

Eddie Stobart Logistics plc

("Eddie Stobart")

Full Year Results 2017

Eddie Stobart announces its full year results for the 12 months ended 30 November 2017.

Underlying Results*	2017	2016	Statutory Results	2017	2016
Revenue ¹	£623.9m	£549.0m	Revenue	£623.9m	£570.2m
EBIT ²	£48.5m	£41.3m	Operating profit	£26.6m	£26.8m
EBIT Margin	7.8%	7.5%			
EBITDA ³	£55.3m	£47.4m			
EBITDA Margin	8.9%	8.6%			
Adjusted Profit before tax ⁴	£37.8m	£24.0m	Profit before tax	£9.9m	£11.2m
Adjusted Free cash ⁵	£30.0m	£28.8m	Net cash from operating activities	£18.9m	£17.7m
Adjusted Earnings per share ⁶	9.8p	7.9p	Earnings per share	1.2p	3.3p
			Proposed dividend per share	5.8p	–
			Net debt	£109.5m	£165.5m

*Non GAAP alternative performance measures (see note 3 for reconciliation to statutory measures)

¹ Underlying Revenue is defined as Revenue less revenue from the exited Ireland retail segment.

² Underlying EBIT is defined as Profit from operating activities before exceptional items, amortisation of acquired intangibles, Group's share of profit from equity accounted investees, employee share costs funded by previous parent holding group, investor and management charges, including the gain arising on lease agreements.

³ Underlying EBITDA is defined as Underlying EBIT before depreciation of property, plant and equipment.

⁴ Adjusted profit before tax is defined as profit or loss before tax adding back exceptional items and amortisation of acquired intangibles and including the gain arising on lease agreements.

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

⁶ Adjusted Earnings per Share is defined as Profit after tax adding back exceptional items and amortisation of acquired intangibles and including the gain arising on lease agreements divided by the weighted average basic and diluted number of shares in issue at 30 November 2017 (see note 8).

Group highlights:

- Full year results in line with expectations
- Strong underlying revenue* growth
 - Renewed c.£41 million of existing contracts; secured additional £89 million of new volume with existing and new customers
 - Significant revenue growth within Manufacturing, Industrial and Bulk (MIB), (+37%) and E-commerce (+111%)
- Completed acquisitions of iForce, Speedy Freight and Logistic People during the period, broadening Group capabilities with all performing to expectations
- Warehousing storage capacity increased by c.17% across a number of new sites adding further capacity
- Invested in technology solutions to enhance operational efficiency, support business growth and simplify back office processes
- Continue to invest in recruiting and upskilling our existing employees through a broad range of courses delivered at our Training Academy in Warrington and our new second facility in the Midlands
- Final dividend proposed of 4.4 pence per share making a total of 5.8 pence per share for the full year in line with our progressive dividend policy

Chief Executive Alex Laffey commented:

"We have made good progress in implementing our strategy of becoming a leading provider of end-to-end supply chain solutions. This has been demonstrated by our performance over the past 12 months, especially within our two key growth sectors, Manufacturing, Industrial and Bulk, and E-commerce.

Overall we are pleased with our progress in 2017. The new financial year has started well and in line with the Board's expectations."

*Non GAAP alternative performance measures (see note 3 for reconciliation to statutory measures)

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CHAIRMAN'S STATEMENT

Overview

Having joined the Board as Chairman of Eddie Stobart Logistics in April 2017, I'd like to take this opportunity to welcome all our new shareholders to the business. Notwithstanding the changes in ownership in recent years, the business has continued to maintain its traditional high standards of customer service and integrity, as well as develop new service offerings and expand in new sectors.

People and Board

In addition to my appointment, Christopher Casey and Stephen Harley joined as Non-executive Directors, bringing strong financial and operational expertise to the Board. Our Board is compact and the Directors have an extensive range of skills. We are able to remain tightly focused on the continued development of our business, under the outstanding leadership of our Chief Executive Officer, Alex Laffey. We can also leverage opportunities as and when they come, responding quickly and efficiently.

I have been particularly impressed by the enthusiasm and dedication of all our staff, who have been instrumental to ensuring we deliver our service promise to our customers.

It is really important to me that all our people receive the right training to do their jobs effectively. We will continue to invest by offering training courses across a range of disciplines, allowing employees at all levels to expand their knowledge and skills.

Financial performance

Eddie Stobart performed strongly in 2017, achieving significant growth and securing a number of new contract wins. We have leveraged our warehousing and transportation model and completed a number of successful acquisitions, all of which adds to our skills and capabilities and positions us well across high growth markets.

The core business of transport and logistics remains competitive. We pride ourselves on differentiating our quality of service levels, which is critical to our customers' operations, and providing tailored offerings which contribute to their efficiency. Our profitability is enhanced by industry leading levels of utilisation and skilful procurement and management of the assets used in our business.

Our overall performance in the year gives us confidence that we will continue to make progress against our growth strategy in the year ahead. Continued strong cash generation enabled the Group to pay an interim dividend of £5.0m (1.4 pence per share) during the year. The Board is recommending a final dividend of £15.8m (4.4 pence per share), making a total of £20.8m, (5.8 pence per share) for the 2016/17 financial year.

Outlook

The new financial year has started well and in line with the Board's expectations. I am encouraged by our continued strong operational and customer performance. Based on the performance of the businesses we have acquired in 2017 and major contract wins, supported by a strong new business pipeline, the Board is confident of further growth in the year ahead.

In terms of the wider business environment, we continue to see encouraging trends in all sectors with new and existing customers considering outsourcing, so that they can concentrate on their core operations and customer offerings. We have also seen further consolidation in the logistics sector in 2017 and early signs indicate that the trend will continue, providing further opportunities for growth.

Whilst our existing business in continental Europe is small, we have ambitions to develop this, replicating our successful model in the UK. We will be keeping the Brexit position under review but, to date, we have seen no significant impact from Brexit on our business.

Finally, I would like to thank all employees, customers and wider stakeholders for their continued support, hard work and valuable contribution.

Philip H Swatman

Chairman

CHIEF EXECUTIVE'S STATEMENT

Group results

Our group revenues have increased by 9.4% to £623.9 million for the year to 30 November 2017 (2016: £570.2 million). Underlying EBIT* has increased by 17.4% to £48.5 million (2016: £41.3 million) whilst operating profit decreased by 1% to £26.6m (2016: £26.8m).

I am extremely pleased with the significant progress we've made in our first year as an AIM listed company in terms of delivering our commitments and strategy in our targeted sectors of Retail, Consumer, Manufacturing, Industrial and Bulk and E-commerce.

Effective implementation of our business strategy has been key to our success and I am proud of what we've delivered through the platform of our unique network and consulting-led approach.

Eddie Stobart focuses on providing cost effective innovative logistics solutions to our customers across the supply chain. In my 30 years within the retail industry, I have become acutely aware of the importance of building and developing close working relationships with customers.

We invest in our customer relationships to ensure we deliver high levels of customer service and provide innovative solutions in a rapidly developing market.

During the year, we have continued to grow, through new customer wins and renewals of contracts with long-term existing customers in the four key sectors in which we operate.

In April we acquired iForce, an e-fulfilment specialist, providing a comprehensive e-commerce offer to a wide range of retailers.

We also acquired control of Speedy Freight a same day business-to-business freight service, through the purchase of 50% of its shares. Both of these acquisitions have broadened our service offering and capabilities, enabling us to provide new services to existing customers, as well as win new customers. As a result of these acquisitions we have also benefitted from a number of cross selling opportunities.

To support our development within our key strategic growth sectors, we have recruited new people into the business to help deliver excellent service levels to our customers.

We are also investing in industry-leading technology and equipment, needed to continue to provide advanced supply chain operations to our blue-chip customers in the rapidly developing logistics market.

Operational performance

In order to deliver growth, our operations team has had to flex and continually review the network, ensuring we are able to deliver the high levels of service that our customers demand.

In addition, all of our people have needed to develop new skills and embrace changes in the way we operate, as we simplify ways of working and at the same time, take on new and exciting contracts which demand more complex solutions.

The acquisition of iForce brought new customers in the E-commerce sector, contributing to our significant increase in revenue of 111% to £103.4 million in the year (2016: £49.1 million).

We have seen good growth in our more established Retail operations, where we are now working with the majority of the UK's top five retailers.

Our MIB sector is now our largest segment and has seen significant growth during the year of 37% to £182.0 million (2016: £132.7million). This has been delivered through a combination of the full year effect of 2016 contract wins, as well as organic growth with existing new contract wins through the period.

Within Consumer, revenues in the year were down by 12% to £144.6 million (2016: £164.6 million). This was due to the loss of one significant contract, which I am now pleased to say has been successfully re-secured.

The business has achieved a number of high profile contracts wins during the year and we are proud of the new customer relationships we have recently started.

Adding to these wins, we are delighted to have renewed a number of contracts within our existing portfolio of blue-chip customers, worth an estimated £41 million and secured a further £89 million of new volume with new and existing customers.

*Non GAAP alternative performance measures (see note 3 for reconciliation to statutory measures)

Our financial highlights

Revenue £623.9m +9%	MIB revenue £182.0m +37%	E-commerce Revenue £103.4m +111%
Underlying EBIT * £48.5m +17%	Underlying EBIT margin * 7.8% +0.3ppts	Profit before tax £9.9m -12%

Software and technology

We recognise the critical role that systems and technology play in the modern supply chain. In 2017 we made further investments in our technology capability across our business, both operational and back-office.

We continue to invest in the best available tools and systems to simplify ways of working, improve efficiency and ensure our people are well equipped to deliver service excellence.

It included the successful replacement of the in-vehicle systems and telemetry throughout the entire Eddie Stobart vehicle fleet, delivering industry-leading custom-designed equipment and software.

Our acquisition of iForce now allows us to include leading E-commerce software as part of our service offering. The iForce system offers customers a full end-to-end supply chain solution which is modular in design allowing customers to use all or part of the solutions on offer.

As we move forward, our ongoing system development programme is designed to streamline and simplify our operations, keeping us at the forefront of the industry in delivering service excellence and advanced end-to-end supply chain solutions.

Brand update

Since listing in April 2017, our brand licencing arrangement with Stobart Group has not changed, with the present financial arrangements ending in February 2020. We have options beyond 2020 to continue our licencing arrangements;

- Pay £3 million a year for continued use of the licence
- Purchase a perpetual licence for £15 million for use in the logistics market
- Purchase a perpetual licence for £50 million for unrestricted use

The team at Eddie Stobart is passionate about our name and the leading brand. However, we also recognise that following the introduction of our new strategy and the recent acquisitions, we need to review our position given the broader range of supply chain services we now offer.

The Board is committed to reviewing all options and we will ensure we consider the views and interests of our people, customers and shareholders before deciding on the best way forward.

People

The commitment of the leadership team and the engagement and support from all employees has been key to our success in delivering our plans. I would like to thank the whole team for their enthusiasm and dedication, without which our listing on AIM and these results would not have been possible.

The market today is very different to a few years ago due to the shift in retail shopping habits and the advent of online shopping. This has resulted in our customers looking for more than the traditional support from their logistics providers.

Our staff are now required not only to understand their own roles within the organisation but also what is important to specific customers.

As a result, our people plan is focused on upskilling and developing our existing people, as well as attracting the best people across the industry to support our exciting growth agenda.

*Non GAAP alternative performance measures (see note 3 for reconciliation to statutory measures)

Our Training Academy has been recognised as a leading facility by customers, suppliers and industry advocates. Opening up our services supports our wider strategy to supply skilled drivers and warehouse operatives to businesses through their supply chain resource services.

In 2017, we expanded the commercial offering of our training to the wider market, opening up a second Training Academy just outside Rugby in the Midlands, complementing our existing facility in Warrington.

We are pleased with our progress this year and as a result, we are well placed to continue with our growth strategy in the year ahead.

Alex Laffey
Chief Executive

CHIEF FINANCIAL OFFICER'S STATEMENT

Underlying revenue* and underlying EBIT* grew by 14% and 17% respectively

- Strong underlying sales growth
- E-commerce sales increased 111% and MIB sales were up 37%. This provides a healthy balance to our portfolio
- Our growth in profitability is demonstrated by underlying EBIT* growth of 17% while underlying EBIT margin* improved from 7.5% to 7.8%
- We are pleased by the progress made by the companies we have acquired. They are performing in line with expectations
- Operating profit fell by 1%, principally due to non-recurring IPO costs
- Significantly improved financial position with net debt reducing from £165.5m to £109.5m
- Final dividend proposed of 4.4 pence per share making a total of 5.8 pence per share for the full year in line with our progressive dividend policy

Performance summary

Underlying Results *	2017	2016	Growth	Statutory Results	2017	2016	Growth
Revenue ¹	£623.9m	£549.0m	13.6%	Revenue	£623.9m	£570.2m	9.4%
EBIT ²	£48.5m	£41.3m	17.4%	Operating profit	£26.6m	£26.8m	(0.7%)
EBIT %	7.8%	7.5%	0.3ppts				
EBITDA ³	£55.3m	£47.4m	16.7%				
EBITDA %	8.9%	8.6%	0.3ppts				
Adjusted Profit before tax ⁴	£37.8m	£24.0m	57.5%	Profit before tax	£9.9m	£11.2m	(11.6%)
Adjusted Free cash ⁵	£30.0m	£28.8m	3.8%	Net cash from operating activities	£18.9m	£17.7m	41.3%
Adjusted Earnings per share ⁶	9.8p	7.9p	24.2%	Earnings per share	1.2p	3.3p	(63.6%)
				Proposed dividend per share	5.8p	–	–
				Net debt	£109.5m	£165.5m	(33.8%)

¹ Underlying Revenue is defined as Revenue less revenue from the exited Ireland retail segment.

² Underlying EBIT is defined as Profit from operating activities before exceptional items, amortisation of acquired intangibles, Group's share of profit from equity accounted investees, employee share costs funded by previous parent holding group, investor and management charges, including the gain arising on any lease agreements.

³ Underlying EBITDA is defined as Underlying EBIT before depreciation of property, plant and equipment.

⁴ Adjusted profit before tax is defined as profit or loss before tax adding back exceptional items and amortisation of acquired intangibles and including the gain arising on lease agreements.

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

⁶ Adjusted Earnings per share is defined as Profit after tax adding back exceptional items and amortisation of acquired intangibles and including the gain arising on lease agreements divided by the weighted average basic and diluted number of shares in issue at 30 November 2017 (see note 8).

Although statutory IFRS results should be used in accessing the performance of the Group, the Directors believe that a more relevant presentation of the financial results for the period is arrived at by excluding the impact of the exited Ireland Retail segment from the 2016 comparator and by adding back the share of profit from equity accounted investees, employee share scheme funded by the previous parent holding group, investor and management charges, amortisation of acquired intangibles and exceptional items and including the gain arising on lease agreements.

In doing so we arrive at a more representative view of the underlying trading performance of the business during the year.

A full reconciliation of these measures to their statutory equivalent is set out in note 4 of the accounts and definitions for these measures can be found above.

Revenue

Revenue by Sector	2017 £m	Weighting %	2016 £m	Weighting %	Growth %
Retail	168.6	27%	152.2	27%	11%
Consumer	144.6	23%	164.6	29%	(12%)
MIB	182.0	29%	132.7	23%	37%
E-Commerce	103.4	17%	49.1	9%	111%
Other	25.3	4%	50.4	9%	(50%)
Underlying revenue	623.9	100%	549.0	97%	14%
Ireland Retail segment exit	–	–	21.2	3%	–
Revenue	623.9	100%	570.2	100%	9%

*Non GAAP alternative performance measures (see note 3 for reconciliation to statutory measures)

The Group's revenue of £623.9m for the year ended 30 November 2017 was 9.4% higher than in the previous year (2016: £570.2m) on a reported basis. Excluding the exited Ireland retail segment underlying revenue* for the 12 months to 30 November 2017 was a 14% increase over the comparable period in 2016, with 8% being driven by revenue generated from new acquisitions.

Within the 2017 financial year there has been a substantial growth in three of our four market sectors.

Our E-Commerce revenues grew by 111% from £49.1m to £103.4m helped by strong organic growth and the acquisition of iForce in April 2017.

The Manufacturing Industrial and Bulk (MIB) segment is now our largest segment at £182.0m and grew by £49.3m (37%). This growth was delivered by a combination of the full year effect of 2016 contract wins, organic growth with existing customers and new contract wins in the year.

Growth in these two sectors provided further balance and diversification to our business. Due to the complementary nature of the demand patterns versus Retail and Consumer this further contributed to our sector leading levels of utilisation.

Our Retail sector grew from £152.2m to £168.6m (11% growth), the majority of which represents a strong performance in a mature market. This sector has benefited both from the full year effect of 2016 and 2017 contract wins. We now work with most of the major UK retailers.

Revenue in our Consumer sector reduced by £20.0m to £144.6m (-12%). This was due to the loss of one significant contract, which I am now pleased to say has been successfully re-secured.

We will continue to review our contract base to ensure acceptable levels of profit are achieved commensurate with the exceptional levels of service provided.

Within the year we renewed £41 million of existing contracts and secured an additional £89 million of new volume with existing and new customers.

Profit and margins

Underlying EBIT* for the 12 months to 30 November 2017 was £48.5m and in line with market expectations. Despite the challenges facing our customers in the traditional Retail and Consumer sectors, underlying EBIT margin* increased from 7.5% to 7.8%.

This outcome was the result of a number of factors:

- Strong performance in the high growth sectors of MIB and E-commerce
- Good contributions from our acquisitions
- Continuing programme of optimising our warehouse portfolio and generation of value from our warehousing expertise
- Absorbed plc costs and the integration of our unprofitable Ports business into the network
- The benefit of further network efficiencies
- The delayed contract start-up costs caused by several new contracts going live in the first quarter of 2018 rather than in 2017

Cash flow and funding

Cash Flow	2017	2016
	£m	£m
Underlying EBITDA*	55.3	47.4
Net capital expenditure	(5.1)	(0.8)
Working capital	(10.2)	(9.0)
Tax	(2.7)	(1.7)
Net interest	(7.7)	(10.3)
Other items	0.4	3.2
Adjusted free cash flow	30.0	28.8
Acquisition of subsidiaries and non-controlling interests	(48.3)	(1.7)
Proceeds from issue of share capital (net of costs)	118.0	-
Drawdown of new borrowings	98.4	-
Repayment of debt	(179.0)	(5.8)
Other items	(2.2)	(7.2)
Dividends	(5.0)	-
Cash	11.9	14.1

*Non GAAP alternative performance measures (see note 3 for reconciliation to statutory measures)

Adjusted free cash flow was £30.0m in 2017 (2016: £28.8m). The main drivers were the improved underlying trading performance (underlying EBITDA* of £55.3m versus £47.4m in 2016) offset by the one-off working capital impact of acquiring iForce and Speedy Freight balance sheets at acquisition and working capital investment in the remainder of the Group as the business continues to grow.

The Group increased levels of net capital expenditure as the business continues to invest in systems and technology, specialist assets to support growth in our growing MIB sector and also in warehousing infrastructure.

Net interest payments reduced from £10.3m in the prior year to £7.7m in the current year reflecting the reduction in both the quantum of bank debt and the margin charged, for which we will receive further full year cash benefit during 2018.

The cash tax charge was a net payment of £2.7m in the year as compared to a £1.7m payment in the prior year.

Within the year, the cash cost of acquisitions was £48.3m. The acquisitions related to iForce, Speedy Freight and the remaining non-controlling interest in Logistic People, more information on which can be found in note 5.

Net debt

Net Debt	2017 £m	2016 £m
Finance leases	17.8	11.9
Bank loans	103.6	135.4
Loan notes	-	32.3
Cash	(11.9)	(14.1)
Net Debt	109.5	165.5

On 13 April 2017 the Group entered into a senior facility agreement for £100.0m with a syndicate of lenders comprising the Bank of Ireland, BNP Paribas, Allied Irish Bank and KBC Group. The facility is subject to a variable rate of interest and is repayable in full in April 2022.

On 25 April 2017 we drew down the full finance facility of £100.0m and repaid the previous finance facility of £139.0m (using proceeds of the IPO). The residual capitalised bank fees associated with the previous facility of £6.6m were taken directly to the income statement and have been classified as an exceptional item in note 4.

In July 2017 we entered into a four year interest rate hedging arrangement with a 12 month deferred start date covering £60m of the term facility providing a substantial hedge against the current upward trend in interest rates.

During the year we also entered into a new revolving finance facility with KBC Group which provides access to £75.0m (2016: £50.0m) though normally restricted to £65.0m (2016: £40.0m). The facility is subject to a variable rate of interest and is in place until 2021.

Covenant	Ratio to EBITDA	30 November 2017
Leverage Ratio ¹	<3.2	1.9
Net Interest Cover ¹	>4.0	10.6

The Group operates within its banking covenants and has significant levels of headroom. At 30 November 2017 we had cash and unutilised finance facility of £81.7m.

Net debt at 30 November 2017 divided by underlying EBITDA* was 1.9 compared with 3.5 at 30 November 2016, a significant reduction.

Financing costs

Finance Income and Finance Expenditure	2017 £m	2016 £m
Finance expense		
Interest payable on bank loans and overdrafts	6.3	9.8
Amortisation of bank fees	1.0	1.7
Interest payable on loan notes	1.7	4.0
Interest payable on finance leases	0.7	0.5
Finance expense	9.7	16.0
Finance expense exceptional costs		
Residual capitalised bank fees relating to previous loan	6.6	-
Costs associated with hedge closure	1.1	-
Total finance expenses	17.4	16.0

*Non GAAP alternative performance measures (see note 3 for reconciliation to statutory measures)

¹ Leverage Ratio and Net Interest Cover are based on banking definitions specific to the banking documentation

Proceeds raised from the IPO were used to refinance existing debt, with net debt falling from £165.5m to £109.5m. As a consequence, both the quantum and the cost of debt financing has decreased and this will flow through in lower interest costs going forward.

Finance costs before exceptional finance items for the year were £9.7m, a substantial reduction of £6.3m on the prior year (2016: £16.0m). At current run rate, the decreased quantum of borrowing and improved interest rates would have an annualised effect of a further reduction of £3.0m of finance costs if levels of borrowing remained constant.

Exceptional items

Exceptional items for the year were £16.8m, reduced by a £4.6m credit explained below. Of this £13.4m related to the IPO, associated bank refinancing and exceptional costs relating to the acquisitions made during the year.

The remaining exceptional costs of £3.4m related to restructuring the business, in particular the costs of exiting the Ireland Retail segment. The benefits of these charges will flow through in lower costs and increased EBIT in future years.

In 2017 a £4.6m credit was recognised in exceptional items relating to a leasehold property at Goresbrook Park. Due to increased business demand the Company undertook a major redevelopment of our strategically important site at Goresbrook Park, Dagenham, funded by our landlord, which increased the revenue earning capacity by over 100%, added significant additional state-of-the-art warehousing capacity, improved transport operations facilities and enhanced rail connectivity. In conjunction with this redevelopment we surrendered our existing lease and signed a new 26 year institutional lease at market rent appropriate to the new facility. As a consequence certain credits relating to the original lease were released to the profit and loss account namely, the unamortised portion of the original two year rent free period and the provision for the contractual uplifts of rent over the original 17 year lease term. The aggregate amount of these credits was £4.6m.

Given the relative magnitude of the amount released, the Company is disclosing this as an exceptional credit in the year. However, as releases of this nature flow naturally from our continuing strategic development of our warehousing portfolio, and may well occur in the future, the Directors consider that this forms part of the underlying trading performance of the business.

Tax

Taxation	2017	2016
	£m	£m
Profit before tax	9.9	11.2
Underlying tax at prevailing tax rate	1.9	2.2
Non-deductible items	1.9	0.5
Adjustments in respect of prior periods	1.2	(1.5)
Other	-	0.1
Tax as reported	5.0	1.3
Effective rate of tax	50.5%	11.6%
Underlying tax charge	13.3%	5.5%

Our high effective tax rate for the year reflects the non-deductibility of a significant proportion of our exceptional costs, particularly those costs associated with the IPO during the year. The adjustment in respect of prior periods is due to an updated professional review of the future tax deductibility of the brand intangible.

The underlying tax charge (excluding exceptional costs and amortisation) was 13.3% (2016: 5.5%).

Dividends

Dividends	2017	2016
	pence per share	pence per share
Interim	1.4	-
Final (recommended)	4.4	-
Total	5.8	-

	2017	2016
	£m	£m
Interim	5.0	-
Final (recommended)	15.8	-
Total	20.8	-

In line with our progressive dividend policy, the Group paid an interim dividend of £5.0m (1.4 pence per share) during the year. We are also recommending a final dividend of £15.8m (4.4 pence per share) giving a total of £20.8m (5.8 pence per share) for the year. The final dividend will be paid, subject to shareholder approval, on 7 June 2018. The record date will be 11 May 2018.

Earnings per share

Underlying basic and diluted earnings per share is 9.8 pence (2016: 7.9 pence).

Reported basic and diluted earnings per share was 1.2 pence (2016: 3.3 pence).

Acquisitions

On 28 April 2017 the Group completed the acquisition of iForce Group for a consideration of £45.0m (£8.0m shares and £37.0m in cash).

For the period 28 April 2017 to 30 November 2017, iForce Group generated sales of £39.6m and operating profit before exceptional items of £2.8m.

On 4 July 2017 the Group acquired 50% of the share capital and deemed control of Puro Ventures (trading as Speedy Freight) for an initial payment of £4.1m. For the period from acquisition to the year-end Speedy Freight contributed £9.5m in sales and operating profit before exceptional items of £1.0m.

On 7 August 2017 the Group entered into a business purchase agreement to acquire trucks, trailers and a contract from Canute Haulage for a consideration of £1.

On 30 August 2017 the Group acquired the remaining 50% of Logistic People which was already fully consolidated for a consideration, of up to £7m, £5m of which was paid on completion.

In both the Speedy Freight and Logistic People acquisitions, an element of consideration has been deferred in order to incentivise management to maximize shareholder value over the course of the next three years. All acquisitions are trading in line with expectations.

Key Performance Indicators

We use the following measures as management tools to assess how we are performing as a business:

Financial measures

- Revenue by month and year to date
- Underlying EBIT and underlying EBITDA by month and year to date
- Projected new business pipeline

Non-Financial measures

- Health and Safety - Accident Frequency Rate and reported RIDDORs
- People - Number of drivers trained per month and number of recruits across the business
- Utilisation rates - Fleet (hours per vehicle) and Warehousing (square footage utilised at established sites)

Initial public offering

On 25 April 2017 Eddie Stobart Logistics plc was admitted to the Alternative Investment Market (AIM) of The London Stock Exchange through a placing of 76 million new shares (£122.0m) and a further 5 million new shares (£8.0m) in connection with the consideration for the acquisition of the iForce Group.

Annual general meeting

The Company will hold its Annual General Meeting on 29 May at Stretton Green Distribution Park, Appleton, Warrington ('AGM'). The Board intends to seek authority to buy back shares at the AGM and may look to exercise such authority in future in appropriate circumstances and in the best interests of the Company and its shareholders. Further information will be set out in the notice of Annual General Meeting that will be sent to shareholders.

Damien Harte

Chief Financial Officer

Consolidated Income Statement

for the year ended 30 November 2017

		Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
	Note		
Continuing operations			
Revenue		623,924	570,177
Cost of sales		(485,656)	(448,986)
Gross profit		138,268	121,191
Administrative expenses: before amortisation of acquired intangibles and exceptional items		(96,137)	(81,601)
Administrative expenses: amortisation of acquired intangibles		(11,137)	(9,509)
Administrative expenses: before exceptional items		(107,274)	(91,110)
Administrative expenses: exceptional items	4	(4,414)	(3,288)
Total administrative expenses		(111,688)	(94,398)
Profit from operating activities		26,580	26,793
Profit from operating activities: before exceptional items		30,994	30,081
Finance income	6	5	5
Finance expenses: before exceptional items	6	(9,650)	(15,984)
Finance expenses: exceptional items	4	(7,753)	-
Total finance expense		(17,403)	(15,984)
Net finance expense		(17,398)	(15,979)
Share of profit from equity accounted investees, net of tax		733	428
Profit before tax		9,915	11,242
Tax expense		(5,030)	(1,332)
Profit for the year from continuing operations		4,885	9,910
Profit attributable to:			
Owners of the Company		3,931	9,029
Non-controlling interests		954	881
Profit for the year		4,885	9,910
Earnings per share:			
Basic – total operations	8	1.2p	3.3p
Diluted – total operations	8	1.2p	3.3p

The accompanying notes form part of the financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 30 November 2017

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Profit for the year	4,885	9,910
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	(175)	882
Foreign currency translation differences – equity-accounted investees	20	92
Movement on hedging reserve	1,546	285
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	1,051	1,259
Total comprehensive income for the year	5,936	11,169
Total comprehensive income attributable to:		
Owners of the Company	4,982	10,288
Non-controlling interests	954	881
Total comprehensive income for the year	5,936	11,169

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 November 2017

	Attributable to equity holders of the Company										
	Share capital	Share premium	Merger reserve	Translation 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 1 December 2016	703	64,647	-	(332)	-	-	(1,546)	24,127	87,599	1,831	89,430
Profit for the year	-	-	-	-	-	-	-	3,931	3,931	954	4,885
Total other comprehensive income	-	-	-	(155)	-	-	1,546	(340)	1,051	-	1,051
Transactions with owners of the Company:											
Cancellation of share premium	-	(64,647)	-	-	-	-	-	64,647	-	-	-
Issue of capital (net of costs)	2,876	117,257	7,950	-	-	-	-	(2,064)	126,019	-	126,019
Share based payment charges	-	-	-	-	(2,700)	1,079	-	2,700	1,079	-	1,079
Dividend paid	-	-	-	-	-	-	-	(5,011)	(5,011)	-	(5,011)
	3,579	117,257	7,950	(487)	(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	7,950	(487)	(2,700)	1,079	-	85,710	212,388	-	212,388

Consolidated Statement of Changes in Equity (continued)

for the year ended 30 November 2017

	Attributable to equity holders of the Company						Total £'000	Non controlling interest £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Translation reserve £'000	Hedge reserve £'000	Retained earnings £'000				
Balance at 1 December 2015	703	64,647	(1,306)	(1,831)	15,098	77,311	-	77,311	
Profit for the year	-	-	-	-	9,029	9,029	881	9,910	
Total other comprehensive income	-	-	974	285	-	1,259	-	1,259	
	703	64,647	(332)	(1,546)	24,127	87,599	881	88,480	
Changes in ownership interests in subsidiaries									
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	1,750	1,750	
Dividends paid	-	-	-	-	-	-	(800)	(800)	
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	950	950	
Balance at 30 November 2016	703	64,647	(332)	(1,546)	24,127	87,599	1,831	89,430	

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position

as at 30 November 2017

	Note	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment		59,979	37,860
Intangible assets and goodwill	9	271,500	219,343
Investments in equity accounted investees		1,276	939
Deferred tax asset		5,976	874
		338,731	259,016
Current assets			
Inventories		2,396	2,357
Trade and other receivables		148,979	133,816
Cash and cash equivalents		11,936	14,083
		163,311	150,256
		502,042	409,272
Liabilities			
Current liabilities			
Loans and borrowings	10	(7,767)	(6,212)
Trade and other payables		(128,218)	(110,581)
Current tax liability		(2,770)	(493)
Provisions		(3,434)	(1,259)
		(142,189)	(118,545)
Non-current liabilities			
Loans and borrowings	10	(113,666)	(173,375)
Trade and other payables		(18,822)	(15,499)
Deferred tax liabilities		(14,977)	(11,400)
Provisions		-	(1,023)
		(147,465)	(201,297)
		(289,654)	(319,842)
		212,388	89,430
Equity			
Share capital		3,579	703
Share premium		117,257	64,647
Merger reserve		7,950	-
Translation reserve		(487)	(332)
Own shares		(2,700)	-
Share options reserve		1,079	-
Hedge reserve		-	(1,546)
Retained earnings		85,710	24,127
		212,388	87,599
Non-controlling interests		-	1,831
		212,388	89,430

The Consolidated Financial Statements on pages 11 to 16 were approved by the Board of Directors on 10 April 2018 and were signed on its behalf by:

Damien Harte
Chief Financial Officer

Company Number: 8922456

Consolidated Cash Flow Statement

for the year ended 30 November 2017

	Note	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Cash flows from operating activities			
Profit for the year from continuing operations		4,885	9,910
Adjustments for:			
Net finance costs	6	9,645	15,979
Share of profit of equity-accounted investees, net of tax		(733)	(428)
Tax expense		5,030	1,332
Depreciation		6,797	6,125
Amortisation of intangible assets	9	11,137	9,509
Gain on sale of property, plant and equipment		(2)	(1,446)
Equity settled share-based payment expenses		1,079	-
Other non-cash exceptional items		3,685	1,684
Foreign exchange		(238)	-
Changes in:			
Inventories		(39)	(414)
Trade and other receivables		(14,761)	(16,697)
Trade and other payables		5,218	5,877
Deferred income/revenue, including government grant		(2,469)	(1,753)
Cash generated from operating activities			
		29,234	29,678
Net interest paid		(7,678)	(10,333)
Income taxes paid		(2,667)	(1,674)
Net cash generated from operating activities			
		18,889	17,671
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment		3,783	7,237
Acquisition of subsidiaries, net of cash acquired		(43,220)	(1,840)
Purchase of property, plant and equipment		(8,865)	(8,052)
Purchase of intangibles		(770)	-
Interest received		5	5
Dividends received from equity accounted investees		416	134
Net cash used in investing activities			
		(48,651)	(2,516)
Cash flows from financing activities			
Proceeds from issue of share capital (net of costs)		118,019	-
Draw down of new borrowings (net of costs)		98,434	-
Acquisition of non-controlling interests		(5,050)	-
(Payment) / draw down of financing facility, net of costs		(145)	641
Repayment of bank borrowings		(171,232)	(385)
Payment of capital element of finance lease liabilities		(7,466)	(5,425)
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			
		27,349	(5,169)
Net (decrease) / increase in cash and cash equivalents			
		(2,413)	9,986
Cash and cash equivalents at the start of the financial year		14,083	4,097
Effect of exchange rate fluctuations on cash held		266	-
Cash and cash equivalents at the end of the financial year			
	10	11,936	14,083

Notes to the Consolidated Financial Statements

for the year ended 30 November 2017

1. Basis of preparation

The figures for the year ended 30 November 2017 have been extracted from the 30 November 2017 audited statutory financial statements that have yet to be delivered to the Registrar of Companies. The financial information attached has been prepared in accordance with the recognition and measurement requirements of international financial reporting standards (IFRS) as adopted by the EU and international financial reporting interpretations committee (IFRIC) interpretations issued and effective at the time of preparing those financial statements. The accounting policies applied in the year ended 30 November 2017 are consistent with those applied in the financial statements for the year ended 30 November 2016 unless otherwise stated.

The financial information for the years ended 30 November 2017 and 30 November 2016 does not constitute statutory financial information as defined in Section 434 of the Companies Act 2006 and does not contain all of the information required to be disclosed in a full set of IFRS financial statements. This announcement was approved by the Board of Directors and authorised for issue on 10 April 2017. The auditor's report on the financial statements for 30 November 2016 was unqualified, and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain a statement under either Section 498 (2) or 498 (3) of the Companies Act 2006. The financial statements for the year ended 30 November 2016 have been delivered to the Registrar.

Going concern

The Consolidated Financial Statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of these financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. To assist in this process, management has completed a budgeting process for the financial year ending 30 November 2018, 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 Financial Statements.

2. Operating Segments

Eddie Stobart Logistics plc provides contract logistics services in the UK and Europe. In the year to 30 November 2017 the Group managed its operations via distinct functions although it is in the process of moving to managing the business via a sector based view. Road Transport represents general transport in UK and Ireland, Ports, Special Operations (consisting of Formula 1, Truckstops and property services) and Speedy Freight. Contract Logistics & 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.

Analysis of Operating Segments

	Road Transport £'m	Contract Logistics & Warehousing £'m	EU Transport £'m	Other Divisions £'m	Year ended 30 November 2017 £'m
Revenues – external customers	414.2	139.5	38.6	31.6	623.9
Adjusted EBITDA	48.5	9.9	1.5	(4.6)	55.3
Adjusted EBITDA Margin	11.7%	7.1%	3.9%	(14.6%)	8.9%
	£'m	£'m	£'m	£'m	Year ended 30 November 2016 £'m
Revenues – external customers	415.4	94.5	38.5	21.8	570.2
Adjusted EBITDA	41.4	4.6	2.9	(1.5)	47.4
Adjusted EBITDA Margin	10.0%	4.9%	7.5%	(6.9%)	8.3%

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

2. Operating Segments (continued)

By Geographical Segment

Sales by Geographical Market	Year ended	Year ended
	30 November	30 November
	2017	2016
	£'m	£'m
United Kingdom	585.3	510.5
EU	38.6	59.7
	623.9	570.2

The revenue from one customer amounted to more than 10% of the Group's total revenue. The revenue from that customer was £146.8m for the year ended 30 November 2017 (2016: £136.1m) and this was reported in the Road Transport Operating Segment.

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

In view of the process of moving towards sector reporting discussed above, the following table demonstrates the restated revenue streams.

Analysis of Revenue by Sector

	Year ended	Year ended
	30 November	30 November
	2017	2016
	£'m	£'m
Retail	168.6	152.2
Consumer	144.6	164.6
MIB	182.0	132.7
E-Commerce	103.4	49.1
Non Sector Specific	25.3	50.4
Underlying Revenue	623.9	549.0
Ireland Retail Sector	-	21.2
Revenue	623.9	570.2

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

3. Alternative Performance Measures Reconciliations

Alternative performance measures (APMs)

Underlying results are used in the day-to-day management of the Group, and represent statutory measures adjusted for items which could distort the understanding of comparability and performance of the Group year on year. These items include the amortisation of acquired intangibles, employee share scheme costs which were fully funded by the previous parent holding group and investor and management charges. A reconciliation between APMs and the statutory IFRS measures is detailed below.

Reconciliation to Adjusted EBITDA

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Reported revenue	623,924	570,177
Impact of exit from Ireland retail segment	-	(21,200)
Underlying revenue (i)	623,924	548,977
Reported profit from operating activities before exceptional items	30,994	30,081
Amortisation of acquired intangibles	11,137	9,509
Share of profit from equity accounted investees	733	428
Employee share scheme costs funded by previous parent holding group	413	-
Investor and management charges	634	1,233
Gain arising on lease agreement (note 4)	4,616	-
Underlying EBIT (ii)	48,527	41,251
Depreciation	6,797	6,125
Underlying EBITDA (ii)	55,324	47,376
Profit before tax	9,915	11,242
Amortisation of acquired intangibles	11,137	9,509
Exceptional items (excluding gain arising on lease agreement)	16,783	3,288
Adjusted profit before tax	37,835	24,039
Cash generated from operating activities	29,234	29,678
Purchase of property, plant and equipment	(8,865)	(8,052)
Proceeds from sale of property plant and equipment	3,783	7,237
Income taxes paid	(2,667)	(1,674)
Exceptional items (note (a))	8,482	1,604
Adjusted free cash flow	29,967	28,793

(i) Adjusted revenue includes revenue of £49m (8% growth from prior year) from acquisitions (note 5).

(ii) Underlying EBIT and Underlying EBITDA are stated before tax but include the tax effect of share of profit from equity accounted investees.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

3. Alternative Performance Measures Reconciliations (continued)

Note (a) Reconciliation of cash impact of exceptional items

Reconciliation of cash impact of exceptional items	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Exceptional items (note 4)	12,167	3,288
Adjusted for:		
Gain arising on lease agreement	4,616	-
Residual capitalised bank fees relating to the previous loan	(6,621)	-
Costs associated with business acquisitions	(1,342)	-
Other non-cash exceptional items	(338)	(1,684)
Non-cash exceptional items	(3,685)	(1,684)
Cash impact of exceptional items	8,482	1,604

4. Exceptional Items

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Exceptional items included in administrative expenses		
Restructuring costs	(928)	(3,288)
Costs associated with the IPO of Eddie Stobart Logistics plc	(3,947)	-
Costs associated with business acquisitions	(1,719)	-
Gain arising on lease agreement	4,616	-
Exit from Irish retail segment	(2,436)	-
Total exceptional items included in administrative expenses	(4,414)	(3,288)
Residual capitalised bank fees relating to the previous loan	(6,621)	-
Costs associated with swap closure	(1,132)	-
Total exceptional items included in finance expenses	(7,753)	-
Total exceptional items before tax	(12,167)	(3,288)
Tax credit	1,900	658
Total exceptional items	(10,267)	(2,630)

Restructuring costs comprise costs of integration plans, legal costs, one-off significant redundancy costs, non-recurring costs associated with winning new business in business segments and other business reorganisation and restructuring undertaken by management as the business continues to centralise and integrate acquisitions. These are principally expected to be one-off in nature.

A number of one-off non-recurring events have occurred during the year that management consider to be exceptional in nature. Eddie Stobart Logistics plc was listed on the Alternative Investment Market (AIM) of the London Stock Exchange on 25 April 2017, with the consequence that a number of professional and adviser costs were incurred. These costs have been classified as exceptional.

The Group has been acquisitive during the year, with further one-off non-trading expenses incurred in the investments in iForce Group, Puro Ventures (trading as Speedy Freight), Logistic People and certain assets and liabilities of Canute. Further details can be found on this activity in note 5.

The Group exited a significant contract in Ireland during the year and the exceptional costs of £2.4m represent the repatriation of equipment to the UK, termination of equipment lease contracts, storage, decommission and disposal costs of the assets.

A new term loan was arranged in parallel to the listing, with the result that the residual capitalised bank fees relating to the previous loan were written off to the income statement within finance costs, in addition to swap closure costs.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

5. Acquisitions

During the financial year, the Group undertook a number of strategic acquisitions. A summary of these acquisitions, the assets and liabilities acquired, intangible assets assumed and the associated goodwill arising is set out below:

	iForce £'000	Speedy Freight £'000	Canute £'000	TLP Holdings £'000	Total values £'000
Net assets acquired	7,312	915	-	2,585	10,812
Fair value adjustments / value of intangible assets recognised	11,394	8,591	(1,300)	-	18,685
Fair value recognised on acquisition *	18,706	9,506	(1,300)	2,585	29,497
Consideration	(44,993)	(18,748)	-	(5,050)	(68,791)
Movement in Group's equity	-	-	-	2,465	2,465
Goodwill	26,287	9,242	1,300	-	36,829

* Fair values used in the acquisition of the above business interests are provisional until a period of 12 months from the date of acquisition has elapsed whereupon they become final.

Post-acquisition revenue, profits and costs of acquisition for the businesses acquired are detailed below.

	iForce £'000	Speedy Freight £'000	* Canute £'000	** TLP Holdings £'000	Total values £'000
Revenue	39,551	9,548	-	-	49,009
Operating profit before exceptional items	2,832	1,039	-	-	3,871
Operating profit margin	7.2%	10.9%	-	-	7.9%
Costs of acquisition	270	1,049	-	400	1,719

Revenue and profits for the businesses acquired for the 12 month period to 30 November 2017 are detailed below.

	iForce £'000	Speedy Freight £'000	* Canute £'000	** TLP Holdings £'000	Total values £'000
Revenue	66,617	18,309	-	-	84,926
Operating profit before exceptional items	3,390	1,656	-	-	5,046
Operating profit margin	5.1%	9.0%	-	-	5.9%

* Income streams and profits for the business assets acquired from the Canute Group were fully integrated into the business operations of Eddie Stobart Limited from the date of acquisition and as a consequence of the fully fungible nature of the network, were therefore not readily identifiable.

** 50% of TLP Holdings was acquired in January 2016 and fully consolidated into the Group financial statements for that financial year end, where details of this acquisition can be found.

a. iForce Group

On 28 April 2017, Eddie Stobart Logistics plc acquired, through its wholly-owned subsidiary ESLL Group Limited, 100% of the share capital of iForce Group Limited, a leading E-Commerce service provider supporting customers with industry-leading software and operational capability.

The consideration payable was transferred upon acquisition and no further contingent consideration is payable. Transaction costs associated with the acquisition have been recorded in the income statement classified as exceptional costs (note 4).

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

Subsequent to acquisition management performed a review of the carrying value of all of the identifiable assets and liabilities of the aggregated companies within the iForce Group. This review resulted in a number of fair value adjustments.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

5. Acquisitions (continued)

a. iForce Group (continued)

The fair value adjustments arose primarily as a consequence of a purchase price allocation exercise using a recognised third party and undertaken in accordance with IFRS 3 and IAS 38, in addition to adjustments made to receivables provisioning, timing of the recognition of costs and ensuring sufficient site restoration provisioning.

Identifiable assets acquired and (liabilities) assumed	Fair value recognised on acquisition £'000
Property, plant, equipment	3,667
Intangible assets: intellectual property and software	4,346
Intangible assets: customer relationships	12,550
Deferred tax	3,748
Trade receivables	4,179
Other receivables	4,280
Overdraft	(230)
Trade payables	(2,179)
Other payables and deferred income	(11,655)
Total net assets acquired	18,706
Cash settlement	36,993
Equity settlement	8,000
Total consideration transferred	44,993
Goodwill arising on acquisition	26,287

b. Puro Ventures (trading as Speedy Freight)

On 8 July 2017 the Group purchased 50% of the share capital of Puro Ventures Limited, which trades as Speedy Freight. Speedy Freight has a rapidly growing franchise model and specialises in urgent business to business, same day delivery.

In the view of management, the acquisition of the remaining available equity is probable through the existence of a call option and a put option, exercisable in future periods, with the amounts payable under the options dependent on the future trading results.

Management have undertaken a review of the relevant acquisition and the shareholder agreements and have determined, based on that review and actual operational arrangements since acquisition, that they have the power to direct the relevant activities of the Speedy Freight business and that they have exposure to variable returns from the exercise of that power. On this basis, and also taking into account the existence of the put and call arrangements set out above, the Group has consolidated the results of Speedy Freight from the date of acquisition.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

5. Acquisitions (continued)

b. Puro Ventures (trading as Speedy Freight)

Subsequent to the acquisition, management performed a review of the carrying value of all of the identifiable assets and liabilities within Speedy Freight. This review resulted in the following assets and liabilities being restated to their fair value on acquisition as presented in the table below:

Identifiable assets acquired and (liabilities) assumed	Fair value recognised on acquisition £'000
Property, plant, equipment	62
Intangible assets: franchise contracts	6,379
Intangible assets: brands	646
Intangible assets: customer relationships	1,775
Trade receivables	3,453
Other receivables	1,386
Overdraft	(1,836)
Trade payables	(1,202)
Other payables and deferred income	(1,157)
Total net assets acquired	9,506
Cash settlement	4,127
Contingent consideration	1,378
Liability in respect of the put and call	13,243
Total consideration transferred	18,748
Goodwill arising on acquisition	9,242

The goodwill arising on acquisition represents the projected profitability of the acquired business, synergy benefits and the future expected success of the well-established and rapid growth franchise. None of this goodwill is expected to be deductible for corporation tax purposes. The fair value adjustments are provisional. Acquisition of the remaining 50% shareholding is expected to result in a higher payment than for the controlling interest due to the rapid projected growth of the business.

The contingent consideration reflects management's best estimate of the cash expected to be payable at future dates based on the latest forecast information and is dependent upon the business meeting future targets. The amount recorded as a contingent consideration on the first 50% is £1.378m. The liability in respect of the put and call for the second 50% is £13.243m. There is a variable element to both payments, however the outcome will be a minimum overall payment of £13.2m or a higher payment as a consequence of a calculation that takes earnings before interest and tax (EBIT) and applies a multiple across a range of different measurement points.

The purchase agreement also contains good leaver and bad leaver provisions, in order to protect the Group's interests which have a ceiling and floor in the calculations. The difference between consideration payable under the good leaver and bad leaver calculations is treated as remuneration and will be recorded in the income statement over the put and call option period. A charge of £942k has been recorded in the year, classified as an exceptional item, along with the other transaction costs associated with the acquisition (see note 4).

The fair value adjustments arose primarily as a consequence of a purchase price allocation exercise using a recognised third party and undertaken in accordance with IFRS 3 and IAS 38, in addition to adjustments made to receivables provisioning and the timing of the recognition of costs. Fair values used in the acquisition of the above business interests are provisional until a period of 12 months from the date of acquisition has elapsed were upon they become final.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

5. Acquisitions (continued)

c. Canute

On 7 August 2017 the Group entered into a business purchase agreement between Eddie Stobart Limited and Canute Haulage Group Limited for certain assets and liabilities consisting of 38 tractors and tankers, 53 trailers, approximately 50 employees (administrative and drivers); a licence to occupy a Brentwood Essex business address and all the Canute policies and protocols.

The acquisition is strategic to provide a further foothold within the important manufacturing, industrial and bulk (MIB) business segment and in a location where the Group is well placed to substantially improve fleet utilisation. The acquired assets and liabilities were initially recorded at £6m each. The business was acquired for consideration of £1, subject to the successful novation or buy out of the lease arrangements.

Identifiable assets acquired and liabilities assumed	Fair value recognised on acquisition £'000
Property, plant, equipment	4,705
Other payables and deferred income	(6,005)
Total net assets acquired	(1,300)
Cash settlement	-
Total consideration transferred	-
Goodwill arising on acquisition	1,300

The goodwill arising on acquisition represents the projected profitability of the acquired business as part of the Eddie Stobart network with enhanced possibilities to better utilise the fleet. None of this goodwill is expected to be deductible for corporation tax purposes. The fair value adjustments are provisional.

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

The fair value adjustments arose as a result of a revaluation of property, plant and equipment to market value.

d. TLP Holdings Limited

On 30 August 2017 AHL Anglia Limited, a subsidiary of the Group, entered into an agreement to acquire the remaining 50% share capital of TLP Holdings Limited (TLP), the holding company of Logistic People, the Group having acquired the initial 50% of TLP's shares in January 2016. TLP provides driver related services and is expected to support the Group with its anticipated growth plans, primarily through the recruitment of drivers for the Group's fleet.

The total consideration payable for the remaining 50% of TLP's share capital comprised an initial cash payment of £5.050m and contingent consideration of up to £2m, based upon the business meeting future targets. The contingent consideration is measurable over the following three years and is in place to incentivise management to achieve strong commercial results. The entirety of the contingent consideration is linked directly to the recipient's future employment and it will therefore be accounted for as remuneration and recorded directly in the Income Statement, with £400,000 recognised during the year ending 30 November 2017.

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

Identifiable assets acquired and (liabilities) assumed	Fair value recognised on acquisition £'000
Non-controlling interests at fair value	2,785
Total interests acquired	2,785
Cash settlement	5,050
Total consideration transferred	5,050
Stamp duty on shares	(15)
Movement in Group's reserves	(2,280)

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

6. Finance Income and Finance Expense

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Finance income		
Bank interest receivable	5	5
Finance expense		
Interest payable on bank loans and overdrafts	(6,294)	(9,780)
Amortisation of bank fees	(1,000)	(1,679)
Interest payable on loan notes	(1,716)	(3,982)
Interest payable on finance leases	(640)	(543)
Total finance expense	(9,650)	(15,984)
Finance expense: exceptional items		
Residual capitalised bank fees relating to the previous loan	(6,621)	-
Costs associated with swap closure	(1,132)	-
	(7,753)	-

7. Dividends

At the date of approving these Financial Statements, no final dividend has been approved. However the Directors have recommended a dividend in respect of the year ended 30 November 2017 of 4.4p per share (2016: nil) payable on 7 June 2018 to shareholders on the register on 11 May 2018, the ex-dividend date is 10 May 2018 subject to the approval of the shareholders at the Annual General Meeting to be held on 26 May 2018. No provision for dividends payable has been made in the financial statements for this financial year. An interim dividend during the year was paid on 17 October 2017.

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Interim Dividend for the year ended 30 November 2017 of 1.4p per share (2016: nil).	5,011	-

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

8. Earnings Per Share

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

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Profit attributed to equity shareholders (£'000)	3,931	9,029
Weighted average number of Ordinary Shares - Basic		
Issued ordinary share at the beginning of the year	276,668	276,668
Net effect of shares issued and purchased during the year	50,105	-
	326,773	276,668
Weighted average number of Ordinary Shares - Diluted		
Weighted average number of ordinary shares at the end of year (as above)	324,064	276,668
Net effect of shares options in issue	3,062	-
	327,126	276,668
Basic earnings per share for total operations	1.2p	3.3p
Diluted earnings per share for total operations	1.2p	3.3p

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

	Year ended 30 November 2017	Year ended 30 November 2016
Adjusted earnings per share		
Basic	9.8p	7.9p
Diluted	9.8p	7.9p
Adjusted earnings are determined as follows		
Profit after tax	3,931	9,029
Amortisation of acquired intangibles	11,137	9,509
Exceptional items	16,783	3,288
Adjusted profit after tax	31,851	21,826

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

9. Goodwill and intangible assets

	Goodwill £'000	Software £'000	Brand names £'000	Customer relationships £'000	Franchise Contracts £'000	Total £'000
Cost						
At 1 December 2015	132,133	-	22,300	86,876	-	241,309
Additions in the period	3,391	-	-	-	-	3,391
At 30 November 2016	135,524	-	22,300	86,876	-	244,700
Assets purchased on business acquisition	-	4,346	646	14,324	6,379	25,695
Effects of movements in foreign exchange	-	(1)	-	-	-	(1)
Additions in the period	36,829	771	-	-	-	37,600
At 30 November 2017	172,353	5,116	22,946	101,200	6,379	307,994
Amortisation and impairment						
At 1 December 2015	-	-	6,195	9,653	-	15,848
Amortisation charge for the period	-	-	3,717	5,792	-	9,509
At 30 November 2016	-	-	9,912	15,445	-	25,357
Amortisation charge for the year	-	872	3,734	6,354	177	11,137
At 30 November 2017	-	872	13,646	21,799	177	36,494
Net book value						
At 30 November 2016	135,524	-	12,388	71,431	-	219,343
At 30 November 2017	172,353	4,244	9,300	79,401	6,202	271,500

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

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

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

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

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

A summary of the movement and the value of goodwill additions during the year is detailed below.

Value of Goodwill	General		EU	TLP	iForce £'000	Speedy	Total £'000
	Transport £'000	Ports £'000	Transport £'000	Holdings £'000		Freight £'000	
Goodwill at 30 November 2016	125,574	5,559	1,000	3,391	-	-	135,524
Reclassification during the year	5,559	(5,559)	-	-	-	-	-
Additions	1,300	-	-	-	26,287	9,242	36,829
Goodwill at 30 November 2017	132,433	-	1,000	3,391	26,287	9,242	172,353

During the year a reclassification of Ports goodwill to General Transport occurred to reflect the way the business is now being managed. In the initial consideration of whether Ports was a separate cash generating unit (CGU) in 2014, management factored in the independence of the local leadership team, the self-run fleet, differing work practices and contracts and the non-harmonised financial and operating systems. As part of the strategic transformation of the Group to a customer oriented approach, organisationally structured into sectors, a number of changes have been made which have had a consequential impact on the definition of the Ports CGU. All employee contracts have been changed to Eddie Stobart terms and conditions, assets are now considered to be fully shared, services are provided centrally and full integration from a previously autonomous organisation into one which is run by a Sector Director has been achieved. Management have therefore deemed it appropriate to reclassify the Ports CGU into the General Transport CGU.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 November 2017

9. Goodwill and intangible assets (continued)

Annual test for impairment

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

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

Margins have been assumed to remain broadly at existing levels and management remain confident of delivering on these plans. However in the event that this plan is not delivered, there is a future risk of impairment. All forecasts have been discounted at a pre-tax discount rate of 8.8% (2016: 12.0%), with the decrease during the year representing the lower cost of debt, a reduced risk free rate and a favourable size premium. No impairment losses have been recognised in the year.

Sensitivity

All of the CGUs are sensitive to the discount rate and projected margins. However, management believes that no reasonable adjustment to the discount rate or projected margins would cause the carrying value of the unit to exceed its recoverable amount.

10. Financial Assets and Liabilities

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Current		
Fixed rate		
Finance lease and hire purchase obligations	4,583	4,360
Bank loans	590	571
Variable rate		
Bank loans	2,594	1,281
	7,767	6,212
Non-current		
Fixed rate		
Bank loans fixed by virtue of interest rate swap	-	95,425
Bank loans	2,978	1,794
Loan notes, including interest	-	32,346
Finance lease and hire purchase obligations	13,233	7,527
	16,211	137,092
Variable rate		
Bank loans	97,455	36,283
	113,666	173,375
Total loans and borrowings	121,433	179,587
Cash	(11,936)	(14,083)
Net debt	109,497	165,504

11. Subsequent Events

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