

Eddie Stobart Limited

Annual Report and Financial Statements for the year ended 30 November 2017

Company Number: 995045

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Eddie Stobart is a leading provider of transport, distribution and contract logistics & warehousing services in the UK and Europe.

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Company Information

Directors

W Stobart (resigned 20 April 2017)

D K Meir

D Pickering

A Laffey

R Nichols

D Harte (appointed 18 April 2017)

Secretary

R Nichols FCIS (resigned 25 October 2017)

E Williams (appointed 25 October 2017)

Bankers

Royal Bank of Scotland Plc

Waterloo Street

Bolton

BL1 8FH

Auditors

KPMG LLP

1 St Peters' Square

Manchester

M2 3AE

Registered Office

Stretton Green Distribution Park

Appleton

Warrington

Cheshire

WA4 4TQ

Registered Number

995045

Strategic Report

The Directors present the audited financial statements, including their Strategic Report, of Eddie Stobart Limited for the year ended 30 November 2017.

Principal activities

Eddie Stobart is a leading end to end logistics Company working across the full supply chain in UK and Europe.

Our strategy continues to focus on developing a balanced portfolio across the following core sectors:

- Manufacturing, Industrial & Bulk
- E-Commerce
- Retail
- Consumer

We are making progress growing our business around these sectors, winning new contracts in the sectors that help to balance our portfolio and complement our network offer. We have also re-secured a number of prestige contracts with blue chip customers and seen some of our longstanding customers grow their business with our support.

Realising these changes has led to a strategic focus on the operational business and we have grown our capability in these areas through targeted investment in our own staff and by bringing in new recruits with relevant industry expertise. We have invested in technology which is helping to improve our operations, re-optimize our network and help transform our business through greater efficiency.

Operating and financial review

We continued to grow revenues and profits during the year with revenues at £503.4m (2016: £480.2m), up by 4.8% on the prior year, driven by new contract wins, growth from within the existing customer portfolio and supported by major contract renewals from blue chip customers. By working with different sectors, we are delivering increased volumes across different markets, improving vehicle utilisation as well as growing our customer offering.

Operating profit before exceptional items increased 11.1% from £27.0m in 2016 to £29.9m, demonstrating the ability of the business to maintain margins. We generated net positive cash flow during the year which helped to further strengthen the balance sheet.

Our values

We have been working hard to embed our vision and values which we will be continuing during 2018. Our vision is:

"We will be recognised for our pride and professionalism in delivering innovative customer solutions and service excellence. We deliver this through the following core values".

Openness & Honesty

We demonstrate our openness and honesty by:

- Actively exploring perspectives to build ideas
- Working co-operatively together to share experience & knowledge

Trust & Respect

We demonstrate trust and respect by:

- Taking time to fully listen and understand others' perspectives
- Giving and receiving feedback and taking ownership to change things

Integrity

We demonstrate integrity by:

- Taking personal responsibility for our actions
- Leading by example and being thoughtful role models

Compassion

We demonstrate compassion by:

- Being approachable and giving our full attention to others
- Showing genuine care, concern and consideration by offering help and assistance

Strategic Report (continued)

Fun

We demonstrate fun by:

- Giving praise and saying 'thank you' for a job well done
- Celebrating and recognising personal, team and organisational achievements

The principles which make us proud are:

- Showing our passion for customer service excellence
- Committing ourselves to a clear vision and plan
- Being open and honest with each other, intentionally creating a culture of respect
- Encouraging contribution and ownership at all levels, and so trusting our people
- Releasing the full potential of our people through conscious leadership
- Taking time to recognise success and say thank you

Business risks

Like any other business, we are exposed to risks as a result of the internal and external environment. The Board operates a process to develop and maintain an internal risk register which it uses to identify and manage risks. A summary of the more significant risks specific to our operations and industry is outlined below.

Incident Management - we operate an electronic accident management system. This provides accident, incident and near miss reporting, with accidents recorded on front facing cameras, providing the information required to manage this risk and improve controls, both to reduce the number of events in the future and to mitigate the financial cost of past events.

Information Technology - data is replicated and backed-up; supported by both external service providers and an in-house IT team. Documented protocols and risk assessments are in place, along with service level agreements with key suppliers. These are supported by an IT Business Continuity Plan to ensure risk is mitigated. System and data security was enhanced with a migration from an in-house data centre into a highly resilient, secure and scalable third party data centre for all of our key systems.

Consumer Confidence - the Group provides a significant proportion of its services to UK retailers and its volumes may therefore be subject to fluctuations due to changes in the level of consumer spending. However, due to the nature of much of the underlying products, changes to the level of demand have not been as sensitive to general economic and consumer spending conditions. Whilst it would be impossible to mitigate this risk entirely, through our systematic fleet programme, the use of a proportion of agency drivers in addition to our own employed workforce and purchase of sub-contract services, the Group retains a significant level of flexibility of resource in order to cope with both short term and medium term fluctuations in demand.

Seasonality and Abnormal Weather - some of our operations are seasonal. The diversity of operating in different sectors has facilitated the creation of an advantage through seasonality by developing equipment that allow resource to be shared between segments and therefore re-directed as the seasons require. This mitigates the cost of seasonality and therefore should allow us to reduce our cost-base of reacting to this risk relative to our competitors. We aim to further reduce the impact of seasonality by growing in business sectors that have a complementary profile in respect of seasonal trading.

Government Legislation and Regulation - our business is controlled under a variety of legislation and regulation to enhance the safety and environmental characteristics of this industry. Management ensures that it has appropriate procedures and controls in place to identify any changes in legislation and to ensure the necessary compliance and reporting in accordance with that legislation, supported by regular systems audits.

People - many aspects of the business performance are reliant upon certain key management. Procedural documentation is maintained to a high level to reduce the risk of staff turnover. Key management personnel are retained by competitive performance-based remuneration.

Fuel Prices - fuel represents a significant cost to the business and therefore fluctuations in price could have a significant effect on the cost of operation. The risk associated with fuel price movements is mitigated through the use of price escalators within customer contracts which allows for changes in fuel cost per litre to be reflected in the sales price.

Liquidity - there are financing facilities in place to support the planned activity and growth. If the rate of growth exceeds the budget, there may be a requirement for incremental working capital financing and we continue to undertake regular reviews of funding requirements as its growth plans evolve.

Strategic Report (continued)

Health, Safety, Quality and Environment (HSQE)

HSQE continues to be at the forefront of our business with key performance indicators formally reported and discussed at all Board meetings. The Health, Safety, Quality and Environment (HSQE) Department provides a professional dedicated resource which proactively provides support and guidance via site visits, audits and investigation to ensure policies and procedures are implemented, monitored and updated where required. The HSQE Department help to identify and reduce potential risk to help reduce accidents, incidents and near misses and to ensure compliance with legal, Company and customer requirements.

The business continues to liaise closely with vehicle suppliers ensuring that we are kept up to date in respect of any developments in terms of vehicle design, alternative fuels and other fuel saving initiatives. Together with investments in new and updated technology such as monitoring driver performance by telematics recording harsh braking, harsh acceleration, idling and the use of cruise control, reducing the distance travelled by our vehicle fleet through effective route planning and optimisation of vehicle-fill and reduce empty running has led to improvements in safety and fuel economy during the year.

The business has external ISO 9001 and BRC quality management together with ISO 14001 environmental accreditation for our provision of fleet management, warehousing and distribution services. The Daresbury site is also accredited with a Wholesale Dealer's Licence from the Medicines and Healthcare Products Regulatory Agency (MHRA).

We have 12 sites which are accredited to BRC Standards.

Creditor payment policy

The Company policy for payment to suppliers is to delegate the responsibility for agreeing the trading terms and conditions with suppliers to the individual business units. At 30 November 2017, the amount of trade creditors in the Consolidated Statement of Financial Position represented 53 (2016: 53) days of average daily purchases for the Company.

Going concern

Management has undertaken a budgeting process for the group for the financial year ending 30 November 2018 and covering subsequent periods thereafter, which includes a detailed income statement, cash flow analysis and statement of financial position, and a forecasting exercise for a number of years beyond this. This exercise has not identified any issues that would suggest any significant risk to the Group's continued trading position and the projections demonstrate that the Group is expected to remain within its existing finance facilities and their associated covenants. The Group's finance facilities are set out in Note 16 to the Consolidated Financial Statements of Eddie Stobart Logistics plc. The Directors have therefore adopted the going concern basis in preparing these Financial Statements.

On behalf of the Board



D Harte
Director

For and on behalf of Eddie Stobart Limited
Stretton Green Distribution Park
Langford Way
Appleton
Warrington
WA4 4TQ

Directors' Report

The directors present their report and the audited financial statements for the year ended 30 November 2017. The financial statements represent 12 months of reported information for the year ended 30 November 2017 and 12 months ended 30 November 2016.

Results and proposed dividend

The profit for the year, after taxation, amounted to £25.2m (2016: £20.4m). There has been no dividend payment made during the year (2016: £nil).

Directors

The directors who served the Company during the year and to the date of this report were as follows:

W Stobart (resigned 20 April 2017)
D K Meir
D Pickering
A Laffey
R Nichols
D Harte (appointed 18 April 2017)

Donations

Charitable donations totalling £9,788 were made during the year (2016: £151,543). There were no political donations during the current or prior year.

Disabled persons and employee involvement:

The Company's policy is that any vacancy which arises is open to disabled persons, provided that they are able to fulfil the functions required by that job. Employees who have been injured or become disabled in the course of their employment are considered for other suitable vacancies.

Employees are kept informed about the progress and position of the Company by means of regular departmental meetings and newsletters.

Future developments

During 2017 the Company has experienced good revenue growth on the prior year and remains profitable. As the Company extends its presence in its targeted areas of expertise, the directors anticipate continued revenue growth and profitability in 2018.

Events since the balance sheet date

Any significant events since the balance sheet date that would require disclosure in the financial statements have been outlined in note 29.

Research and development

Due to the nature of the Company, the Company does not currently incur expenditure on research or development activities. Should the nature of the business change, the Company will disclose the nature of such in accordance with Companies Act requirements.

Directors' Report (continued)

Financial risk management

The Company has financial risk management objectives and policies in place. The Company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk, liquidity risk and foreign exchange risk.

Price risk

Competitive pressures within the industry is a continuing risk for the Company which could result in losing sales to competitors. The Company manages the risk by maintaining strong relationships with customers and being an industry leader.

Credit and cash flow risk

The Company's principal financial assets are cash at bank and trade debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparts and customers.

Liquidity risk

The Company manages its cash flows to ensure that it has sufficient available funds for operations and planned expansions.

Foreign exchange risk

The Company transacts primarily in sterling and therefore has minimal foreign exchange risk. The Company does not have any forward foreign exchange contracts.

Disclosure of information to the auditor

The directors who held office at the date of approval of this director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



D Harte
Director

Stretton Green Distribution Park
Langford Way
Appleton
Cheshire
WA4 4TQ

Statement of director's responsibilities of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report

to the members of Eddie Stobart Limited

Opinion

We have audited the financial statements of Eddie Stobart Limited ("the company") for the year ended 30 November 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity and Balance Sheet and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report

to the members of Eddie Stobart Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Nicola Quayle

Nicola Quayle (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peters' Square
Manchester
M2 3AE

31 August 2018

Statement of Comprehensive Income

for the year ended 30 November 2017

		Year ended 30 November 2017	Year ended 30 November 2016
	Note	£'000	£'000
Turnover	3	503,428	480,188
Cost of sales		(401,020)	(382,576)
Gross profit		102,408	97,612
Administration expenses – other		(73,296)	(70,640)
Administration expenses – exceptional	4	(252)	(3,130)
Total administrative expenses		(73,548)	(73,770)
Other operating income	6	830	-
Profit from operating activities: Including exceptional costs		29,690	23,842
Profit from operating activities: before exceptional costs		29,942	26,972
Finance income	9	38	1
Finance expense	10	(1,344)	(1,587)
Net finance expense		(1,306)	(1,586)
Profit on ordinary activities before taxation		28,384	22,256
Taxation	11	(3,171)	(1,807)
Profit for the financial year		25,213	20,449

All amounts reported in the Statement of Comprehensive Income relate to continuing operations.

The notes on pages 15 to 37 form part of the financial statements.

Statement of Other Comprehensive Income

for the year ended 30 November 2017

		Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
	Note		
Profit for the year		25,213	20,449
<i>Items that may be reclassified subsequently to the income statement:</i>			
Exchange differences on translation of loans to fellow group companies		(409)	-
Other comprehensive income for the year:		(409)	-
Profit for the financial year		24,804	20,449

Statement of Changes in Equity

For the year ended 30 November 2017

	Share capital £'000	Translation reserve £'000	Capital contribution reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 December 2015	14,221	-	-	26,254	40,475
Profit for the year	-	-	-	20,449	20,449
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	20,449	20,449
Shares issued	7,213	-	-	-	7,213
Balance at 30 November 2016	21,434	-	-	46,703	68,137
Profit for the year	-	-	-	25,213	25,213
Other comprehensive income	-	(409)	-	-	(409)
Total comprehensive income for the year	-	(409)	-	25,213	24,804
Share based payment charge	-	-	412	-	412
Balance at 30 November 2017	21,434	(409)	412	71,916	93,353

The notes on pages 15 to 37 form part of the financial statements.

Balance Sheet

as at 30 November 2017

	Note	30 November 2017 £'000	30 November 2016 £'000
Fixed assets			
Intangible assets	13	9,875	12,199
Tangible assets	14	46,706	32,511
Investments	15	-	-
		56,581	44,710
Current assets			
Stock	16	1,848	1,851
Debtors	17	165,081	148,997
Cash at bank and in hand		3,560	2,847
		170,489	153,695
Creditors: amounts falling due within one year	18	(112,712)	(109,158)
Net current assets		57,777	44,537
Total assets less current liabilities		114,358	89,247
Creditors: amounts falling due after more than one year	19	(21,005)	(21,110)
Net assets		93,353	68,137
Capital and reserves			
Called up share capital	22	21,434	21,434
Translation reserve	23	(409)	-
Capital contribution reserve	23	412	-
Profit and loss account		71,916	46,703
Shareholders' funds		93,353	68,137

The notes on pages 15 to 37 form part of the financial statements.

The financial statements of Eddie Stobart Limited were approved and authorised by the Board of Directors on 30 August 2018.



D Harte
Director

Notes to the financial statements

at 30 November 2017

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Eddie Stobart Limited (the "Company") for the year ended 30 November 2017 were authorised for issue by the Board of Directors on 30 August 2018 and the Balance Sheet was signed on the Board's behalf by Damien Harte. Eddie Stobart Limited is a Company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The financial statements represent 12 months of reported information for the year ended 30 November 2017 and 12 months of reported information for the year ended 30 November 2016.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Eddie Stobart Group Limited. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's ultimate parent undertaking, Eddie Stobart Logistics plc includes the Company in its consolidated financial statements. The consolidated financial statements of Eddie Stobart Logistics plc are prepared in accordance with International Financial Reporting Standards. Copies of these consolidated accounts can be obtained from its registered office Stretton Green Distribution Park, Appleton, Warrington, Cheshire, WA4 4TQ.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

- a) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- b) the requirements of IFRS 7 Financial Instruments,
- c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 118(e) of IAS 38 Intangible Assets;
 - iii. paragraph 73(e) of IAS 16 Property Plant and Equipment;
- d) the requirements of IAS 7 Statement of Cash Flows;
- e) the requirements of paragraphs 10(d), 10(f), 39 (c) and 134-136 of IAS 1 Presentation of Financial Statements
- f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) the requirement of paragraph 17 of IAS 24 Related Party Disclosures;
- h) the requirement in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- i) the requirement of paragraphs 134(d)-134(f) and 135(c)-(e) of IAS 36 Impairment of Assets;
- j) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 "Share Based Payment", because the share based payment arrangement concerns the instruments of another group entity.

Notes to the financial statements (continued)

at 30 November 2017

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report on pages 3 to 7. Management have undertaken a budgeting process for the wider group for the financial year ending 30 November 2018 and a forecasting exercise for a number of years beyond. The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future and support this with continuous assessment of long term forecasts. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.2 Changes in accounting policy and disclosures

There are no IFRS standards or IFRIC interpretations that are mandatory for the year ending 30 November 2017 which have a material impact on the financial statements of Eddie Stobart Limited.

2.3 Judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimates means that actual outcomes could differ from those estimates.

The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

(i) Determination of fair values of intangible assets acquired in business combinations - these estimates have predominantly been prepared in consultation with third party advisors, but nevertheless contain estimates of future business performance, cash flows and discount rates.

(ii) Useful lives of intangible assets and property, plant and equipment - the useful lives of intangible assets rely on various internal and external factors which could turn out to be different from the assumptions employed in determining their useful life. The useful lives of property, plant and equipment is also dependent upon estimates of the period over which an asset is expected to generate profits, which includes an assessment of the reliability, longevity and cost of maintenance of those assets. The Board periodically reviews the major classes of assets to ensure that the periods over which they are amortised or depreciation is appropriate.

(iii) Estimated value of provisions - these estimates, by their nature, tend to involve judgement in respect of the current knowledge pertaining to a future event and as such the actual cash flows and the timing of those cash flows may be different. To the extent that it is practicable, independent third party assessments are sought in order to corroborate these judgments.

(iv) Taxation - the tax balances are calculated based on an assessment of the tax treatment of income and costs and the availability of tax losses and group reliefs. The calculation of deferred tax balances also includes an estimate of future profits. The calculations are prepared in consultation with third party advisors but due to the estimates and judgements required may still be subject to change.

(v) Classification of certain leases - judgment is required in certain leases that contain buyback clauses over the extent of risk that remains at the end of the lease term and therefore whether the lease is classified as a finance or operating lease. This judgment is made at the outset on a case by case basis. However, once these judgments have been made, no change to the lease classification is expected.

Notes to the financial statements (continued)

at 30 November 2017

2. Accounting policies (continued)

2.4 Significant accounting policies

Business combinations

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

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- 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.

Foreign currency

(i) Foreign currency transactions - transactions in foreign currencies are translated to the respective functional currency of the Company 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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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 Company 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 Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Company 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 Company'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.

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.

Notes to the financial statements (continued)

at 30 November 2017

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Property, plant and equipment (continued)

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 Company 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 is 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 Company'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.

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 Company 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; and
- the expenditure attributable to the software product during its development can be reliably measured.

Notes to the financial statements (continued)

at 30 November 2017

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

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.

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.

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 Company'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 Company 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. At 30 November 2017 the Company held no financial assets available for sale.

Notes to the financial statements (continued)

at 30 November 2017

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Financial assets (continued)

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 Company 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 Company's right to receive payments is established.

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

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 Company 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 Company 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.

Notes to the financial statements (continued)

at 30 November 2017

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Employee benefits (continued)

(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.

Trade payables

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

Provisions

A provision is recognised if, as a result of a past event, the Company 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 Company 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 Company recognises any impairment loss on the assets associated with that contract.

(iii) Employee restructuring - a provision for employee restructuring costs is made once the Company 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 Company'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 Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Company. The Company 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 Company'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 Company 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 Company 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.

Notes to the financial statements (continued)

at 30 November 2017

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

Revenue (continued)

(iii) Training and other contracts

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

(iv) 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 Statement of Comprehensive Income at the fair value of the consideration received or receivable, net of professional fees, associated costs and VAT.

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. It has earned fees of £10.4m (2016 £4.6m) with a strong pipeline of further projects and work going into 2018. 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.

(v) Sale of Services – Consultancy

In line with the stated strategy of consulting led logistics, the Company offers a range of consultancy services including property, logistics, IT consulting and integration services. In the year to November 2017 these totalled £6.7m (2016: £1.2m).

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 Company 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 Company 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 Company 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 Balance Sheet.

(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.

Notes to the financial statements (continued)

at 30 November 2017

2. Accounting policies (continued)

2.4 Significant accounting policies (continued)

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, and the unwinding of the discount on provisions. 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 Company'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 initial public offering (IPO) and the acquisition of business assets have been treated as exceptional costs during the year, as well as a gain arising on a lease agreement (see note 4).

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.

(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 Company 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.

Share-based payments

The ultimate parent company of ESL (Eddie Stobart Logistics Plc) operates an employee share scheme, which the employees of ESL benefit from. The benefits received as part of the scheme are treated as a capital contribution by ESL, the total of which is due to ESL Plc at year end.

Notes to the financial statements (continued)

at 30 November 2017

3. Turnover

The turnover and profit on ordinary activities before taxation are attributable to the principal activity of the Company and stated net of VAT.

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Sale of goods	486,328	474,388
Provision of services	17,100	5,800
	503,428	480,188

An analysis of turnover by geographical market is set out below:

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
United Kingdom	492,781	475,789
Europe	10,647	4,399
	503,428	480,188

No revenue was derived from exchanges of goods or services (2016: nil).

4. Exceptional Items

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Restructuring costs and non-recurring costs associated with contract wins	(2,066)	(3,130)
Costs associated with business acquisitions	(55)	-
Costs associated with the IPO of Eddie Stobart Logistics plc	(550)	-
Gain arising on lease arrangement	4,616	-
Exit from Irish retail contracts	(2,197)	-
	(252)	(3,130)

Restructuring costs comprise costs of integration plans, legal costs, significant redundancy costs, 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.

The ultimate parent company, Eddie Stobart Logistics plc, was listed on the London Stock Exchange on 25 April 2017, with the consequence that a number of professional and adviser costs were incurred on their behalf in the initial planning. These costs have been classified as exceptional.

The Company was acquisitive during the year, acquiring certain assets and liabilities of Canute. Further details can be found on this activity in note 12.

Notes to the financial statements (continued)

at 30 November 2017

4. Exceptional Items (continued)

In 2017 due to increased business demand, the Company undertook a major redevelopment of our strategically important site at Goresbrook Park, Dagenham. Funded by our landlord, it 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 former 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 has disclosed 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, it may be reported as part of the trading performance of the business in the future.

A fellow group company exited a significant contract in Ireland during the year and the exceptional costs of £2.2m represent the repatriation of equipment to the UK, termination of equipment lease contracts, storage, decommission and disposal costs of the assets undertaken by the Company.

5. Operating profit

This is stated after charging / (crediting):

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Auditor's Remuneration		
Fees payable in respect of the audit of the financial statements	85	77
Fees payable in respect of tax advisory services	12	6
 Brand amortisation	 3,717	 3,717
Depreciation of Plant, Property & Equipment	5,357	5,355
Operating lease payments – land and buildings	28,756	26,856
Operating lease payments – other	32,399	35,052
Profit on sale of fixed assets	(38)	(169)
Net foreign currency exchange differences	79	1,446
Government grants	(680)	-

Notes to the financial statements (continued)

at 30 November 2017

6. Other operating income

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Government grants	680	-
Dividends received from group companies (note 27)	150	-
	830	-

The Company is currently availing of an environmental scheme being offered by the Department of Transport to offer grants towards operating costs incurred by the Company in making shipments of goods by rail freight. The grant meets the criteria of being accounted for as a revenue based grant and the Company has recognised the grant income based on reasonable assurance the Company has met all conditions attached with the grant and that the grant will be received. Grant income is recognised in the period in which it is receivable.

7. Directors' emoluments

The directors A Laffey, R Nichols, D Harte, and the former director W. Stobart, are also directors of the ultimate parent company Eddie Stobart Logistics plc and received their remuneration from that Company. Their total emoluments are disclosed in the financial statements of that company, which are publicly available. No specific recharge is made by Eddie Stobart Logistics plc, in respect to their qualifying services to Eddie Stobart Limited and the directors do not believe that it is practical to apportion their remuneration between their services as directors of the Company (which they believe to be negligible) and their services as directors of the ultimate parent company. Therefore there is no disclosure of directors' emoluments in respect of these directors.

D K Meir and D Pickering are directors of fellow group subsidiary, ESLL Group Limited. Their total emoluments are disclosed in the financial statements of that company, which are publicly available. The directors do not believe that is practical to apportion the remuneration of D K Meir and D Pickering between services as director of the Company and services as directors of ESLL Group Limited.

8. Staff costs

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Wages and salaries	126,898	113,499
Social security costs	11,991	10,276
Share based payment costs	412	-
Other pension costs	2,583	2,582
	141,884	126,357

The ultimate parent company operates an equity settled staff incentive plan to which it recharges its fellow subsidiaries to whom the staff operate in. The scheme commenced for the first time this year and there was no prior year recharges. The Company is availing of the exemptions under FRS 101 for disclosure requirements of instruments from another group. A full detail of the scheme is publicly available in the accounts of Eddie Stobart Logistics plc.

The average number of employees during the year was 3,823 (2016: 4,077).

Notes to the financial statements (continued)

at 30 November 2017

9. Interest receivable and similar charges

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Bank interest receivable	1	1
Interest receivable from group companies	37	-
	38	1

10. Interest payable and similar charges

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
On bank loans and overdrafts	565	1,030
Finance lease interest	603	495
Interest due to group Company	176	62
	1,344	1,587

11. Tax

(a) Tax on profit on ordinary activities.

The tax charge is made up as follows:

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Current tax:		
UK corporation tax on the profit for the year	2,502	2,231
Adjustments in respect of previous year	14	(1,124)
Total current tax (note 11(b))	2,516	1,107
Deferred tax:		
Originating and reversal of timing differences	729	343
Change in tax rate	(88)	40
Adjustment in respect of previous years	14	317
Total deferred tax (note 11(c))	655	700
Tax charge on profit on ordinary activities	3,171	1,807

Notes to the financial statements (continued)

at 30 November 2017

11. Tax (continued)

(b) Factors affecting tax charge for the year.

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.33% (2016: 20%). The differences are explained below:

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Profit on ordinary activities before taxation	28,383	22,256
The profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.33% (2016: 20%)	5,486	4,452
Effects of		
Fixed Asset differences	-	217
Expenses not deductible for tax purposes	315	830
Income not taxable for tax purposes	(29)	-
Effect of tax rate changes	(88)	-
Other tax adjustments, reliefs and transfers	2	5
Adjustment to tax charge in respect of previous periods	28	(1,124)
Adjustment to tax charge in respect of previous periods – deferred tax	-	317
Adjust closing deferred tax to average rate 20%	-	1,962
Adjust opening deferred tax to average rate 20%	-	(1,348)
Group relief not paid for	(3,261)	(2,870)
Deferred Tax not recognised	-	(634)
Intangibles not deductible for tax purposes	718	-
Current tax for the year (note 11(a))	3,171	1,807

(c) Deferred tax

The movement on the deferred tax liability during the year was as follows:

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
At 1 December	(331)	(1,031)
Movement during the year	654	700
At 30 November 2017	323	(331)

Changes in the UK Corporation tax rates were announced in the 2016 Budget on 16 March 2016. The change announced and substantially enacted on 6 September 2016, is to reduce the main rate to 17% from 7 April 2020. This represents an additional 1% cut on top of the previously announced corporation tax rates, being a reduction in the CT tax rate to 19% from 01 April 2017 and to 18% from 1 April 2020 which has been subsequently enacted on 26th October 2015 and therefore the standard rate of corporation tax for the year ended 30 November 2017 was 19.33%.

Following a review of the expected maturity profile of the deferred tax liability a rate of 17% has been applied at 30 November 2017 (rate applied at 30 November 2016 was 17%).

Notes to the financial statements (continued)

at 30 November 2017

12. Business combinations during the period

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 (MIB) business segment and in a location where the Company 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	(6,000)
Total net liabilities acquired	(1,295)
Cash settlement	-
Total consideration transferred	-
Goodwill arising on acquisition	1,295

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.

13. Intangible assets

	Goodwill £'000	Brand names £'000	Software £'000	Total £'000
Cost				
At 1 December 2016	2,330	22,300	-	24,630
Additions in the year (note 12)	1,295	-	107	1,402
At 30 November 2017	3,625	22,300	107	26,032
Amortisation and impairment				
At 1 December 2016	2,330	10,101	-	12,431
Amortisation charge for the year	-	3,717	9	3,726
At 30 November 2017	2,330	13,818	9	16,157
Net book value				
At 30 November 2016	-	12,199	-	12,199
At 30 November 2017	1,295	8,482	98	9,875

Notes to the financial statements (continued)

at 30 November 2017

13. Intangible assets (continued)

Details of business combinations made during the year can be found in note 12, along with descriptions of assets and liabilities acquired and any impact of goodwill and intangibles.

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

14. Tangible fixed assets

	Freehold & leasehold land & buildings	Commercial vehicles	Plant and machinery	Fixtures, fittings and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost at 1 December 2016	22,563	31,989	19,416	9,883	-	83,851
Additions in the year	7,973	10,141	343	1,868	1,453	21,778
Disposals	(9,453)	(3,513)	(3,933)	(914)	-	(17,813)
At 30 November 2017	21,083	38,617	15,826	10,837	1,453	87,816
Accumulated depreciation at						
1 December 2016	7,902	23,382	12,687	7,369	-	51,340
Charge for the year	1,031	2,656	924	746	-	5,357
Disposals	(9,276)	(1,985)	(3,674)	(652)	-	(15,587)
At 30 November 2017	(343)	24,053	9,937	7,463	-	41,110
Net book value						
At 30 November 2016	14,661	8,607	6,729	2,514	-	32,511
At 30 November 2017	21,426	14,564	5,889	3,374	1,453	46,706

The value of land not depreciated is £nil (2016: £nil).

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows:

	Freehold & leasehold land & buildings	Commercial vehicles	Plant and machinery	Fixtures, fittings and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net book amount at 30 November 2016	1,490	7,567	1,170	-	-	10,227
Net book amounts at 30 November 2017	1,558	14,356	2,157	-	-	18,071

Notes to the financial statements (continued)

at 30 November 2017

15. Investments

	Subsidiary Undertakings	Joint Ventures	Total investments
	£'000	£'000	£'000
Net book value at 30 November 2015	-	-	-
Impairment charge for the year	-	-	-
Disposal of subsidiary during the year	-	-	-
Balance at 30 November 2016	-	-	-
Impairment charge for the year	-	-	-
Disposal of subsidiary during the year	-	-	-
Balance at 30 November 2017	-	-	-

At 30 November 2017, the Company had interests in the following subsidiary undertakings:

Company name	Business activity	Registered address	% holding (if not 100%)	Country of incorporation
Directly held subsidiary undertakings				
Stobart Truckstops Limited	Logistics support	a		United Kingdom
Associated undertakings				
Eddie Stobart Logistics Europe NV	Contract logistics	b	0.01%*	Belgium
Joint ventures				
IPS at Eddie Stobart Limited	Contract logistics	c	50%	United Kingdom

* The remaining 99.9% is held by immediate parent undertaking Eddie Stobart Group Limited.

Address key:

- (a) Stretton Green Distribution Park, Appleton, Warrington, Cheshire, WA4 4TQ.
- (b) Eikelaarstraat 28, 3600 Genk, Belgium.
- (c) C/O Culina Group Limited, Shrewsbury Road, Market Drayton, TF9 3SQ.

For all entities, the proportion of voting rights held equated to the proportion of ownership interests held. All entities are incorporated and have the same year end dates, with the exception of joint ventures which have a 31 December year end.

During the year, the Company received dividends of £150,000 (2016: £nil) from IPS at Eddie Stobart Limited.

Notes to the financial statements (continued)

at 30 November 2017

16. Stocks

	Year ended 30 November 2017 £'000	Year ended 30 November 2017 £'000
Fuel and lubricants	1,743	1,851
Consumable supplies	105	-
	1,848	1,851

17. Debtors

	Year ended 30 November 2017 £'000	Year ended 30 November 2016 £'000
Trade debtors	77,664	78,999
Amounts due from group companies	49,178	28,747
Amounts due from joint ventures	187	169
Prepayments and accrued income	37,008	38,706
Amounts due from related companies	475	1,458
Government grants	569	-
Corporation tax	-	587
Deferred taxation (note 11c)	-	331
	165,081	148,997

The carrying value of trade and other receivable classified as loans and receivables approximate fair value.

18. Creditors: amounts falling due within one year

	30 November 2017 £'000	30 November 2016 £'000
Bank overdraft	6,027	1,833
Trade creditors	58,125	56,016
Amounts owed to group companies	6,087	7,437
Social security costs and other taxes	4,994	8,440
Accruals and deferred income	30,489	31,405
Amounts due under finance leases (note 19)	4,741	4,027
Corporation tax	2,249	-
	112,712	109,158

The bank overdraft was secured by a fixed and floating charge over the assets of the Company, and by cross guarantees with group and related undertakings.

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Notes to the financial statements (continued)

at 30 November 2017

19. Creditors: amounts falling due after more than one year

	30 November 2017 £'000	30 November 2016 £'000
Amounts due under finance leases	12,115	6,625
Deferred income	1,912	3,348
Deferred Lease Liability	6,655	11,137
Deferred taxation (note 11c)	323	-
	21,005	21,110

Amounts due under finance leases are secured on the assets to which they relate and are payable as follows:

	30 November 2017 £'000	30 November 2016 £'000
Within one year	4,741	4,027
Between one and five years	10,856	6,575
Over five years	1,259	50
	16,856	10,652

20. Provisions

	Employee Claims £'000	Total £'000
At 1 December 2016	1,283	1,283
Additional liability recognised	540	540
Utilised in the year	(976)	(976)
At 31 November 2017	847	847

Analysis of total provisions:

	30 November 2017 £'000	30 November 2016 £'000
Current	847	1,260
Non-current	-	23
	847	1,283

Employee claims:

The Company has various ongoing and potential litigation and claims, principally relating to accidents in the workplace. These cases are being managed through a specialist independent claims management handler and a provision is held to cover the estimated future liability to the Company.

Notes to the financial statements (continued)

at 30 November 2017

21. Pension costs

The Company operates a defined contribution pension scheme for the benefit of the directors and employees. The assets of the scheme are administered by trustees in funds independent from those of the group. The amount charged to the Statement of Comprehensive Income in the year represents the contributions payable to the scheme in respect of the accounting year.

22. Issued share capital

	30 November 2017 £'000	30 November 2016 £'000
Ordinary share capital		
21,434,709 Ordinary shares of £1 each (Nov 16: 21,434,709)	21,434	21,434

23. Reserves

Translation reserve

This reserve represents the gains and losses arising on retranslating the net assets of overseas operations into Sterling. 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.

Capital contribution reserve

The ultimate parent company of ESL (Eddie Stobart Logistics Plc) operates an employee share scheme, which the employees of ESL benefit from. The benefits received as part of the scheme are treated as a capital contribution by ESL, the total of which is due to ESL Plc at year end and is held in this reserve.

24. Capital commitments

	30 November 2017 £'000	30 November 2016 £'000
Contracted for but not provided in these financial statements	89	3,210

Notes to the financial statements (continued)

at 30 November 2017

25. Lease commitments

Company as Lessee

Operating lease payments amounting to £68.4m (2016: £67.8m) are due within one year. The leases to which these amounts relate expire as follows:

	2017		2016	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within 1 year	31,770	36,676	28,155	39,644
Between 1 and 5 years	110,723	58,472	93,795	52,654
Due after 5 years	300,483	9,668	237,790	10,128
	442,976	104,816	359,740	102,426

Company as Lessor

The Company has entered into commercial property leases on certain of its properties. These non-cancellable leases have remaining terms of between 1 and 5 years. Some leases include a clause to enable periodic upward revision of the rental charge according to prevailing market conditions.

Future minimum rentals receivable under non- cancellable operating leases are as follows:

	30 November 2017	30 November 2016
	£'000	£'000
Within one year	1,858	1,010
Between one and five years	6,960	2,519
	8,818	3,529

26. Contingent liabilities

There is an unlimited bank cross guarantee arrangement between the Company and its fellow subsidiary undertakings. The maximum potential liability at 30 November 2017 was £100m (2016: £139m).

27. Related party transactions

During the year the Company entered into related party transactions in the ordinary course of business, with companies within the Eddie Stobart Logistics plc group. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 30 November with other related parties are as follows:

2017 Related Party Disclosures	Description of related party	Sales to related party	Purchases from related party	Balance owed by related party	Balance owed to related party
		£'000	£'000	£'000	£'000
Directors' loans	a	-	-	475	-
IPS at Eddie Stobart	b	1,535	-	187	-
Puro Ventures Limited	c	73	(78)	53	(78)

Notes to the financial statements (continued)

at 30 November 2017

27. Related party transactions (continued)

Related party key:

- a) In February 2015, two directors of the Company were loaned an interest free aggregate amount of £475,000. The amount is repayable in full as at February 2022, and at year end remains outstanding at £475,000 (2016: £475,000). This is included in amounts due from related companies, in note 17.
- b) IPS at Eddie Stobart Limited is a joint venture participation. IPS at Eddie Stobart Limited provides logistics and management services. In addition to the sales made to IPS, the Company received dividends of £150,000 (2016: £nil) during the year.
- c) Puro Ventures Limited is a fellow group subsidiary but is not wholly owned at year end. Puro Ventures Limited provided and received supporting logistic services with the Company during the year.

On 25 April 2017, the ultimate parent company Eddie Stobart Logistics plc was listed on the Alternative Investment Market (AIM) of the London Stock Exchange. As a consequence the Company has a new board of directors and a change in the shareholder base occurred. In view of this change, management have re-evaluated the nature of existing relationships and noted that some have ceased to be related parties.

The transactions which could have been affected by the existence of a related party relationship are outlined below covering the period from 1 December 2016 to 25 April 2017. The comparative period covers the period 1 December 2016 to 30 November 2016. These transactions occurred during the ordinary course of business, with companies within the Eddie Stobart Logistics plc group and also with companies of which William Stobart is a director and shareholder.

2017 Related Party Disclosures	Description of related party	Sales to related party £'000	Purchases from related party £'000	Balance owed by related party £'000	Balance owed to related party £'000
Directors' loans	a	-	-	475	-
IPS at Eddie Stobart	a	610	-	177	-
Stobart Group Limited and Subsidiaries	b	1,369	(1,590)	1,421	(10)
AstSigns Limited	c	31	(148)	-	(40)
Oakfield Manor Estates Limited	c	8	-	2	-
WS Transportation Limited	c	741	(1,527)	-	(250)

2016 Related Party Disclosures	Description of related party	Sales to related party £'000	Purchases from related party £'000	Balance owed by related party £'000	Balance owed to related party £'000
Directors' loans	a	-	-	475	-
IPS at Eddie Stobart	a	1,279	-	169	-
Stobart Group Limited and Subsidiaries	b	1,587	1,189	183	139
AstSigns Limited	c	(31)	101	31	31
Oakfield Manor Estates Limited	c	3	-	1	-
WS Transportation Limited	c	(189)	(473)	505	208

Notes to the financial statements (continued)

at 30 November 2017

27. Related party transactions (continued)

Related party key:

The nature of the relationship and the transactions entered into with the related parties are:

- a) The nature of these transactions have been disclosed earlier within this note.
- b) Stobart Group Limited and its subsidiary undertakings was a related party on the basis of the 49% economic interest held in the Group up until 25 April 2017. During the period, the Company makes purchases of property rents and transport services and provides haulage services to Stobart Group in the normal course of business.
- c) W Stobart was a director of the Company until his resignation on 20 April 2017. W Stobart has interests in shares in the companies indicated. During the period, the Company made purchases relating to the provision of branded products and vehicle advertising from AstSigns Limited, provided haulage services to Oakfield Manor Estates Limited and WS Transportation Limited and made purchases of haulage services from WS Transportation Limited.

A full list of transactions can be found in the financial statements of Eddie Stobart Logistics plc, these can be obtained from Stretton Green Distribution Park, Langford Way, Appleton, Cheshire, WA4 4TQ.

28. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Eddie Stobart Group Limited. The ultimate parent undertaking for which group financial statements are drawn up and of which the Company is a member is Eddie Stobart Logistics plc incorporated in the United Kingdom. Copies of the financial statements can be obtained from the Company Secretary, Stretton Green Distribution Park, Appleton, Warrington, Cheshire, WA4 4TQ.

29. Events subsequent to balance date

On 1 December 2017, the Company acquired the trade and assets of O'Connor Container Transport Limited and O'Connor Container Storage Limited, fellow Group companies, at a combined net book value of £0.1m.