Eddie Stobart Logistics plc
("Eddie Stobart" or the "Group")
Interim Results for the six months ended 31 May 2018

Eddie Stobart, a leading UK supply chain, transport and logistics group, delivering innovative solutions, today announces its half-year results for the six months ended 31 May 2018.

Underlying Results	2018	2017	Change
Revenue	£359.3m	£286.8m	25.3%
EBIT[1]	£18.1m	£16.9m	7.1%
EBIT %[1]	5.0%	5.9%	(0.9%)
EBITDA[1]	£22.4m	£19.9m	12.6%
EBITDA %[1]	6.2%	6.9%	(0.7%)
Adjusted profit after tax[5]	£14.1m	£10.5m	34.3%
Adjusted free cash[4]	£0.3m	£16.9m	(98.2%)
Adjusted earnings per share[2]	3.9p	3.6p	8.3%

Statutory Results	2018	2017	Change
Revenue	£359.3m	£286.8m	25.3%
Operating profit	£5.1m	£6.7m	(23.9%)
Profit/(loss) after tax	£1.4m	(£6.3m)	122.2%
Dividend per share	1.54p	1.40p	10.0%
Net cash from operating activities	£3.1m	£7.8m	(60.3%)
Earnings per share	0.4p	(2.4p)	116.7%
Net debt	£114.2m	£97.7m	16.9%

Group highlights:

- Strong revenue growth (organic, new and resulting from acquisitions) in three of our four key sectors, Retail (28%), Manufacturing Industrial and Bulk (MIB), (13%) and E-Commerce (118%). Consumer sector revenue decreased by 6% due to the loss in early 2017, of the Britvic contract, which was regained in full in May 2018
- New contract wins in the year to date with annualised value of £158m, including CEMEX UK, Knauf, Homebase and Britvic Soft Drinks, including since the period end, a significant contract with PepsiCo.
- Renewed contracts with a number of existing customers with an annualised value of £113m
- Underlying EBIT[1] increased by 7.1% to £18.1m. Underlying EBIT[1] growth has lagged behind sales growth due to the cost and complexity of implementing major contract wins. We expect to see the benefits of these contracts flow though in the second half of the year
- Cash flow performance has been impacted in the period by investment in our warehousing assets and net working capital to support contract wins
- Progress in successfully repositioning our network and warehouse portfolio to accommodate new customer volumes, ensuring we maximise value for shareholders using our property expertise and optimise use of capacity
- Acquired companies continue to trade in line with expectations. Sales increases were 20% for iForce and 52% for Speedy Freight
- On 29 June we acquired The Pallet Network, for £52.8m, representing a major step in our stated strategy of becoming a full end-to-end logistics service provider; expected to be earnings enhancing in FY18
- As with previous years, we now move into the traditionally stronger second half with costs of new contract wins absorbed in the first half. The second half has started well and the Board remain confident of delivering full year in line with expectations
- Interim dividend of 1.54 pence per share: +10% versus 2017 (1.40 pence per share)

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[1]Underlying EBIT is defined as profit from operating activities before exceptional items; amortisation of acquired intangibles; share of profit from equity accounted investees; employee share scheme costs funded by previous parent holding group; a gain arising from a lease agreement; profit impact of severe weather conditions; investor and management charges and start-up costs associated with contract wins. Underlying EBITDA is defined as Underlying EBIT before depreciation of property, plant and equipment (see Note 4).

[2]Adjusted earnings per share is defined as profit after tax attributed to the owners of the company before exceptional items excluding gains on lease agreements; profit impact of severe weather conditions; start-up costs associated with contract wins; amortisation of acquired intangibles; employee share scheme costs funded by previous parent holding group, divided by the weighted average basic and diluted number of shares in issue at balance date (see Note 8)

[3] Pro-forma adjusted EBITDA is defined as Underlying EBITDA for the preceding 12 months at the point of measurement with iForce and Speedy Freight EBITDA added into the calculations as if acquired and consolidated throughout that period.

[4] Adjusted free cash 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; adding back/(less) income taxes paid/(credited); and adding back the cash impact of exceptional items (see Note 4).

[5] Adjusted profit/(loss) after tax is defined as profit/(loss) after tax adding back exceptional items excluding gains on lease agreements; amortisation of acquired intangibles and employee share scheme costs funded by previous parent holding group (see Note 4).

Chief Executive Alex Laffey commented:

"We are pleased to have delivered a strong first-half performance as we continue to implement our strategy of becoming a leading provider of end-to-end supply chain solutions. This has been demonstrated year to date, as we have won new contracts with blue chip customers adding an annualised £158m of new business.

The recent acquisition of The Pallet Network (TPN) further adds to the range of services we provide to our customers across the supply chain.

As previously indicated in our January trading update, our performance, as in previous years, will be weighted towards the second half of the year with the first half absorbing the costs of implementing new contract wins and the second half experiencing the benefits of these new contracts.

The second half period has started well and the Board remains confident of delivering full-year results in line with market expectations."

Eddie Stobart Overview

Eddie Stobart is now recognised as one of the UK's leading providers of end to end supply chain solutions.

Key differentiators of our business are:

- Flexible, scalable operational network which can be leveraged to support future growth
- Shared-user consulting-led operating approach, delivering operational efficiency and offering our customers a flexible pay-as-you-go model
- Operations which span the whole supply chain via road, rail, container movements and contract warehousing offering the full range of end-to-end logistical services
- Continued investment in people and industry relevant skills through our dedicated Training Academy
- Well positioned across different markets, with a strong growth focus in E-Commerce and MIB sector
- Long-term contractual relationships with a diversified blue chip customer base.
- Attractive financial profile with a consistent record of delivering growth both organically and through targeted acquisitions.

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Chief Executive's review

Group results

Group revenues for the period under review increased by 25% to £359.3m (2017: £286.8m). Underlying EBIT has increased by 7.1% to £18.1m (2017: £16.9m). Profit was £1.4m in the period compared to a loss, resulting primarily from refinancing costs, of £6.3m in the comparable period.

In the first half of the year the Group delivered a strong overall performance. We successfully implemented major new contracts including CEMEX UK, Knauf, Homebase and Britvic Soft Drinks, among others. In addition, since the period end we have also recently secured a new contract with PepsiCo. Collectively these contracts equate to additional annualised revenue of £158m.

We have also renewed £113m of contracts with existing customers, all of which benefit from our full-service offer.

Whilst EBIT growth has temporarily lagged behind sales growth, due to the cost and complexity of implementing the new contract wins and reorganising the network, we expect to see the benefits of these contracts flow through in the second half of the year.

Operational performance

Our customers, both existing and new, are regularly reviewing their service offers to ensure they stay relevant in today's market place. This provides Eddie Stobart with opportunities to support and innovate to deliver bespoke solutions in all our sectors, capitalising on our transport network and c.7m square feet of warehousing capability across the UK.

Our success is evidenced by our substantial sales growth (organic, new and resulting from acquisitions) in the period:

- In our Retail sector we have seen sales increase by 28% to £102.0m (2017: £80m), as retailers outsource non-core activities in favour of our unique pay-as-you-go transport model, which allows them to focus on their core in-store and online business

- In the Consumer sector revenues were down 6%, driven by the loss of the Britvic Soft Drinks contract in 2017, which has now been re-secured. Our focus remains on delivering competitively priced solutions that deliver the high levels of service expected by our customers. The recently secured PepsiCo contract win supports the trend we are seeing towards outsourcing

- Our E-commerce sector has grown by 118% to £80.3m (2017: £36.9m) in the first half with many of our customers seeking a full end-to-end supply chain solution, serviced through our Eddie Stobart, iForce and Speedy Freight offerings

- In the MIB sector customers are recognising that outsourcing will deliver both greater efficiency and more certainty around the continuous supply of resources. We have again seen strong growth with sales increased by 13%.

In light of the ongoing industry move towards outsourcing, we are continually working with our customers to identify more effective solutions. In addition, we are regularly reviewing our own network to ensure it is fit for purpose and adds value to both customers and our business.

In the first half of the year, we successfully reconfigured our contract logistics and warehousing portfolio to ensure we can accommodate the growing requirements of both new and existing customers.

We have completed the redevelopment of our Dagenham site to give us an additional 180,000sq.ft (which is now fully occupied), opened a new site in Bardon with capacity of 320,000sq.ft and repurposed one of our sites at Rugby to accommodate growth for new ecommerce customers within our iForce business, capitalising on the success of its Corby multi-user site.

We continue actively to manage our warehousing portfolio to ensure we are well placed to support future growth as well as deliver shareholder value.

To accommodate our growth, we continue to review and reposition our transport operations and resources across optimal locations to enhance the overall efficiency of the network.

Operationally, customer feedback in terms of service remains very positive. However, we did encounter significant challenges with the cold weather and snow at the start of the year. This resulted in network delays with vehicles stranded which impacted our overall network efficiency and performance.

Our acquisitions of iForce, Speedy Freight and Logistics People have all continued to perform in line with expectations.

iForce secured new contracts with a number of customers, such as Steamer Trading and Made.com, an online furniture and homeware retailer, as well as recently securing a new contract with The Works, a discount retailer, with sales growth of 20%.

Speedy Freight also delivered strong revenue growth of 52% during the period, winning a number of new contracts, as well as opening six new franchises across the UK and launching its first franchise outside the UK in the Republic of Ireland.

Within Continental Europe our business is performing well with our car storage and pre-delivery inspection (PDI) business operating at full capacity. We continue to seek opportunities to leverage our wider UK service offering across Continental Europe.

Leadership and people

The continued commitment of the leadership team and the engagement and support from all employees has been key to our sustained success, in both delivering our plans and growth agenda.

The appointment in June of Sebastien Desreumaux as CEO of iForce and the arrival of Mark Duggan and his leadership team from The Pallet Network will strengthen our business and will give the Group a broader range of skills as we leverage future opportunities.

As the business grows, we continue to strengthen our workforce by providing training, offering structured career development plans and recruiting highly experienced individuals with the right skillsets that can add value to our business.

We have recently partnered with the University of Bolton to develop a programme focused on integrated logistics skills development for our employees. In addition, they will also be supporting us on developing a tailored degree level qualification for our first intake of graduates who join the business September 2018.

We have also been recognised by the industry at the 2018 Motor Transport Awards for our commitment to training and in-house staff development, as well as our commercial offering provided at our Academies in Warrington and the Midlands.

Technology

We continue to invest in industry-leading technologies and equipment, exploiting opportunities to innovate within the rapidly evolving logistics market, enhancing operational efficiency, future proofing the business and staying ahead of the competition.

Our ongoing programme of targeted digital investments has continued to progress solidly with enhancements to both our front and back-office operations. We continue to recognise the benefits of simplifying and standardising our support operations across the Group following our recent acquisitions.

We are well-advanced in the development of our unique transport optimisation solution, which is scheduled to go live mid-2019. This solution will further enhance the service we deliver to our customers as well as driving operational efficiencies to our business.

Acquisitions

In June 2018, we completed the recent acquisition of The Pallet Network, a leading provider of pallet distribution services across the UK and Ireland and who are a strong number two in the pallet sector. This acquisition is a further major step in our stated strategy of becoming a full service logistics provider.

We have jointly identified a number of synergistic opportunities that we will progressively roll out in the coming months.

Brexit

There clearly remains lot of uncertainty around the consequences of Brexit. In Eddie Stobart, 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.

Whilst we await clarification, in terms of the negotiations, we feel that given the flexible nature of our operating model, we are well placed to respond in the appropriate manner.

Outlook

The Group has delivered a strong first half performance with several major new contracts commencing in the period. As previously indicated, our performance, as in previous years, will be weighted towards the second half of the year with the first half absorbing the costs of implementing new contract wins.

Overall, we are pleased with our progress and the Board remains confident of delivering full-year results in line with market expectations.

Chief Financial Officer's Review

The statutory revenue and profit for the six months ended 31 May 2018 was:

	6 months ended 31 May 2018 (Unaudited) £'m	6 months ended 31 May 2017 (Unaudited) £'m	Movement
Revenue	359.3	286.8	25.3%
Profit from Operating Activities	5.1	6.7	(23.9%)
Profit/(Loss) for the period	1.4	(6.3)	122.2%

Management believe that a more relevant representation of the financial results for the period is arrived at by adding back certain items, which could distort the understanding and performance of the Group year-on-year. These items include: the amortisation of acquired intangibles; the share of profits from equity accounted investees; the impact of the employee SIP funded by previous shareholders; investor and management charges, a gain arising from a lease agreement; start-up costs associated with contract wins; and the profit impact of severe weather conditions during the earlier part of the period. A full reconciliation can be found in Note 4.

This revised presentation of the results is set out below.

	6 months ended 31 May 2018 (Unaudited) £'m	6 months ended 31 May 2017 (Unaudited) £'m	Movement %
Revenue	359.3	286.8	25.3%
Underlying EBIT[1]	18.1	16.9	7.1%
Underlying EBIT[1] Margin (%)	5.0%	5.9%	(0.9%)
Adjusted Free Cash[4]	0.3	16.9	(98.2%)

Revenue

Revenue for the six months to 31 May 2018 was £359.3m, a 25.3% increase on the comparable period in 2017 (£286.8m).

Analysing this across our four key customer sectors

	6 months ended 31 May 2018 (Unaudited) £'m	6 months ended 31 May 2017 (Unaudited) £'m	Movement %
Retail	102.0	80.0	27.5%
Consumer	70.1	74.7	(6.2%)
Manufacturing, Industrial & Bulk (MIB)	91.6	80.9	13.2%
E-Commerce	80.3	36.9	117.6%
Core Sectors	**344.0**	**272.5**	**26.2%**
Non sector specific	15.3	14.3	7.0%
Total	**359.3**	**286.8**	**25.3%**

In three of our four sectors we achieved levels of sales growth significantly ahead of the logistics sector generally. Retail and MIB benefited from new contract wins plus significant rom our existing customer base. Organic growth was a healthy 10%.

Within E-commerce the Group benefited from a full 6 month period of iForce results as opposed to a single month in the comparable period. Excluding the year on year benefit of iForce, underlying growth in this sector was 30%.

The 6% decline in Consumer reflects the impact of the Britvic contract, which was lost in 2017 and subsequently regained partially during the 2018 half year. We have now regained the full contract, which will favourably impact the second half performance.

In the year to date we have secured or renewed approximately £271m of new and existing contracts, of which over £158m are new contracts resulting in significant working capital requirements in the period as the new contract wins were implemented.

Underlying EBIT

Underlying EBIT[1] for the period was £18.1m, representing a 7.1% increase on the equivalent period in 2017. Underlying EBIT[1] margin reduced from 5.9% to 5.0%. This is in the main a timing issue representing the significant temporary costs in reorganising the network in response to the significant contract wins. In the second half of the year we would expect to see these flow through to profit. In addition we had the period of exceptionally poor weather which disrupted supply chains nationwide.

Financing costs

Net interest expense before exceptional items for the period was £2.5m (2017: £6.9m), a reduction of £4.4m compared to the equivalent period in 2017.

This reflects the reduced interest costs associated with the improved debt structure put in place at the same time of the admission of the shares of the Company to trading on AIM in April 2017. The 2017 charge includes approximately five months of the previous higher cost debt structure replaced as part of these refinancing arrangements.

Adjusted Profit after Tax[5] and Profit for the period

The resultant Adjusted Profit after Tax[3] was £14.1m, a 34% increase on the adjusted figure for the comparable period (2017: £10.5m). The reported profit for the period was £1.4m (2017: loss for the period of £6.3m).

Tax

For the half year to 31 May 2018 we have a tax charge of £1.5m representing an effective tax rate of 53%. This figure is relatively high due to the non-deductibility of certain exceptional costs in the period. We anticipate the full year effective tax rate to be 23%, before exceptional items. In the previous period to 31 May 2017 we had a tax credit of £1.3m which represented in the main the tax deductibility for corporation tax of the majority of the exceptional items incurred in connection with the IPO and refinancing exercise.

Adjusted Earnings per share[2] and Reported Basic Earnings per share

Adjusted Earnings per Share[2] is 3.9p, an 8.3% improvement on the comparable period (2017: 3.6p). Reported Basic Earnings per Share were 0.4p (2017: loss of 2.4p)

Cash Flow and funding

Free Cash Flow**Error! Bookmark not defined.** for the period was £0.3m, a reduction of £16.6m against the equivalent period in 2017.

There are a number of factors underlying the 2018 cash performance the majority of which are timing:

- In 2018 we paid £2.1m of corporation tax as opposed to receiving a net credit of £0.6m in the comparable reporting period. In 2017 we received rebates from the tax authorities relating to previous years while 2018 represents a more normal level of tax payments
- In 2018 net capital expenditure was £7.2m, primarily on operational assets (2017: £4.1m). In line with our strategic objective of growing our warehouse division we invested in additional prime space which by the second half of the current year will be fully utilised. This cost represents the investment in racking and fit out before occupation by our new customers.
- Net investment in working capital was £11.1m in the period, driven primarily by significant contract wins and increased levels of overall revenue

Net debt at 31 May 2018 was £114.2m (2017: £97.7m) which represented a 2.0 multiple of Pro-forma Adjusted EBITDA[3] and in line with our long term gearing objective (2017: 1.88 times).

Exceptional items

Total exceptional items for the period were £4.4m. Of this £3.9m related to business acquisitions including the professional costs relating to the TPN acquisition completed in June 2018 and non-cash charges relating to the deferred consideration on The Logistics People and Speedy Freight acquisitions completed in 2017. The remaining £0.5m is in relation to a variety of reorganizational actions within the group.

Dividend

Eddie Stobart has a progressive dividend policy. An interim dividend of 1.54 pence per share will be paid to shareholders on the register at the close of business on 7 September 2018, payable on 19 October 2018. This represents an increase of 10% against the equivalent interim dividend in 2017 of 1.40 pence per share.

Acquisitions

On 29 June 2018 we acquired the entire issued share capital of The Pallet Network, a leading provider of pallet distribution services across UK and Ireland, for total consideration of £52.8 million, on a cash and debt free basis.

In connection with the acquisition, we placed, with institutional investors, of 21,428,572 placing shares of 1 pence each in the capital of the Company for 140 pence per share, raising £30m before expenses which was used in part to finance the acquisition and in part for general corporate purposes. The placing was well supported by new and existing institutional investors.

Of the total consideration of £52.8 million, £44.1 million was payable in cash at completion and the remaining £8.66 million will be payable to certain sellers over a period of two years following completion. The acquisition was funded in part by net proceeds of the placing and in part through the extension of the Group's existing debt facilities with our current syndicate of lending banks.

Due to the proximity of the acquisition with the balance sheet date, an analysis of the assets and liabilities acquired is yet to be undertaken and a full fair value assessment will occur in the second half of the year.

Our acquisitions, namely iForce, Speedy Freight and Logistics People, are all trading in line with expectations.

Auditors

A structured tender process is currently underway in relation to our external audit arrangements. We will provide an update to confirm our preferred audit firm for the group audit for the 2018 financial year when the tender process has been completed.

Eddie Stobart Logistics plc
(“Eddie Stobart” or the “Group”)
Interim Results for the six months ended 31 May 2018

Interim Consolidated Income Statement
for the six months ended 31 May 2018

	Note	6 months ended 31 May 2018 (Unaudited) £’000	6 months ended 31 May 2017 (Unaudited) £’000	Year ended 30 November 2017 £’000
Revenue	3	359,256	286,836	623,924
Cost of sales		(281,681)	(230,747)	(485,656)
Gross profit		**77,575**	**56,089**	**138,268**
Administrative expenses: before amortisation of acquired intangibles and exceptional costs		(61,860)	(44,128)	(96,137)
Amortisation of acquired intangibles		(6,207)	(4,947)	(11,137)
Administrative expenses: before exceptional items		(68,067)	(49,075)	(107,274)
Administrative expenses: exceptional items	5	(4,401)	(274)	(4,414)
Total administrative expenses		(72,468)	(49,349)	(111,688)
Profit from operating activities		**5,107**	**6,740**	**26,580**
Profit from operating activities: before exceptional items	4	**9,508**	**7,014**	**30,994**
Finance income		2	1	5
Finance expenses: before exceptional items		(2,531)	(6,914)	(9,650)
Finance expenses: exceptional items	5	-	(7,753)	(7,753)
Total finance expense		(2,531)	(14,667)	(17,403)
Net finance expense		(2,529)	(14,666)	(17,398)
Share of profit from equity accounted investees, net of tax		284	343	733
Profit/(Loss) before tax		2,862	(7,583)	9,915
Tax (expense)/credit	6	(1,507)	1,314	(5,030)
Profit/(loss) for the period		**1,355**	**(6,269)**	**4,885**
		-		
Profit attributable to:				
Owners of the Company		1,355	(7,135)	3,931
Non-controlling interests		-	866	954
Profit/(loss) for the period		**1,355**	**(6,269)**	**4,885**
Earnings/(loss) per share				
Basic – total operations	8	0.4p	(2.4p)	1.2p
Diluted – total operations	8	0.4p	(2.4p)	1.2p

The accompanying notes form part of the interim financial statements.

Interim Consolidated Statement of Comprehensive Income

for the six months ended 31 May 2018

	6 months ended 31 May 2018 (Unaudited) £'000	6 months ended 31 May 2017 (Unaudited) £'000	Year ended 30 November 2017 £'000
Profit/(loss) for the period	**1,355**	**(6,269)**	**4,885**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations	319	(204)	(176)
Foreign currency translation differences - equity accounted investees	10	22	21
Effective portion of changes in fair value cash flow hedges	-	-	1,546
Release of hedging reserve	-	-	-
Tax on items that are or may be reclassified subsequently to profit or loss	-	-	(340)
Total items that are or may be reclassified subsequently to profit or loss	329	(182)	1,051
Total comprehensive income for the period	**1,684**	**(6,451)**	**5,936**
Total comprehensive income attributable to:			
Owners of the Company	1,684	(7,317)	4,982
Non-controlling interests	-	866	954
Total comprehensive income for the period	**1,684**	**(6,451)**	**5,936**

The accompanying notes form part of the interim financial statements.

Interim Consolidated Statement of Changes in Equity
for the eighteen months ended 31 May 2018

	Attributable to equity holders of the Company										
	Share capital	Share premium	Translation reserve	Merger reserve	Own shares	Share options reserves	Hedge reserve	Retained earnings	**Total**	Non controlling interest	**Total equity**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 30 November 2016	**703**	**64,647**	**(332)**	**-**	**-**	**-**	**(1,546)**	**24,127**	**87,599**	**1,831**	**89,430**
Profit for six months ending 31 May 2017	-	-	-	-	-	-	-	(7,135)	**(7,135)**	866	**(6,269)**
Total other comprehenive income	-	-	(182)	-	-	-	1,546	-	**1,364**	-	**1,364**
Transactions with owners of the Company:											
Cancellation of share premium	-	(64,647)	-	-	-	-	-	64,647	**-**	-	**-**
Issue of capital (net of costs)	2,876	125,187	-	-	-	-	-	(5,386)	**122,677**	-	**122,677**
Balance at 31 May 2017	**3,579**	**125,187**	**(514)**	**-**	**-**	**-**	**-**	**76,253**	**204,505**	**2,697**	**207,202**
Profit for six months ending 30 November 2017	-	-	-	-	-	-	-	11,066	**11,066**	88	**11,154**
Total other comprehensive income	-	-	27	-	-	-	-	(340)	**(313)**	-	**(313)**
Transactions with owners of the Company:											
Issue of capital (net of costs)	-	(7,930)	-	7,950	-	-	-	3,322	**3,342**	-	**3,342**
Share based payment charges	-	-	-	-	(2,700)	1,079	-	2,700	**1,079**	-	**1,079**
Dividend paid	-	-	-	-	-	-	-	(5,011)	**(5,011)**	-	**(5,011)**
	3,579	**117,257**	**(487)**	**7,950**	**(2,700)**	**1,079**	**-**	**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**	**(487)**	**7,950**	**(2,700)**	**1,079**	**-**	**85,710**	**212,388**	**-**	**212,388**
Profit for six months ending 31 May 2018	-	-	-	-	-	-	-	1,355	**1,355**	-	**1,355**
Movement in translation reserve	-	-	329	-	-	-	-	-	**329**	-	**329**
Share based payment charges	**-**	-	-	-	-	849	-	-	**849**	-	**849**
Dividends	-	-	-	-	-	-	-	(15,735)	**(15,735)**	-	**(15,735)**
Balance at 31 May 2018	**3,579**	**117,257**	**(158)**	**7,950**	**(2,700)**	**1,928**	**-**	**71,330**	**199,186**	**-**	**199,186**

The accompanying notes form part of the interim financial statements.

Interim Consolidated Statement of Financial Position
as at 31 May 2018

	Note	6 months ended 31 May 2018 (Unaudited) £'000	6 months ended 31 May 2017 (Unaudited) £'000	Year ended 30 November 2017 £'000
Assets				
Non-current assets				
Property, plant and equipment	9	65,121	45,253	59,979
Goodwill	10	172,354	161,811	172,354
Intangible assets	11	93,674	95,768	99,146
Investments in equity accounted investees		1,499	1,117	1,276
Deferred tax asset		5,976	804	5,976
		338,624	304,753	338,731
Current assets				
Inventories		2,505	2,530	2,396
Trade and other receivables		174,563	140,080	148,979
Current tax asset		-	97	-
Cash and cash equivalents		5,748	17,604	11,936
		182,816	160,311	163,311
Total assets		521,440	465,064	502,042
Liabilities				
Current liabilities				
Loans and borrowings	12	(8,135)	(5,993)	(7,767)
Trade and other payables		(160,821)	(121,029)	(128,218)
Current tax liability		(2,009)	-	(2,770)
Provisions		(2,579)	(714)	(3,434)
		(173,544)	(127,736)	(142,189)
Non-current liabilities				
Loans and borrowings	12	(111,808)	(109,276)	(113,666)
Employee benefits		-	(42)	-
Trade and other payables		(21,814)	(11,515)	(18,822)
Deferred tax liabilities		(15,088)	(7,644)	(14,977)
Provisions		-	(1,649)	-
		(148,710)	(130,126)	(147,465)
Total liabilities		(322,254)	(257,863)	(289,654)
Net assets		**199,186**	**207,202**	**212,388**
Equity				
Share capital	13	3,579	3,579	3,579
Share premium	13	117,257	125,187	117,257
Merger reserve	13	7,950	-	7,950
Translation reserve		(158)	(514)	(487)
Own shares		(2,700)	-	(2,700)
Share option reserve		1,928	-	1,079
Retained earnings		71,330	76,253	85,710
Total equity attributable to owners of the Company		199,186	204,505	212,388
Non-controlling interests		-	2,697	-
Total equity		**199,186**	**207,202**	**212,388**

The accompanying notes form part of the interim financial statements.

Interim Consolidated Cash Flow Statement

for the six months ended 31 May 2018

	Note	6 months ended 31 May 2018 (Unaudited) £'000	6 months ended 31 May 2017 (Unaudited) £'000	Year ended 30 November 2017 £'000
Cash flows from operating activities				
Profit for the period from continuing operations		1,355	(6,269)	4,885
Adjustments for:				
Net finance costs		2,529	6,913	9,645
Share of profit of equity-accounted investees, net of tax		(284)	(343)	(733)
Tax expense	6	1,507	(1,314)	5,030
Depreciation		4,260	3,023	6,797
Amortisation of intangible assets		6,207	4,947	11,137
Gain on sale of property, plant and equipment		(45)	(941)	(2)
Equity settled share-based payment expenses		849	96	1,079
Other non-cash exceptional items	4	3,562	2,005	3,685
Foreign exchange		28	150	(238)
Changes in:				
Inventories		(110)	(173)	(39)
Trade and other receivables		(25,908)	4,532	(14,761)
Trade and other payables		14,873	4,751	5,218
Deferred income/revenue, including government grant		-	(2,994)	(2,469)
Cash generated from operating activities	4	**8,823**	**14,383**	**29,234**
Net interest paid		(3,555)	(7,163)	(7,678)
Income taxes paid		(2,157)	570	(2,667)
Net cash generated from operating activities		**3,111**	**7,790**	**18,889**
Cash flows from investing activities				
Proceeds from sales of property, plant and equipment		276	1,388	3,783
Acquisition of subsidiaries, net of cash acquired		-	(36,993)	(43,220)
Purchase of property, plant and equipment		(7,432)	(5,496)	(8,865)
Purchase of intangible assets		(673)	-	(770)
Proceeds from sale of of joint ventures		97	-	-
Interest received		1	2	5
Dividends received from equity accounted investees		171	282	416
Net cash used in investing activities		**(7,560)**	**(40,817)**	**(48,651)**
Cash flows from financing activities				
Proceeds from issue of share capital (net of costs)		-	111,933	118,019
Draw down of new borrowings (net of costs)		-	100,554	98,435
Acquisition of non-controlling interests		-	-	(5,050)
Draw down/(payment) of financing facility, net of costs		514	(223)	(145)
Repayment of bank borrowings		-	(173,745)	(171,232)
Payment of capital element of finance lease liabilities		(2,235)	(2,277)	(7,466)
Dividends paid to minority interests during the year		-	-	(200)
Interim dividend paid during the year		-	-	(5,011)
Net cash generated from / (used in) financing activities		**(1,721)**	**36,242**	**27,350**
Net (decrease) / increase in cash and cash equivalents		**(6,170)**	**3,215**	**(2,412)**
Cash and cash equivalents at the start of the financial year		11,936	14,083	14,083
Effect of exchange rate fluctuations on cash held		(18)	305	265
Cash and cash equivalents at the end of the financial year		**5,748**	**17,603**	**11,936**

The accompanying notes form part of the interim financial statements.

Notes to the Consolidated Interim Financial Statements

for the six months ended 31 May 2018

1. Accounting Policies of Eddie Stobart Logistics plc

Eddie Stobart Logistics plc (the Company) is a company limited by share capital, incorporated and domiciled in the United Kingdom. The address of the Company's registered office is Stretton Green Distribution Park, Langford Way, Appleton, Warrington, WA4 4TQ. The Consolidated Interim Financial Statements of the Company for the six months ended 31 May 2018 and the comparative six months ended 31 May 2017 comprise the Company and its subsidiaries (referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The Group and its subsidiaries provide value added logistics, distribution and warehousing services for its clients across a wide range of service sectors and industries.

Statement of compliance
The Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretation Committee ('IFRIC') interpretations endorsed by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of preparation
The Group and Company accounting policies set out below have been applied consistently to all periods in these Consolidated Interim Financial Statements, and have been applied consistently by Group entities unless otherwise stated.

Going concern
The Consolidated Interim 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, management has completed a budgeting process for the twelve months ending 31 August 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 Consolidated Interim Financial Statements.

Basis of measurement
The Consolidated Interim Financial Statements have been prepared on the historical cost basis, except derivative financial instruments which are measured at fair value.

The Directors have considered the fair values of all debtors and creditors and have determined that their fair values equate to their carrying values.

Basis of consolidation
The Consolidated Interim Financial Statements of the Group for the six months ended 31 May 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The Consolidated Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of Eddie Stobart Logistics plc as at 30 November 2017. The financial information set out herein is unaudited but has been reviewed by the auditors, KPMG LLP, and their report to the Company is attached.

The comparative financial information set out in these Consolidated Interim Financial Statements does not constitute the Group's statutory accounts for the year ended 30 November 2017 but has been derived from those accounts. Statutory accounts for the period ended 30 November 2017 have been published and KPMG LLP reported on those accounts. Their audit report was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU.

The Consolidated Interim Financial Statements comprise the interim financial statements of the Group and its subsidiaries as at 31 May 2018. Control is identified when the Group has rights to variable returns from its involvement with the investee and has the ability to affect those returns from its power over the investee. The Group controls an investee where:

- Power over the investee exists (the ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns via its involvement with the investee exists
- The Group has the ability to use its power over the investee to affect those returns

1. Principal Accounting Policies (continued)

There is a general presumption that majority voting rights results in control, however where the Group has less than a majority of voting rights, or similar rights, the Group considers all relevant fact and circumstances in assessing whether it has the power over an investee including:

- Contractual arrangements with the other vote holders of the investee
- Rights arising from the other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group reassess whether or not it controls the investee if facts and circumstances indicate that there are changes to elements of control. Consolidation arises when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income, expenses and cash flows of an acquired or disposed of subsidiary during the period are included in the Consolidated Interim Financial Statements from the date the Group gained control and until the date the Group ceased control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to any non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Any investment retained is recognised at fair value.

(i) Business combinations - business combinations are accounted for using the acquisition method as at the acquisition date (when control is transferred to the Group). The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred
- The recognised amount of any non-controlling interests in the acquiree
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Non-controlling interests - for each business combination, the Group measures any non-controlling interest in the acquiree at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(iii) Subsidiaries - subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the Consolidated Interim Financial Statements from the date that control commences until the date that control ceases.

(iv) Loss of control of a subsidiary - on a loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of Comprehensive Income.

(v) Investments in associates and jointly controlled entities (equity-accounted investees) - associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The Consolidated Interim Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation - intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Interim Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1. Principal Accounting Policies (continued)

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Board of Directors, collectively the Group's chief operating decision maker, to assess performance and allocate capital or resources.

Foreign currency
(i) Foreign currency transactions - transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

(ii) Foreign operations - the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

Financial instruments
(i) Non-derivative financial assets - loans and receivables, including financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables. Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities - financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the statement of cash flows.

(iii) Share capital - ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(iv) Derivative financial instruments and hedging – the group uses interest rate swap derivative financial instruments to hedge its risks associated with interest rate fluctuations. All derivative financial instruments are initially recognised and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. For those derivatives designated as hedges and for which hedge accounting is appropriate, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the Consolidated Income Statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, which in the case of the single financial instrument held by the Group is a cash flow hedge.

Hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while the ineffective portion is recognised in the Consolidated Income Statement. Amounts previously recognised in other comprehensive income are transferred to the Consolidated Income Statement in the period in which the hedged item affects profit or loss, such as when a forecast sale occurs. However, when the forecast transaction results in the recognition of a non-financial asset or liability, the amounts previously recognised in other comprehensive income are included in the initial carrying amount of the asset or liability.

1. Principal Accounting Policies (continued)

If a forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the Consolidated Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction occurs and are then transferred to the Consolidated Income Statement or included in the initial carrying amount of a non-financial asset or liability as above.

Property, plant and equipment
Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including any directly attributable capitalised borrowing costs and an estimate of any future costs of dismantling and removing the items and restoring the site on which they are located.

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognised within administrative expenses in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for significant items of property, plant and equipment are as follows:

- Freehold buildings: 2%-5% per annum straight line
- Leasehold land and buildings: 1% straight line, or period of lease if shorter
- Vehicles and trailers: 3-10 years straight line and 25% reducing balance as appropriate
- Plant and equipment: 3-7 years straight line and between 15%-20% reducing balance as appropriate
- Fixtures and fittings: 3-5 years straight line and between 20%-33% reducing balance as appropriate

Assets under construction
Assets under construction at operating depots are capitalised as assets-under-construction. The cost of assets-under-construction comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Assets-under-construction amounts related to development projects are presented as a separate asset within PP&E. Assets-under-construction are not depreciated. Once the asset is complete and available for use, depreciation is commenced.

Intangible assets and goodwill
These comprise software development and implementation costs, trademarks and brands and are stated at cost less accumulated amortisation and impairment (see below). Costs incurred in developing the Group's own brands are expensed as incurred.

Separately acquired brands and customer lists are shown at historical cost. Software, brands and customer lists acquired in a business combination are recognised at fair value at the acquisition date.

These assets are deemed to have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives.

Goodwill that arises on the acquisition of subsidiaries is presented within intangible assets. The measurement of goodwill at initial recognition is explained in the basis of consolidation policy set out above. Subsequently, goodwill is measured at cost less accumulated impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- management intends to complete the software product and use or sell it
- There is an ability to use or sell the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1. Principal Accounting Policies (continued)

Intangible assets and goodwill (continued)

Computer software development costs recognised as assets are amortised over the estimated useful lives.

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset.
These are as follows:

- Software development and licences; 3 years
- Rights to trademarks, brand names and customer relationship lists; 6 to 15 years
- Franchise contracts; 10 to 15 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment
(i) Non-derivative financial assets - a financial asset not classified at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the

initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

(ii) Non-financial assets - the carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets
The Group classifies its financial assets in the following categories: at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the income statement within 'other net gains' in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

1. Principal Accounting Policies (continued)

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administration expenses'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administration expenses' in the income statement.

Cash and cash equivalents
Cash and cash equivalents are defined as cash in hand, demand deposits, and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Employee benefits
(i) Short-term employee benefits - short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans - a defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Share-based payments
The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value is measured by an independent third party to review and calculate fair values using the Log-normal Monte-Carlo stochastic model. The fair values of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance condition (for example, an entity's share price)
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period)
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company either issues new shares, or uses Own shares purchased for this purpose. For issued new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital nominal value) and share premium.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash settled transaction.

1. Principal Accounting Policies (continued)

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Consolidated Interim Financial Statements in the period in which the dividends are approved by the Company's shareholders.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined based on the expected future cash flows. When it has a material effect, these are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of any

discount is recognised as a finance cost. The policies used to determine specific provisions are:

(i) Lease remediation and site restoration - provisions are established over the life of leases to cover remedial work necessary at termination under the terms of those leases. Guidance for the total cost is made with reference to independent third party quantity surveyors reports and spread over the terms of the lease.

(ii) Onerous contracts - a provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(iii) Employee restructuring - a provision for employee restructuring costs is made once the Group is committed to any restructuring plans, which require a change to the status of employees that have a cost implication.

(iv) Insurance claims are assessed on a case by case basis, with the estimated costs of claims based on the advice of the Group's external insurance advisers.

Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. In practice this means that revenue is generally recognised as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. For other goods, it is when despatched, or packaged and made available for collection.

(ii) Warehouse and distribution service contracts

Revenue is recognised when the service is rendered. Invoicing varies by contract, but is typically either in line with work performed or initially on a budgeted volume basis with later adjustment to reflect actual activity. Where a contract contains elements of variable consideration, the Group will estimate the amount or revenue to which it will be entitled under the contract. Variable consideration can arise as a result of incentives, performance bonuses, penalties or other similar items.

(iii) Training and other contracts

Revenue is recognised over the life of the contract in proportion to the costs of providing the services.

(iv) Franchise revenue and franchise contracts

Franchise revenue is recognised gross to reflect franchisor management of invoicing, collection and credit risk. Revenue in respect of franchise contracts is recognised at the point in which a franchise agreement has been signed and fees in respect of the franchise have been received, at which point they are not refundable.

(v) Sale of Services – Property

At certain sites where the Company has entered into leases, arrangements have been entered into with a third party, under which the Company received fees for property-related advisory services. Revenue earned from providing property associated services is recognised in the Consolidated Income Statement at the fair value of the consideration received or receivable, net of professional fees, associated costs and VAT.

1. Principal Accounting Policies (continued)

Revenue (continued)

The company continues to be successful in providing property related services included to third party investors as part of its core strategy and the growth of its warehousing estate. During the first 6 months of 2018 it has earned fees of £4.2m (6 months ending 2017: £3.2m). Management has made the judgement that the fees are payments for the provision of property services to a third party investor that may be recorded as revenue at the time of the transactions. In forming that judgement, the company has considered whether the leases it has entered into are operating leases and whether the future rentals are at market value and, accordingly, whether the fees received can be attributed to delivered property services.

(vi) Sale of Services – Consultancy

In line with the stated strategy of consulting led logistics, the Group offers a range of consultancy services including property, logistics, IT consulting and integration services. In the six months to 31 May 2018 these totalled £9.1m (2017: £5.5m).

Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

Leases
(i) Leased assets - assets held by the Group under leases which transfer substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Group's Consolidated Statement of Financial Position.

(ii) Lease payments - payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Where leases contain escalation clauses that stipulate specific increases to the rental payable, the operating lease expense is recorded on a straight-line basis. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental income
Rental income is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Finance income and finance costs
Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and the net interest cost from accounting for defined benefit pension schemes. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Exceptional items
Items that are material in size or nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of business units and the associated legal and employee costs, and other significant gains or losses. Items of expenditure relating to the acquisition of business assets and restructuring have been treated as exceptional costs during the year (see note 5).

Alternative performance measures (APMs)
Underlying results are used in the day-to-day management of the Group. They represent statutory measures adjusted for items which in the Directors view could distort the understanding of performance and comparability year on year. Note 4 provides a reconciliation between APMs and statutory IFRS measures.

Tax
Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax - is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

1. Principal Accounting Policies (continued)

Tax (continued)
(ii) Deferred tax - is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

New standards and interpretations
At the date of authorisation of these Consolidated Interim Financial Statements, the following standards and interpretations, relevant to the Group, which have not been applied to these financial statements, were in issue, but not yet effective:

Title	Key Issues	Effective Date	Impact on Eddie Stobart Logistics plc

IFRS 15 Revenue from Contracts with Customers	The new standard is a single global revenue standard that contains a single model that applies to two approaches, being at point in time and over time. For complex transactions with multiple components, variable consideration or extended periods, application of the standard can lead to revenue being accelerated or deferred in comparison to current IFRS.	Periods beginning on or after 1 January 2018, deferred from 1 January 2017.	Management are currently evaluating the potential impact of the new standard and are not intending to adopt during FY18.
IFRS 9 Financial Instruments	IFRS 9 was introduced in 2014 as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.	Periods beginning on or after 1 January 2018.	Management are currently evaluating the potential impact of the new standard and are not intending to adopt during FY18.
IFRS 16 Leases	IFRS 16 was issued in January 2016 and is effective from 1 January 2019, eliminating the classification of leases as operating leases or finance leases and setting out a single lease accounting model.	Periods beginning on or after 1 January 2019, subsequent to EU endorsement.	Significant impact on Statement of Financial Position and Income Statement presentation and measurement which is currently under review.

At the date of the authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but are either not yet effective or have not been adopted by the EU:

- Amendments to IFRS 2 Classification and Measurement of Share-based payment transactions.
- Amendments to IAS 7 Disclosure Initiative.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses.
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Annual Improvements 2014–2016 Cycle.

Other than as mentioned in the above, the Group does not currently expect that adoption of the other standards and amendments listed will have a significant effect on the consolidated results or financial position of the Group.

2. Seasonality of operations

Some of our operations are seasonal, with demand for services generally trending higher as the financial year progresses. Whilst this impact is mitigated by operating in different sectors there is still a significant increase in revenue and profits in the second half of the year for the Group as a whole. We aim to further reduce the impact of seasonality by growing in business sectors that have a complementary profile in respect of seasonal trading.

3. Segmental Information

Eddie Stobart Logistics plc provides contract logistics services in the UK and Europe. In the year to 30 November 2017 and the six months to 31 May 2018 the Group managed its operations via distinct functions (segments) 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 World Formula 1 Championship™, Truckstops and property services) and Speedy Freight. Contract Logistics and Warehousing represents contract logistics and warehousing services, including iForce 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 Logistic People.

All operations are continuing for each segment. As the Group is in the process of moving toward sector reporting, as discussed above, the following table illustrates revenue streams on this basis.

	6 months ended 31 May 2018	6 months ended 31 May 2017	Year ended 30 November 2017
Segmental	(Unaudited)	(Unaudited)	

	£'m	£'m	£'m
Revenues			
Road Transport	239.8	199.3	414.2
CL & Warehousing	89.1	49.1	139.5
EU Transport	20.2	19.9	38.6
Other divisions, Central and eliminations	10.2	18.5	31.6
	359.3	**286.8**	**623.9**
EBITDA			
Road Transport	22.3	18.7	48.5
CL & Warehousing	3.6	2.6	9.9
EU Transport	1.2	0.8	1.5
Other divisions, Central and eliminations	(3.6)	(2.2)	(4.6)
	23.5	**19.9**	**55.3**
EBITDA Margin			
Road Transport	9.3%	9.4%	11.7%
CL & Warehousing	4.0%	5.3%	7.1%
EU Transport	5.9%	4.0%	3.9%
Other divisions, Central and eliminations	(35.3)%	(11.9)%	(14.6)%
	6.5%	**6.9%**	**8.9%**

Sector	6 months ended 31 May 2018 (Unaudited)	6 months ended 31 May 2017 (Unaudited)	Year ended 30 November 2017
	£'m	£'m	£'m
Revenues			
Retail	102.0	80.0	168.6
Consumer	70.1	74.7	144.6
Manufacturing, Industrial & Bulk (MIB)	91.6	80.9	182.0
E-Commerce	80.3	36.9	103.4
Non sector specific	15.3	14.3	25.3
	359.3	**286.8**	**623.9**

4. Alternative Performance Measures Reconciliation

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, a gain arising on lease agreement, start-up costs associated with contract wins and the profit impact of severe weather conditions.

Reconciliation to Underlying Revenue, Underlying EBIT, Underlying EBITDA, Adjusted Profit after tax and Free Cash Flow

	6 months ended 31 May 2018 (Unaudited)	6 months ended 31 May 2017 (Unaudited)	Year ended 30 November 2017
	£'000	£'000	£'000
Reported profit from operating activities before exceptional items	**9,508**	**7,014**	**30,994**

Amortisation of acquired intangibles	6,207	4,947	11,137
Share of profit from equity accounted investees	284	343	733
Employee share scheme costs funded by previous parent holding group	294	-	413
Investor and management charges	-	-	634
Gain arising on lease agreement (note 5)	-	4,616	4,616
Force majeure - severe weather	445	-	-
Start up costs associated with contract wins	1,387	-	-
Underlying EBIT (i)	**18,125**	**16,920**	**48,527**
Depreciation	4,260	3,023	6,797
Underlying EBITDA (i)	**22,385**	**19,943**	**55,324**
Profit after tax attributable to owners of the company	**1,355**	**(7,135)**	**3,931**
Amortisation of acquired intangibles	6,207	4,947	11,137
Employee share scheme costs funded by previous parent holding group	294	-	413
Force majeure - severe weather	445	-	-
Start up costs associated with contract wins	1,387	-	-
Exceptional items (excluding gain arising on lease agreement)	4,401	12,643	8,482
Adjusted profit after tax	**14,089**	**10,456**	**23,963**
Cash generated from operating activities	**8,823**	**14,383**	**29,234**
Purchase of property, plant and equipment	(7,432)	(5,496)	(8,865)
Proceeds from sale of property plant and equipment	275	1,388	3,783
Income taxes paid	(2,157)	570	(2,667)
Exceptional items (note (a) below)	839	6,022	8,482
Adjusted free cash flow	**348**	**16,868**	**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.

	6 months ended 31 May 2018 (Unaudited) £'000	6 months ended 31 May 2017 (Unaudited) £'000	Year ended 30 November 2017 £'000
Exceptional items (note 5)	(4,401)	(8,027)	(12,167)
Adjusted for:			
Gain arising on lease agreement	-	4,616	4,616
Residual capitalised bank fees relating to the previous loan	-	(6,621)	(6,621)
Costs associated with business acquisitions	(3,562)	-	(1,342)
Other non-cash exceptional items	-	-	(338)
Non-cash exceptional items	(3,562)	(2,005)	(3,685)
Cash impact of exceptional items	(839)	(6,022)	(8,482)

5. Exceptional items

	6 months ended 31 May 2018 (Unaudited) £'000	6 months ended 31 May 2017 (Unaudited) £'000	Year ended 30 November 2017 £'000
Exceptional items included in administrative expenses			
Costs associated with the IPO of Eddie Stobart Logistics plc	-	(3,743)	(3,947)
Deferred consideration associated with business acquisitions	(2,707)	-	-
Costs associated with business acquisitions	(1,211)	(494)	(1,719)
Gain arising on lease agreement	-	4,616	4,616
Exit from Irish retail sector	-	(653)	(2,436)
Other	(483)	-	(928)
Total exceptional items included in administrative expenses	**(4,401)**	**(274)**	**(4,414)**
Residual capitalised bank fees relating to the previous loan	-	(6,621)	(6,621)
Costs associated with swap closure	-	(1,132)	(1,132)
Total exceptional items included in finance expenses	**-**	**(7,753)**	**(7,753)**
Total exceptional items before tax	**(4,401)**	**(8,027)**	**(12,167)**

Deferred consideration associated with business acquisitions is primarily contingent consideration accounted for as remuneration relating to the acquisitions of Puro Ventures (trading as Speedy Freight) and The Logistics People. These acquisitions were completed during 2017. An element of cost in this category relates to the successful acquisition of The Pallet Group Limited, which occurred post balance date and is described further in Note 14.

Other exceptional items represent costs associated with a customer that went into administration.

6. Taxation

Total tax charged in the Income Statement in respect of continuing operations

	6 months ended 31 May 2018 (Unaudited) £'000	6 months ended 31 May 2017 (Unaudited) £'000	Year ended 31 November 2017 £'000
Total current income tax charge	1,396	(697)	4,768
Total deferred income tax charge	111	(617)	262
Total charge in the income statement	**1,507**	**(1,314)**	**5,030**

7. Dividends

A final dividend of £15.7m for the 2017 financial year was approved by the Board on 29 May 2018. This was paid on 7 June 2018 to shareholders on the register at 11 May 2018. A provision for dividends payable of £15.7m has been made in the financial statements for the six months ending 31 May 2018.

An interim dividend of 1.54 pence per share (2017: 1.40 pence per share) will be paid on 19 October 2018 to shareholders whose name appears on the register at close of business on 7 September 2018. The interim dividend, amounting to £5,842,000 has not been recognised as a liability in this interim financial information. It will be recognised in the shareholders' equity in the year to 30 November 2018.

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 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 ordinary 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.

	6 months ended 31 May 2018 (Unaudited) '000	6 months ended 31 May 2017 (Unaudited) '000	Year ended 30 November 2017 '000
Profit attributed to equity shareholders	1,355	(7,135)	3,931
Weighted average number of Ordinary Shares - Basic			
Issued ordinary shares at the beginning of the year	357,918	276,668	276,668
Net effect of shares issued and purchased during the year	-	16,071	48,750
	357,918	292,739	325,418
Weighted average number of Ordinary Shares - Diluted			
Weighted average number of Ordinary Shares - Basic (as above)	357,918	292,739	325,418
Net effect of shares options in issue	2,544	382	1,336
	360,462	293,121	326,754
Basic earnings per share for total operations	0.4p	(2.4p)	1.2p
Diluted earnings per share for total operations	0.4p	(2.4p)	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:

	6 months ended 31 May 2018 (Unaudited) £'000	6 months ended 31 May 2017 (Unaudited) £'000	Year ended 30 November 2017 £'000
Adjusted earnings per share			
Basic	3.9p	3.6p	7.4p
Diluted	3.9p	3.6p	7.3p
Adjusted earnings are determined as follows			
Profit after tax attributed to owners of the company	1,355	(7,135)	3,931
Amortisation of acquired intangibles	6,207	4,947	11,137
Employee share scheme costs funded by previous parent holding group	294	-	413
Force majeure - severe weather	445	-	-
Start up costs associated with contract wins	1,387	-	-
Exceptional items (excluding gain arising on lease agreement)	4,401	12,643	8,482
Adjusted profit after tax	14,089	10,456	23,963

Underlying Trading refers to Profit from operating activities before exceptional items. Management believe that Underlying Trading is a more relevant representation of the financial results for the period given the significant exceptional IPO and refinancing related costs incurred during the period. An alternative measure of earnings per share has been presented on this basis.

9. Property, Plant and Equipment

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Commercial vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net book value at 31 May 2018	33,860	6,340	6,238	14,448	4,235	65,121
Net book value at 30 November 2017	30,374	6,535	6,688	14,929	1,453	59,979

During the six months ended 31 May 2018, the Group developed leaseholds and acquired plant, machinery, equipment and commercial vehicle assets with a total cost of £9.6m (2017: £7.9m). £2.7m (2017: nil) of this relates to land and is therefore not depreciated. The Group also disposed of assets with a net book value of £0.2m, relating to commercial vehicles. The depreciation charge for the year across all assets was £4.3m.

10. Goodwill

There has been no movement in goodwill since 30 November 2017.

11. Intangible assets

	Software	Brand names	Customer relationships	Franchise Contracts	Total
	£'000	£'000	£'000	£'000	£'000
Net book value at 31 May 2018	4,237	7,420	76,000	6,017	93,674
Net book value at 30 November 2017	4,242	9,299	79,403	6,202	99,146

During the six months ended 31 May 2018, the Group acquired intangible assets with a total cost of £0.8m (2017: £16.9m), £0.7m of which relates to software (2017: £4.3m software and £12.6m customer relationships – all acquired as part of business acquisitions). Amortisation charged in the year across all intangible assets was £6.2m (2017: £4.9m).

12. Financial Assets and Liabilities

	6 months ended 31 May 2018 (Unaudited)	6 months ended 31 May 2017 (Unaudited)	Year ended 31 November 2017
	£'000	£'000	£'000
Current			
Finance lease and hire purchase obligations	5,535	4,101	4,583
Bank loans	2,600	1,892	3,184
	8,135	**5,993**	**7,767**
Non-current			
Finance lease and hire purchase obligations	11,020	9,632	13,233
Bank loans	100,788	99,644	100,433
	111,808	**109,276**	**113,666**
Total loans and borrowings	**119,943**	**115,269**	**121,433**
Cash	(5,748)	(17,604)	(11,936)
Net debt	**114,195**	**97,665**	**109,497**

12. Financial Assets and Liabilities (continued)

Borrowing facilities

On 13 April 2017, the Group signed a new senior facility agreement with a new syndicate of lenders, providing a finance facility of £100.0m with associated fees of £2.7m. The facility is secured on the shares of the subsidiaries of the Group, is subject to a variable rate of interest and subject to certain conditions is repayable in full in April 2022. During the period refinancing fees of £0.3m (6 months ending 31 May 2017: £0.8m) were amortised through the Consolidated Income Statement.

In the UK, the Group also has access to a revolving finance facility of up to £75.0m (31 May 2017: £75.0m) though normally restricted to £65.0m (31 May 2017: £65.0m), which is dependent upon and secured against assets within the Group. The facility is subject to a variable rate of interest and is in place until 2021. Following the post balance sheet acquisition of The Pallet Group Limited, described in Note 14, this facility has been increased to £85.0m, though restricted normally to £75.0m.

The Group has finance facilities in Belgium which are secured against assets in that region and comprise an overdraft of €1.5m, subject to a variable rate of interest and available over 7 years to 2021, a loan of €3.0m, subject to a fixed rate of interest and repayable in equal quarterly instalments over 7 years to 2021 and a loan of €1.5m at a fixed rate of interest and repayable in equal quarterly instalments over 5 years to 2021. The facilities are secured against specific assets in the Group.

13. Share capital

	No of shares	Share capital	Share premium	Merger reserve
	'000	£'000	£'000	£'000
Ordinary shares in issue at 31 May 2017	**357,918**	**3,579**	**125,187**	**-**
IPO adjustment	-	-	20	-
Merger reserve creation	-	-	(7,950)	7,950
Ordinary shares in issue at 30 November 2017	**357,918**	**3,579**	**117,257**	**7,950**
Ordinary shares in issue at 31 May 2018	**357,918**	**3,579**	**117,257**	**7,950**

14. Events after the Balance Sheet

The Pallet Network

Post balance sheet date the Group entered into an agreement to purchase 100% of the shares in The Pallet Network Group Limited.

The total consideration of £52.8m acquired net assets with a book value of £2.0m. A detailed fair value exercise to determine the expected level of total consideration and the value of intangible assets and goodwill will be undertaken in the second half of the year.

The Group funded the acquisition by a combination of debt and equity. Debt of £24.0m was raised from the existing lending syndicate under exactly the same terms as the existing debt (see Note 12) and the issue of 21.4m shares, at a price of 140p per share, raised £30m in new equity before expenses.

The Pallet Network Group maintains and manages a UK wide and linked European distribution network for palletised goods together with the operations of a national sortation hub.

INDEPENDENT REVIEW REPORT TO EDDIE STOBART LOGISTICS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 May 2018 which comprises interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity, interim consolidated statement of financial position, interim consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 May 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the AIM Rules.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1 the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Nicola Quayle
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

30 August 2018