impact of reducing the headroom for the Group by c.£8m (2017: c.£13m).

10. Financial Assets and Liabilities

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Current		
Fixed rate		
Finance lease and hire purchase obligations	5,009	4,583
Bank loans	-	590
Variable rate		
Revolving finance facility	28,889	-
Bank loans	2,010	2,594
	35,908	7,767
Non-current		
Fixed rate		
Finance lease and hire purchase obligations	4,646	13,233
Bank loans	2,714	2,978
Variable rate		
Bank loans	-	-
	121,629	97,455
	128,989	113,666
Total loans and borrowings	164,897	121,433
Cash	(5,234)	(11,936)
Net debt	159,663	109,497

11. Subsequent Events

There were no events after the reporting period that are material for disclosure in the financial statements.