Eddie Stobart Logistics plc

Delivering innovative supply chain solutions

Annual Report and Accounts 2018

Who we are

Eddie Stobart Logistics plc provides full end-to-end supply chain solutions across a number of leading brands within our core Consumer; E-commerce; Retail and Manufacturing, Industrial and Bulk sectors.

Our specialised offerings in transportation, warehousing and value added services have helped develop strong partnerships within our diverse customer base. Our customers now recognise our overall supply chain capabilities.

Our strategy is to deliver long-term value for customers and shareholders by further leveraging our existing skills to streamline our operations and further develop industry leading supply chain capabilities.

"Our vision is to be recognised for our pride and professionalism in delivering innovative customer solutions and service excellence"

Contents

2018 key highlights

“We continue to implement our strategy towards delivering full end-to-end supply chain capabilities. As a result, we have increased our revenues by 35% and our underlying EBIT by 14%”

- Our overall revenue grew by £219 million driven by new contracts with annualised total revenue of £162 million, organic growth from existing customers and contributions from our new Group businesses
- We have delivered a strong performance across each of our four core sectors with significant growth within E-commerce (+65%) and Retail (+43%)
- We have combined our Eddie Stobart and iForce warehousing operations to simplify our offer, improve productivity and utilisation and extend the range of solutions we offer to our new and existing customers
- In June 2018 we acquired The Pallet Network adding much needed less-than-full truckload capability through partner organisations and, as a result, improved our overall supply chain offer. Integration with the Group and synergy delivery is proceeding to plan
- We have centralised our IT capabilities across the Group to simplify service delivery and realise synergies whilst continuing to deploy innovative best-in-class solutions
- We continue to invest in our people to ensure we have the right people in the right place to support our end-to-end supply chain skills and capabilities

Financial

Revenue
£843.1m
+35%

Underlying EBIT*
£55.3m
+14%

Profit before tax
£23.6m
+138%

Net debt
£159.7m
+46%

Adjusted EPS*
11.4p
+16%

Statutory EPS
4.4p
+267%

Proposed total dividend per share
6.3p

* Non GAAP Alternative Performance Measures (see note 4 on page 61) of the financial statements for reconciliation to statutory IFRS measures

Chairman's statement

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

Philip H Swatman
Chairman

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

Building our end-to-end platform

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

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

People

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

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

We continue to invest in the future and remain focussed on attracting the best people into our business and developing their skills.

Training for all our people remains a top priority and we are delighted that our training initiatives won an industry award this year (for further detail see page 23.) Through our graduate training scheme we help graduates gain the experience they will need to become future leaders of our business.

Financial performance

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

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

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

Outlook

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

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

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

Philip H Swatman
Chairman
28 March 2019

Chief Executive's statement

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

Alex Laffey
Chief Executive

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

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

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

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

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

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

Group revenues and profit

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

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

Operational performance

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

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

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

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

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

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

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

Contract logistics and warehousing
In contract logistics and warehousing, which includes iForce, we reported revenues of £246.2 million in the year, an increase of 77% from £139.5 million in 2017.

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

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

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

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

Through the efforts of our operational teams, these new contracts have been successfully implemented and sales are now flowing through.

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

Revenue
£843.1m
↑ +35%

MIB Revenue
£211.1m
↑ +16%

E-commerce revenue
£171.0m
↑ +65%

Underlying EBIT*
£55.3m
↑ +14%

Underlying EBIT margin*
6.6%
↓ -1.20ppts

Profit before tax
£23.6m
↑ +138%

* Non GAAP Alternative Performance Measures (see note 4 on page 61 of the financial statements for reconciliation to statutory IFRS measures)

Chief Executive's statement continued

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

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

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

Managing talent and investing in our people remain priorities for the Group. We are committed both to ensuring that employees have access to the appropriate resources to keep their skills up to date and to attracting the best people.

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

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

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

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

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

Market conditions
Whilst we remain mindful of the current political and economic uncertainty, we are confident that our unique operating model provides us with the flexibility to respond rapidly to changing market conditions. In Eddie Stobart Logistics plc, most of our operations are in either the UK or continental Europe with less than 2% of our revenue generated through crossing the English Channel.

Finally, I would like to thank our employees for their support and hard work over the past year, in particular for their willingness to embrace change. I would also like to thank our partners, customers, shareholders and other stakeholders for the trust and support they continue to give us.

Alex Laffey
Chief Executive
28 March 2019

\\ We continue to invest in innovative, world-class supply chain solutions //

Artificial Intelligence (AI)

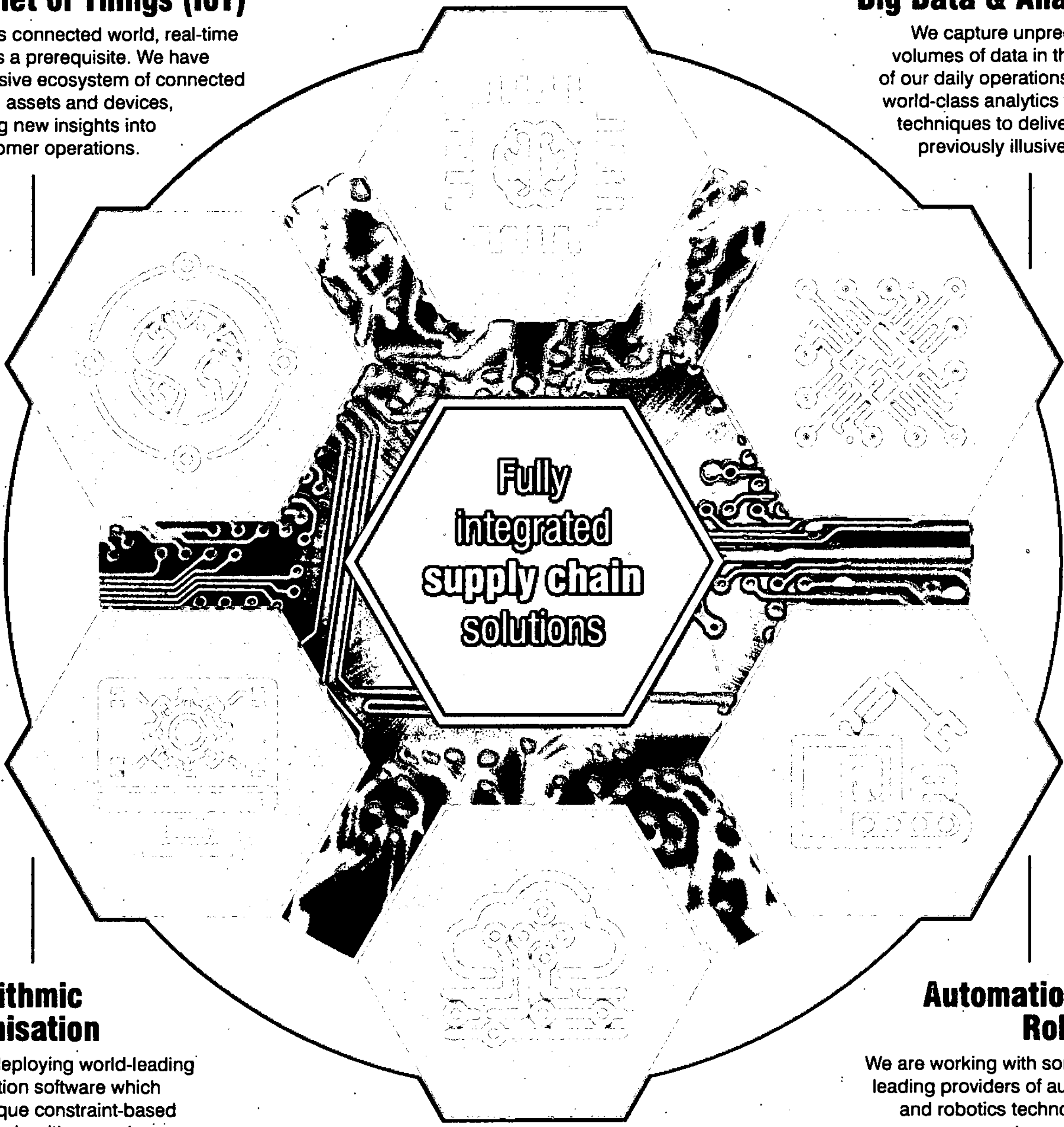
Eddie Stobart is embracing the most advanced self-learning AI technologies to further drive operational efficiency and continuous service improvement.

Internet of Things (IoT)

In today's connected world, real-time service is a prerequisite. We have an extensive ecosystem of connected systems, assets and devices, delivering new insights into our customer operations.

Big Data & Analytics

We capture unprecedented volumes of data in the course of our daily operations and use world-class analytics tools and techniques to deliver unique, previously illusive insights.



Algorithmic Optimisation

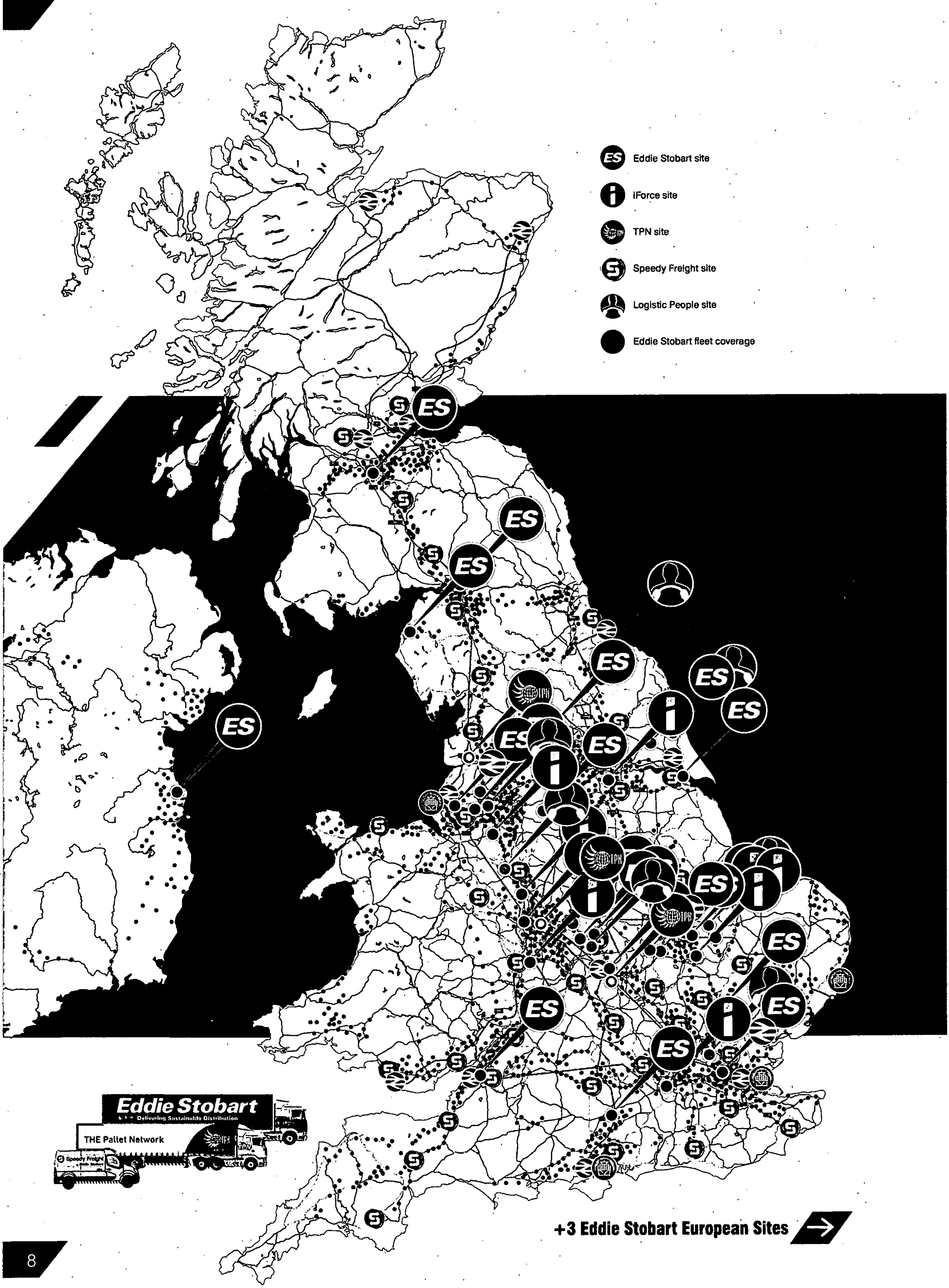
We are deploying world-leading optimisation software which uses unique constraint-based planning algorithms and techniques to deliver service and operational efficiency across the network.

Automation and Robotics

We are working with some of the leading providers of automation and robotics technologies to support our advanced warehousing and fulfilment operations.

Cloud-Based Deployments

Use of the latest private and public cloud-hosted services is allowing us to deliver very high availability, scalability and cost-effective customer solutions.



+3 Eddie Stobart European Sites

At a glance

\\ Our Group's network and scale //

Eddie Stobart operates throughout the UK and Europe offering a full end-to-end supply chain service to a range of national and international customers

c.2,700
VEHICLES

c.5,000
TRAILERS

43
OPERATING CENTRES

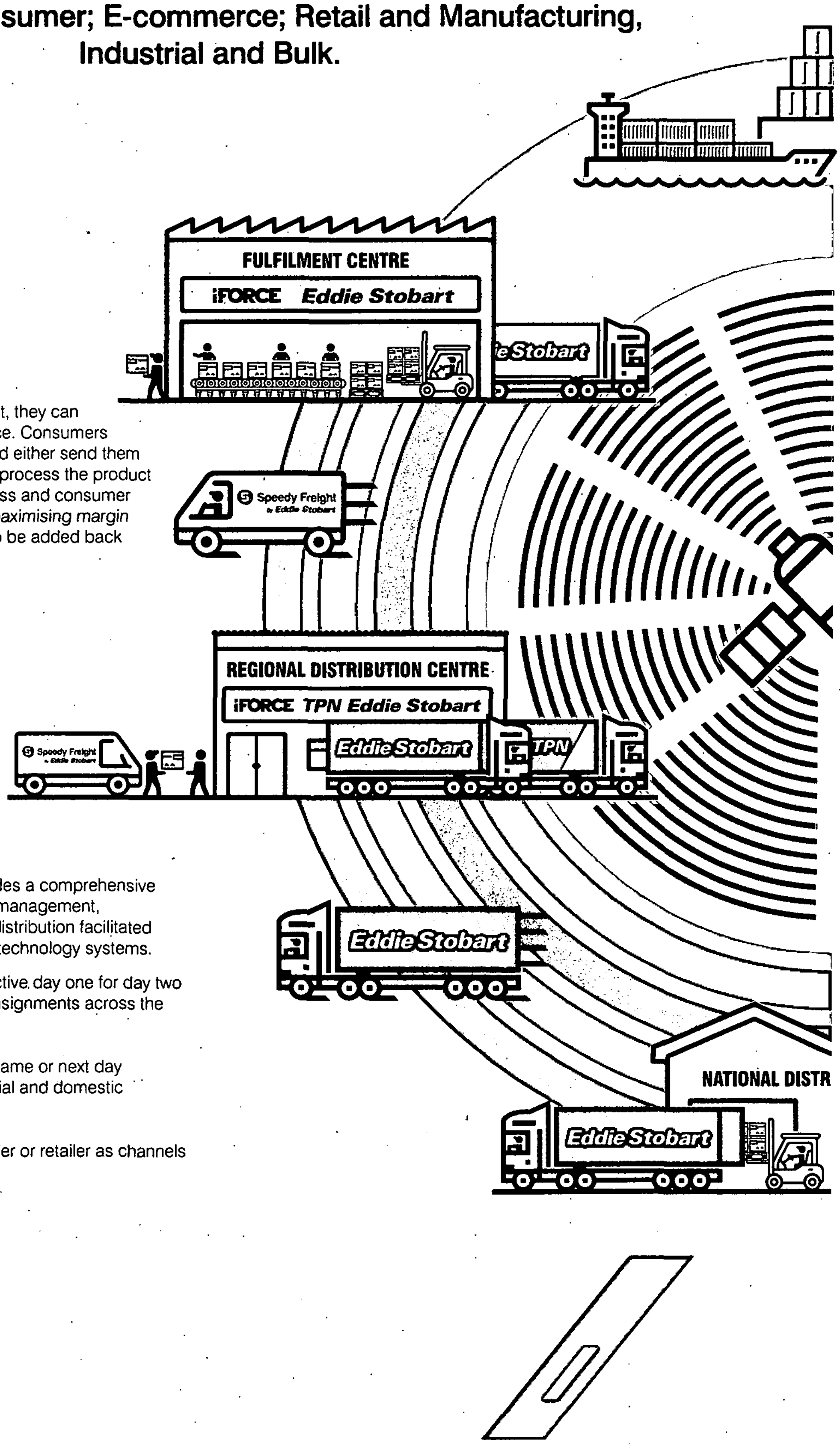
c.6,600
EMPLOYEES

c.8.8m
SQ FT OF WAREHOUSING

Our operating model

\\ Eddie Stobart Logistics is proud to deliver innovative supply chain solutions //

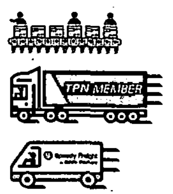
Our job is to get goods from the point they are sourced, manufactured or imported, to the end customers within the four sectors in which we operate: Consumer; E-commerce; Retail and Manufacturing, Industrial and Bulk.



iFORCE

RETURNS MANAGEMENT

If the end user isn't happy with a product, they can return through our **IForce Revive** service. Consumers return their products, we grade them and either send them back to the supplier, repair for resale or process the product to **iForce Marketzone** - a direct business and consumer clearance stock sales online channel, maximising margin recovery on returned stock unsuitable to be added back to inventory.



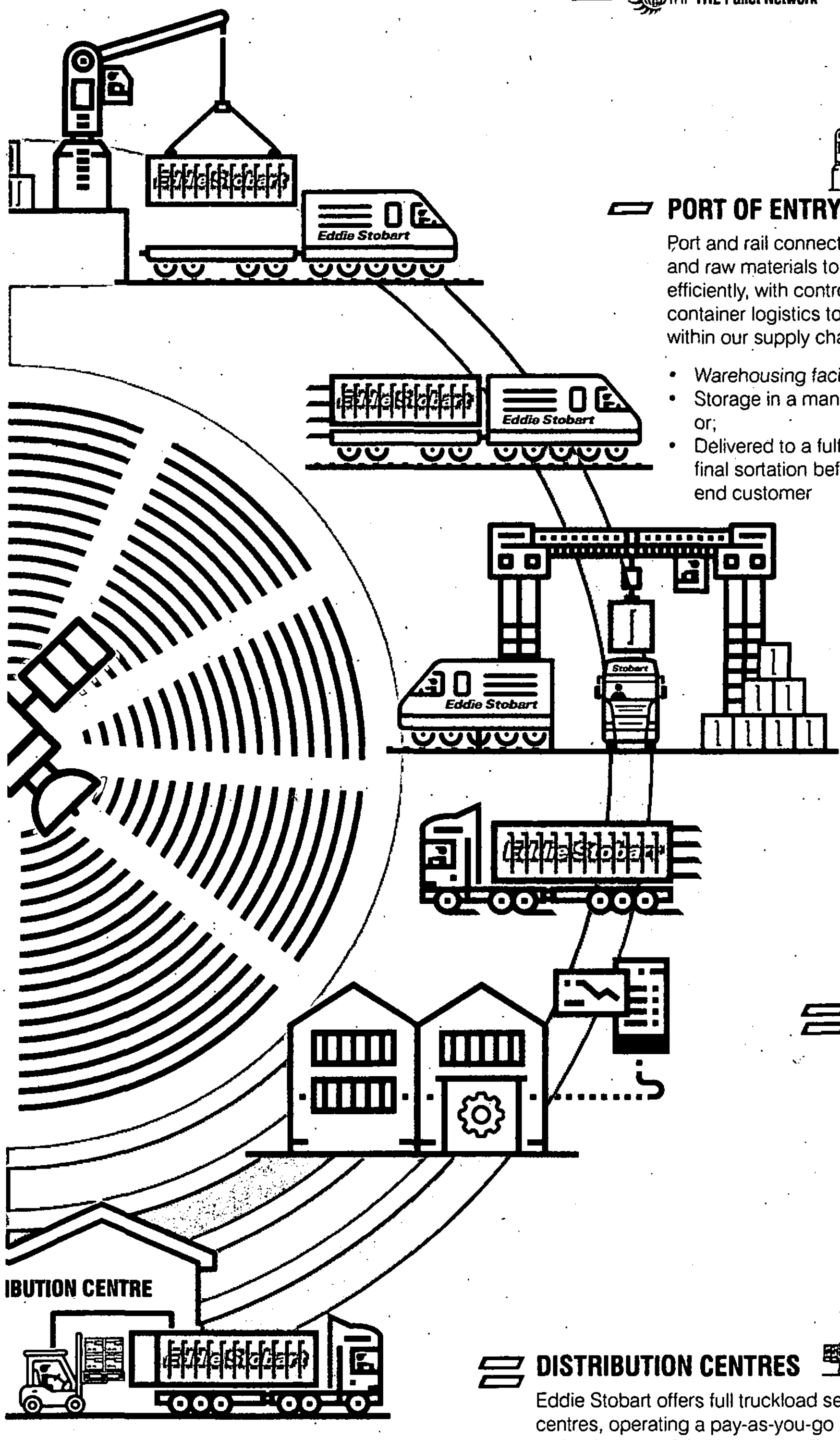
GROUP SERVICES

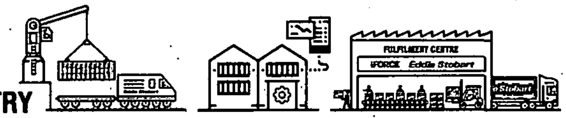
- **IForce**, our e-fulfilment specialist, provides a comprehensive e-commerce offering, including returns management, warehousing, pick and packaging and distribution facilitated by delivery and returns, of our bespoke technology systems.
- **The Pallet Network** provides cost effective day one for day two deliveries for less-than-full truckload consignments across the UK through their 106 members.
- **Speedy Freight** specialises in urgent, same or next day deliveries of urgent cargos for commercial and domestic customers across the UK and Europe.

Goods can be transported to a wholesaler or retailer as channels to the end user.

Key:

- Eddie Stobart
- iFORCE
- TPN THE Pallet Network
- Speedy Freight





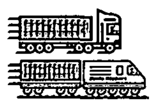
PORT OF ENTRY

Port and rail connections allow goods and raw materials to be imported efficiently, with control of rail and container logistics to their first stage within our supply chain cycle to either:

- *Warehousing facilities;*
- Storage in a manufacturing plant, or;
- Delivered to a fulfilment centre for final sortation before delivery to the end customer

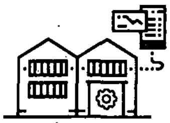
Within the Retail sector goods can be transported straight to retailers' regional distribution centres from port and rail facilities enabling them to transport goods to retail outlets in a timely manner.

Alternatively, imported raw materials can be transported to warehouses for storage or directly to manufacturing plants.



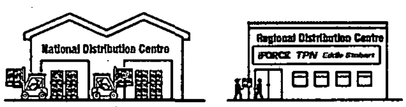
ROAD OR RAIL TRANSPORTATION

The manufactured product can then be transported by our road or rail operations to regional distribution centres or to one of Eddie Stobart's UK warehouses.



WAREHOUSE MANAGEMENT SYSTEMS

Warehousing and contract logistics can store products with state-of-the-art, technology-enhanced facilities. Highly efficient, cost-effective solutions with a warehouse management system to handle receipt of goods to the final storage location facilitate our automated warehousing capabilities. Products can be stored within areas of certain set criteria such as temperature controlled or highly secure.



DISTRIBUTION CENTRES

Eddie Stobart offers full truckload services from national and regional distribution centres, operating a pay-as-you-go model, shared user network and state-of-the-art technology to minimise empty miles.

Our strategy

\\ Progress made towards delivering our strategy //

Double digit growth

Priorities for 2018
We aimed to:

- *Work with existing customers to further leverage our existing relationships*
- *Develop new customer contacts and grow those relationships*
- *Focus on high growth sectors such as E-commerce to deliver growth and also to drive asset utilisation*
- *Seek to acquire businesses that can add new capabilities and skills to our service offering*
- *Grow our business in Europe by leveraging existing customer relationships.*

Performance in 2018
Key highlights

- *Acquired The Pallet Network providing day one for day two deliveries for less-than-full truckload consignments extending our service offering to customers*
- *Won major contracts adding annualised revenues of £162 million*
- *Completed £119 million of contract renewals with existing customers*
- *Reported E-commerce growth of 65%*
- *Increased our revenue by 6.2% in Europe*

Priorities for 2019

- *Align our strategy across the wider Group to create further cross-selling opportunities*
- *Expansion of our European business*

Maintain our market leading customer service proposition

Priorities for 2018
We aimed to:

- *Stay close to our customers to ensure high levels of customer satisfaction, making sure we become aware of issues and provide solutions before they become problems*
- *Monitor service related-performance indicators to ensure we deliver what we have promised*
- *Continue to upskill our people to enable them to deliver excellent customer service*
- *Continue to reinforce our corporate values that encourage us to put customer service at the heart of everything we do*

Performance in 2018
Key highlights

- *Delivered training to further enhance the overall customer experience*
- *Created a new online training module to support the development of new and existing employees*
- *Through our driver, warehouse and staff engagement sessions we reinforced the importance of our five core values to maintain a culture with collaboration and service excellence for customers*

Priorities for 2019

- *Utilise technology to make service delivery visible to customers*
- *Upskill our people so they can deliver excellent customer service*
- *Put customer service at the heart of everything we do by reinforcing our corporate values*

Leverage our unique pay-as-you-go network model and consulting-led approach

Priorities for 2018
We aimed to:

- *Build and develop long-term strategic relationships*
- *Continue to invest in our network to support growth and cost reductions*
- *Leverage our network into attractive specialist niche markets*
- *Increase awareness of our skills and capabilities in delivering effective end-to-end supply chains*
- *Ensure we have high quality operational sites capable of meeting customer needs*

Performance in 2018
Key highlights

- *Organic growth of £119 million*
- *Phased implementation of our optimiser transport solution beginning mid-2019*
- *Utilised our extensive knowledge of the UK logistics property market and delivered value by working collaboratively with developers on:*
  - *> Our redeveloped 441,000 sq ft site at Goresbrook Park, Dagenham*
  - *> Our 840,000 sq ft multi-user warehouse facility at Corby*
  - *> A proposed new development, subject to planning permission, close to Appleton head office of 644,000 sq ft*

Priorities for 2019

- *Continue to focus on synergies between Group companies*
- *Integration of iForce and our contract logistics and warehousing operations*

Measuring our progress

We regularly measure progress towards our strategy to ensure we remain aligned with our strategic priorities allowing us to flex and adjust as required to improve delivery and execution.

Continue to innovate and invest in technology and our assets

Priorities for 2018
We aimed to:

- *Further develop our transport optimisation capability*
- *Leverage our state-of-the-art in cab vehicle technology*
- *Invest in our warehousing operating systems*
- *Continue to provide the best equipment to enable employees to perform their roles efficiently*
- *Optimise systems and processes to deliver continuous improvement*

Performance in 2018
Key highlights

- *Invested in systems to align our IT digital roadmap*
- *Announced MyWorkforce, a bespoke solution which streamlines the process of rostering our drivers and automates manning levels*
- *Invested in optimisation technology to reduce empty vehicle miles, minimising the overall impact on the environment*
- *Digitised our people processes through the development of our online HR portal*
- *Introduced MyFleet an industry leading solution which automates and controls our assets*

Priorities for 2019

- *Integrate our IT platforms across the Group*
- *Successful phased implementation of Optimiser*
- *Roll out the Learning Management System across the wider Group businesses to all people managers and senior leaders*

Build a high-performing team which is recognised by the industry

Priorities for 2018
We aimed to:

- *Recruit new team members with specialist skills needed to expand our business*
- *Retain and upskill our employees*
- *Continue to broaden the commercial offering of our training academy to raise the overall quality and quantity of our skilled and well trained drivers, as well as for the wider industry*
- *Invest in training courses across a range of disciplines allowing employees at all levels to expand their knowledge and skills*
- *Deliver a new online Learning Management System (LMS) to facilitate extensive training to all employees*

Performance in 2018
Key highlights

- *Welcomed our first cohort of graduates to the business and launched a new Driver Development Programme (DDP) through our apprenticeship levy*
- *Developed a broader range of online training courses to senior leaders across the business*
- *Partnered with ACAS to train and coach our lead driver representatives*
- *Initial steps taken to introduce an Eddie Stobart logistics degree with the University of Bolton*

Priorities for 2019

- *Further develop strength of the management team*
- *Introduce a regular feedback and engagement platform which gathers insight from around the business*
- *Further develop our apprenticeship offering across the wider Group, in particular our warehousing division*

Chief Financial Officer's statement

"Revenue and underlying EBIT[1] grew by 35% and 14% respectively"

Damien Harte
Chief Financial Officer

Performance summary

Underlying Results*	2018	2017	Change
Revenue	**£843.1m**	£623.9m	35.1%
EBIT[1]	**£55.3m**	£48.5m	14.0%
EBIT[1] %	**6.6%**	7.8%	(1.2)ppts
EBITDA[2]	**£62.9m**	£55.3m	13.7%
EBITDA[2] %	**7.5%**	8.9%	(1.4)ppts
Adjusted profit before tax[3]	**£49.2m**	£37.3m	31.9%
Adjusted profit after tax[4]	**£41.8m**	£32.3m	29.4%
Adjusted free cash[5]	**£1.7m**	£30.0m	(94.3)%
Adjusted earnings per share[6]	**11.4p**	9.8p	16.3%

Statutory Results	2018	2017	Change
Revenue	**£843.1m**	£623.9m	35.1%
Operating profit before exceptionals	**£37.5m**	£31.0m	21.0%
Operating profit after exceptionals	**£29.7m**	£26.6m	11.7%
Profit before tax	**£23.6m**	£9.9m	138.4%
Profit after tax	**£16.2m**	£4.9m	230.6%
Dividend per share	**6.30p**	5.80p	8.6%
Net cash from operating activities	**£(3.3)m**	£18.9m	(117.5)%
Earnings per share	**4.4p**	1.2p	267.0%
Net debt	**£159.7m**	£109.5m	45.8%

1 Underlying EBIT is defined as Profit from operating activities before exceptional items, amortisation of acquired intangibles, employee share costs funded by previous parent holding group, charges to the income statement relating to the management incentive plan and long term incentive plan, investor and management charges, the impact of severe weather, start-up costs associated with contract wins, *including the gain arising on any lease agreements and Group's share of profit from equity accounted investees.*
2 Underlying EBITDA is defined as Underlying EBIT before depreciation of property, plant and equipment.
3 Adjusted profit before tax is defined as profit before tax adding back exceptional items, amortisation of acquired intangibles, employee share costs funded by previous parent holding group, charges to the income statement relating to the management incentive plan and long term incentive plan, the impact of severe weather, start-up costs associated with contract wins and including the gain arising on lease agreements.
4 Adjusted profit after tax is Adjusted profit before tax less tax.
5 Adjusted Free Cash Flow is defined as Cash generated from operating activities less purchase of property, plant and equipment adding back proceeds from sale of property, plant and equipment and less taxes paid and adding back the cash impact of exceptional items.
6 Adjusted Earnings per share is defined as adjusted profit after tax divided by the weighted average basic number of shares in issue at 30 November 2018.

- 2018 represents a major milestone in delivering Eddie Stobart's strategy of becoming a full end-to-end solution provider
- Strong revenue growth of 35% to £843.1m (2017: £623.9m), driven by new contract wins with an annualised total revenue of £162m, organic growth from existing customers and contributions from our acquired businesses
- All customer sectors achieved significant growth with E-commerce revenues growing 65% to £171.0m (2017: £103.4m), Retail increasing by 43% to £241.1m (2017: £168.6m), Consumer increasing by 26% to £182.1m (2017: £144.6m) and MIB growing 16% to £211.1m (2017: £182.0m)
- Continued strong performance from our acquired businesses iForce Group, The Pallet Network Group (TPN), The Logistic People and Speedy Freight following successful integration and delivery of planned synergies
- Underlying EBIT[1] growth of 14% to £55.3m (2017: £48.5m)
- Underlying EBIT[1] margin reduced from 7.8% to 6.6% reflecting temporary costs of re-optimising the provider networks as a result of major contract wins in the first half of the year. Margins are expected to improve in 2019
- Statutory profit before tax increased 138% to £23.6m (2017: £9.9m)
- Statutory operating profit before exceptional costs grew 21% from £31.0m to £37.5m
- Net debt increased to £159.7m (2017: £109.5m) reflecting new debt associated with the acquisition of TPN and working capital investment to support year-on-year sales increase which is expected to normalise in 2019
- Adjusted earnings per share increased 16.3% to 11.4p (2017: 9.8p) and statutory earnings per share is 4.4 pence per share for the year (2017: 1.2 pence per share)
- Final dividend proposed of 4.76 pence per share making a total dividend of 6.30 pence per share for the full year

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

A full reconciliation of adjusting items to their statutory equivalent is set out in note 4 of the financial statements and definitions for these adjusting items are set out above.

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

Revenue by sector

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

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

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

All of our customer sectors achieved double digit revenue growth:

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

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

Profit and margins

Underlying EBIT for the 12 months to 30 November 2018 was £55.3m (2017: £48.5m), which was broadly in line with market expectations. Our underlying EBIT margin was 6.6% compared to 7.8% in 2017. As discussed in the Chief Executive's report, this reflects investment (predominantly in the first half of the year) in implementing the significant contract wins. As expected, margins improved in the second half of the year and are expected to recover further in 2019.

Investment in infrastructure

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

In 2018 we completed the redevelopment of our Goresbrook, Dagenham site by commissioning a new 180,000 sq ft warehouse to increase the total warehouse space at the site to 441,000 sq ft doubling the pallet capacity of the site to 28,000 pallets spaces. The site synergistically offers multi-user capacity for Eddie Stobart, TPN and Speedy Freight operations and is fully occupied and operating at capacity.

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

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

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

We have also successfully capitalised on the long-term trend towards e-commerce and now have 8.8m sq ft of warehouse space (including warehousing acquired as part of the TPN acquisition), operating at optimum capacity with rents on or below market. As a consequence, our future operating lease commitments have increased in line with the additional space and this is detailed in note 26.

Chief Financial Officer's statement continued

Cash flow and funding

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

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

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

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

The cash tax charge was a payment of £3.7m in the year as compared to a £2.7m payment in the prior year reflecting higher tax instalments on the increased pre-tax profits in the year to 30 November 2018. Within the year, the cash cost of acquisitions was £22.1m. The table above reconciles the headline funds raised of £54m with the net cash consideration of £22.1m.

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

Net Debt

Net Debt	2018 £m	2017 £m
Finance leases	**9.7**	17.8
Bank loans	**126.3**	103.6
Overdraft / (cash)	**23.7**	(11.9)
Net Debt	**159.7**	109.5

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

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

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

Covenant	Ratio to EBITDA	2018	2017
Leverage ratio[1]	<3.2	**2.4**	1.9
Net interest cover[1]	>4.0	**10.7**	10.6

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

Financing costs

Finance Income and Finance Expense	2018 £m	2017 £m
Finance Expense		
Interest payable on bank loans and overdrafts	**5.2**	6.3
Amortisation of bank fees	**0.6**	1.0
Interest payable on loan notes	**0.1**	1.7
Interest payable on finance leases	**0.6**	0.7
Interest rate swaps - fair value through P&L	**(0.4)**	-
Total finance expense	**6.1**	9.7
Finance expense: exceptional items		
Residual capitalised bank fees relating to the previous loan	**-**	6.6
Costs associated with swap closure	**-**	1.1
TPN banking arrangement exit costs	**0.5**	0.0
Total finance expense: exceptional items	**0.5**	7.7

As expected our net finance expense has reduced 38% from £9.7m to £6.1m in 2018. The 2017 net finance expense cost included five months of the pre-IPO capital structure which had both a higher level of borrowing and a more expensive interest structure.

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

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

Exceptional items

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

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

Tax

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

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

Dividends

Dividends	2018 pence per share	2017 pence per share
Interim	**1.54**	1.40
Final (recommended)	**4.76**	4.40
Total	**6.30**	5.80

	2017 £m	2017 £m
Interim	**5.8**	5.0
Final (recommended)	**18.1**	15.8
Total	**23.9**	20.8

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

We are also recommending a final dividend of £18.1m (4.76 pence per share) giving a total of £23.9m (6.30 pence per share) for the year. The final dividend will be paid, subject to shareholder approval, on 7 June 2019. The record date will be 10 May 2019.

Earnings per share

Underlying basic and diluted earnings per share are 11.4 pence (2017: 9.8 pence) and 11.3 pence (2017: 9.8 pence) respectively. Statutory basic and diluted earnings per share was 4.4 pence (2017: 1.2 pence).

Acquisitions

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

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

Further deferred consideration of £8.7m will be payable, in two even instalments 12 months and 24 months following the acquisition date. The amount has been spread evenly over the 24 month period as an exceptional item, with £2.7m recognised during the year ended 30 November 2018.

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

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

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

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

Annual General Meeting

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

Damien Harte
Chief Financial Officer
28 March 2019

Our Group businesses

\\\ Our business has evolved significantly over the past few years, and we now offer a comprehensive range of transport solutions to all our customers //

David Pickering **Eddie Stobart**

Eddie Stobart transport operations

Eddie Stobart is recognised for providing high levels of customer service and competitive operational solutions across container logistics, rail and primary and secondary transport.

We deliver operational excellence through deployment of our pay-as-you-go, technology-enabled, shared-user network, which provides innovative transport solutions to our four key customer sectors. This ensures we stay one step ahead in today's competitive market and maintain and grow our customer relationships. Our expert and dedicated teams are at the forefront of our business enabling us to stay close to our customers and deliver a first-class service.

With our Speedy Freight and TPN operations, we also now provide less-than-full truckloads movements which enables us to operate our fleet more effectively and increase the range of services we provide:

Customers now demand reliable and flexible ways of moving their goods from the point they are sourced, manufactured or imported to the final delivery point. Our development team's role is to explore all operational options and recommend to the customer the most effective way of moving their products across the supply chain.

Our transport offer consists of:

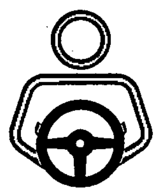
- Container logistics
- Trunking
- Primary - full truck loads and less-than-full truckloads
- Secondary - full truck loads and less-than-full truckloads
- Rail

Our rail offering is an integral part of our supply chain and dovetails with our extensive trunking fleet and primary and secondary transport operations to ensure we offer customers choice in terms of the most effective route to market for their products. We have added to our existing UK rail operation with a new service from the Port of Tilbury to Daventry, with up to 180 containers moving each week. This is in addition to the 12 trains a day we already operated, moving approximately 3,000 containers a week. Our rail operations reduce the number of road miles in line with our and our customers' environmental priorities.

The effective use of technology is key to the success of our large scale network and ensures we deliver a diverse range of customer solutions.

We continue to invest in our technology, including deploying a new bespoke software solution called MyWorkforce. This allows employees to self-manage their attendance, holidays and absences, along with simplifying current ways of working.

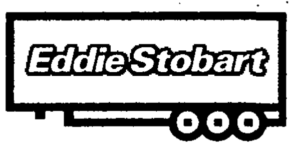
The focus for the year ahead is to launch our optimised transport solution; phased implementation is scheduled to begin mid-2019. The system will automate our transport planning and improve our utilisation rates by reducing empty vehicle miles, as well as provide enhanced visibility to customers. This, combined with MyWorkforce, will significantly improve the overall performance of our network.



ACCESS TO
c.3,500
DRIVERS

c.2,600
VEHICLES

c.5,000
TRAILERS



"We have ambitious plans; our strategy is to be seen across the supply chain as the go-to company for contract logistics and e-commerce solutions"

Sébastien Desreumaux iFORCE

iForce

iForce is at the forefront of the modern e-commerce market. Some of the UK's most well-known brands are our customers. We have helped them maximise the potential of multi-channel retailing through our operational expertise and market-leading software solutions.

We have a strong IT platform and the expertise and knowledge to grow at pace, improve customer service and increase profitability in the UK and Europe.

We have recently implemented our first iForce contract in Genk, Belgium which sees us working with Eddie Stobart's European transport operations to deliver a logistics and transport solution to a major blue-chip customer.

We have a rich heritage of supporting and enabling our customers' growth through robust, scalable and flexible solutions.

Customers choose us for the combination of our technology allied with our operational expertise and consulting skills which enables us to provide a bespoke service.

The offer consists of:

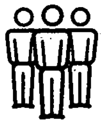
- E-fulfilment
- Carrier sourcing and management
- Returns management
- Revive - a remedial and repair solution
- Stock clearance - using our Marketzone web portal

We invest in our proprietary software platform, which allows us to support specific customer requirements as well enhancing our overall offer in the e-commerce market.

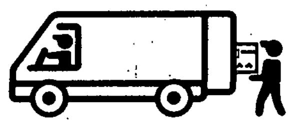
We operate single and multi-user sites giving our customers cost effective solutions at every stage of their growth, which deliver economies of scale and return on investment. We are able to adapt to e-commerce seasonality and complexity by deploying ad hoc resources with the support of the Group's internal recruitment agency, The Logistic People.

By working collaboratively with our customers we have developed a unique and resilient model in terms of technology, excellence in execution and scalability which provides an innovative, cost effective route to market for customers who wish to grow in the e-commerce sector.

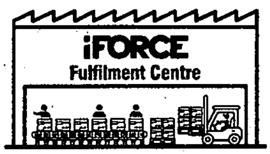
Becoming part of the Group provides increased opportunities for cross-selling our services to existing Eddie Stobart customers.

c.1,200
FTEs (of which 925 are direct employees), reaching

2,000
over peak

c.84 million
ITEM DESPATCHES



8
SITES



Our Group businesses

\\ The Pallet Network (TPN) is one of the UK's leading palletised freight distribution networks operating day one collection for day two delivery through its 106 members and 125 depot locations across the UK //

Mark Duggan

The Pallet Network

TPN's members delivered c.4 million pallets in 2018 offering extremely high service levels, which are underpinned by the quality of the TPN member companies and TPN's scalable and sector-leading systems and technology.

Since acquisition in June 2018, TPN has performed strongly. The commercial and operational success of its members is a priority for TPN. The network is successful when its members are successful and the culture is one of mutual support, partnership and trust.

The acquisition of TPN has extended the Eddie Stobart Group's overall supply chain offer to include less-than-full truckload services for new and existing customers. Access to the services of TPN's extensive member network has added to the resilience of the Eddie Stobart transport network; members collaborate with Eddie Stobart to provide transport services to existing Eddie Stobart customers where needed. Further synergies and opportunities for collaboration have been identified for 2019.

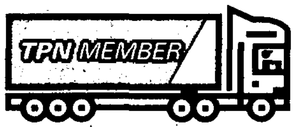
The palletised freight market is growing between 5 and 10% annually, with TPN annual growth rate being towards the top end of this range. TPN remains well placed to continue to grow at these levels going forward.

Core to TPN's operation is its market-leading software TPN Connect. This system is free for members to use for palletised freight distribution or elsewhere in their business and offers complete management from collection through to final delivery and invoicing.

Freight customers can input their own jobs online, print their own labels, track their pallets and receive real-time notifications, streamlining processes and driving efficiency. They can also access full tracking information for free on their mobile phones using the TPN app, TAPP.

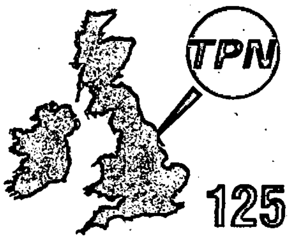
c.4 MILLION

PALLETS MOVED IN 2018



106

MEMBERS WHO ARE INDEPENDENT REGIONAL DISTRIBUTION SPECIALISTS



125

MEMBER LOCATIONS THROUGHOUT THE UK

367,500 SQ FT

MAIN HUB LOCATION IN MINWORTH

REGIONAL HUBS IN NORTHAMPTON AND PRESTON

\\ Speedy Freight specialises in urgent, same or next day deliveries for commercial and domestic customers across the UK and Europe //

Mike Smith Speedy Freight

Speedy Freight

We collect items of any size or shape and supply a wide range of vehicles from vans to 7.5 tonne and articulated trucks, operating 24 hours a day, 365 days a year.

Operating from 56 franchised locations and covering every UK postal code, our business has achieved annual growth rates of over 38% since it was established in 2006.

We operate an asset light model with a scalable large network of preferred drivers across the UK, operating a wide range of equipment, thus allowing us to meet our customer requirements no matter how diverse. Our dedication to customer service ensures that our customers stay with us for the long term.

The same day and express industry has seen significant growth in the last few years at 11% per annum, and is forecast to continue to do so until 2021.

We have seen good growth across newly-launched franchise offices, whilst continuing to develop and expand our already established sites. In 2018 we completed nearly 140,000 deliveries, an increase of 36% (2017: 103,232), with the monthly figure peaking at over 14,500 deliveries in November.

We are investing in our processes and IT infrastructure to facilitate further growth of each franchise and provide wider network coverage, alongside improving overall customer experience.

Becoming part of the Eddie Stobart Group has enabled us to expand into new customer sectors such as e-commerce and fulfilment, for example we recently provided a dedicated same day solution across three large regional fulfilment centres, for a major blue-chip customer of Eddie Stobart Logistics plc. We have also been able to grow our fleet through competitive lease deals.

For 2019, our strategy is to continue to grow through a focus on training and development across the franchise network, coupled with a national communications plan. The strategy will be reinforced by local initiatives to develop and grow individual franchisees' businesses.

c.135,700
DELIVERIES IN 2018

56
BRANCHES COVERING EVERY UK POSTCODE

Our people

\\ As an employer of over 6,000 people we are focused and committed to making Eddie Stobart a great place to work. We value diversity and ensure we provide equality of opportunity for all our employees. Within our workforce, we aim to have the right people with the appropriate skills to achieve our ambitions //

Developing our people

As we develop our business to deliver innovative solutions across the whole supply chain, it is our policy to ensure that employees are recruited, selected, developed, remunerated and promoted on the basis of their skills and suitability for the work performed.

With our online Learning Management System (LMS) training platform we have launched a range of courses which are available to all senior leaders and people managers. This will allow us to develop standardised capabilities across the Group.

Recruitment and training

We recruit individuals with the talents and results-driven attitude we need to meet the high standards of performance our customers expect. We have a robust recruitment process to select the best candidate for the job using a variety of aptitude tests and personality assessments to support our recruitment processes.

Focused driver recruitment campaigns working collaboratively with our in-house specialist recruitment service provider, The Logistic People, have yielded a significant response, allowing us to meet customer requirements during peak periods and effectively resource contract start-ups. Our recruitment strategy has also enabled us to further enhance our relationship with the Career Transition Partnership (CTP) in supporting military service leavers.

Eddie Stobart has a central training team supporting the development of drivers, warehouse operatives, support staff and management, all of whom have differing needs and skills. There is a range of specialist trainers within the team such as SQA Grade One accredited ADR instructors (transportation of dangerous goods), Association of Lorry Loaders, Manufactures and Importers (ALLMI) instructors and Microsoft Office training specialists. Our driving schools also have their own DVSA delegated examiner.

The number of drivers trained per month and year to date, and the number of recruits across the business, are key performance indicators that are monitored by senior management.

The expertise of our training team is well recognised in the industry. We are proud to have been invited to join an advisory panel to the Department for Transport (DfT), focusing on the design of courses to reflect changes in regulations applicable to the transport of dangerous goods.

Graduate and apprenticeship programme

2018 saw our first ever intake for our graduate training programme which has been designed to give first-class training that will help develop their careers. It has been tailor-made to provide the business knowledge and technical training they require to become future leaders of our business.

We are also working alongside the University of Bolton to explore the design of a collaborative industry-focused undergraduate programme. This dedicated degree of BSc (Hons) Global Logistics, Transportation and Supply Chain Management (BSc GLTS), will focus on producing graduates in this discipline, with state-of-the-art knowledge and skills to support our business growth.
Through utilisation of our apprenticeship levy, we have launched our first cohort of drivers on our Driver Development Programme (DDP), by partnering with The National Logistics Academy to give our drivers the skills and knowledge they need to progress within our industry.

As part of our focus to develop and upskill all of our employees, we have launched our Warehouse Operative Level 2 Apprenticeship Programme.

Employee engagement

We focus on employee engagement to motivate and retain our talented people. We engage with and gather feedback from our employees through our well-established monthly driver and warehouse representative engagement sessions. In 2018 we established a new employee forum for office-based staff, with the aim of increasing engagement and getting feedback on how these employees 'think, feel and act' in relation to their roles.

A focus for 2019 is exploring channels through which we can engage with our dispersed workforce. We will be developing the functionality of our online HR system to improve the accuracy and flexibility of our HR service, helping us to improve resource planning and reduce HR related queries.

Diversity

At Eddie Stobart, we value diversity and believe in providing equality of opportunity. We have been striving to improve diversity in all areas across all levels and types of roles across our business.

We aim to develop the diversity of our workforce and support both men and women to develop the skills and experience they need to progress in our business of logistics, transportation, supply chain management and technology.

Awards

Our brand is widely recognised by our customers and the industry throughout the year with notable award wins including:

- Winners of the 'Training Award' at the 2018 Motor Transport Awards for the improvements our training team had made, from delivering in-house training to our employees, to the performance and commercial offering at our two driving schools
- Gold winners at the CIPR North West Pride awards 2018 for 'Best use of social media' in collaboration with Intelligent Conversation

We have recently been shortlisted for AAT Apprenticeship programme of the year for our Driver Development Programme.

Our core values

Openness and honesty
We draw on our huge depth and breadth of expertise to make sure we can be the best in what we do by working collaboratively as one team.

Trust and respect
We take the time to understand and listen to our colleagues and customers. We lead by example by keeping things simple, setting clear goals and achieving them.

Integrity
We put our employees and customers first and act in their best interests. When things go wrong, as they will from time to time, we'll hold our hands up and work to put it right.

Compassion
We're genuine and sincere and show consideration by supporting others when they need it most. We take personal responsibility for all of our actions.

Fun
We like to enjoy ourselves too, we celebrate when we've done a good job and we recognise the achievements of our people.

Corporate responsibility

“We are committed to running our business in a responsible way, as we continue to develop our corporate social responsibility practices to support our employees, customers and the environment now and in the future”

Business integrity and ethics
We operate our business in an ethical and responsible manner and we expect our employees and business operations to conduct themselves ethically, and to be honest, fair and courteous in their dealings with customers, key stakeholders and the wider public.

We ensure our policies and processes provide clear guidance to all employees. We have a Code of Business Conduct which explains our ethical standards as an organisation and how we expect our employees and suppliers to act.

Our whistleblowing policy provides guidance to all employees so that they know they can raise a concern about any possible wrongdoing on an anonymous basis.

We are committed to preventing modern slavery and human trafficking from occurring within any part of our business and supply chain and continue to focus on improving the effectiveness of our systems and controls in this area. Our Modern Slavery Act statement is available on our website: www.eddiestobart.com

Relationships with suppliers
As well as treating our suppliers fairly we expect our suppliers to conduct their businesses in a fair and ethical manner. Our Supply Chain Charter sets out the standards we expect them to comply with when conducting their business operations.

Our business continuity planning activities place significant focus on ensuring that in the event that key suppliers are affected by a business disruption we are able to continue supplying services to our customers.

Health, safety and wellbeing
Eddie Stobart has a strong culture of promoting health and safety standards throughout our business and we continue to seek ways to improve. This year we have invested in a new IT system using the latest technology to help us manage our health and safety processes, accident, incident and near miss reporting as well as site maintenance works and audits. This system enables us to better monitor accident frequency rates and types of injuries sustained so we can benchmark health and safety performance of specific sites and business areas. This helps us to take targeted actions to introduce safety improvement initiatives.

We have started the roll out of this new technology to the businesses we have acquired and are working with these companies in other areas to ensure we adopt a consistent integrated approach to health and safety across the Group.

We invest in safety training for all employees, particularly for our drivers and warehouse operatives. We track individual performance by reviewing driving records and incident reports.

All employees, including drivers and warehouse operatives, who join Eddie Stobart receive an induction course at our Training Academy which contains a strong emphasis on health and safety.

All drivers and warehouse operatives who join the business on a temporary basis receive a safety briefing before starting work which emphasises the safety standards we expect them to adhere to. Our drivers are required to undertake 35 hours of driving standards training in every five-year period to retain their Certificate of Professional Competence (CPC).

We continually seek to raise awareness of the importance of safe working practices through the promotion of various initiatives and campaigns such as National Road Safety Week, where we raise the importance of safety on roads and driving within speed limits.

There are dedicated teams within Eddie Stobart responsible for setting health and safety standards and monitoring performance against those across the organisation. The Group businesses also have specialist teams who promote our health and safety culture and ensure appropriate training of employees for the roles they undertake.

We monitor how we are performing by assessing Accident Frequency Rate and reported RIDDORs per month and in the year to date against the previous year's performance figures. Members of the senior management team regularly review this performance and safe working practices are reviewed and revised as appropriate.

We have comprehensive policies on safe working, accident management and on maintenance and servicing of our assets and equipment. Our internal teams undertake regular risk assessments to check that appropriate policies and standards are being adhered to. Remediation plans are put in place in relation to any issues identified and implementation of agreed actions are regularly monitored.

Focus on wellbeing
We believe that work should have a positive influence on employee wellbeing. We know that fitter, healthier employees are not only happier and more productive, but also have fewer work-related accidents. We support our employees primarily by focusing on two key aspects of wellbeing; mental and physical health.

Through national health awareness campaigns we engage with our employees with the aim of improving their knowledge and understanding of health issues, particular to the logistics industry.

In terms of physical health, we offer support and proactive engagement through our corporate induction and driver training programmes. We have also partnered with a number of fitness centres across our geographical locations, so that we can provide discounted gym memberships for employees.

Environment

Environmental protection is important to us and we continue to work with partners such as the FTA Logistics Emissions Reduction Scheme (LERS), which provides the logistics sector with capabilities to enhance the recording and reporting of progress in reducing emissions from freight operations and Inspired Energy, who assist us in reducing electricity and carbon emissions. We are also members of the CRC Energy Scheme (formerly the 'Carbon Reduction Commitment') under which we monitor and assess our energy usage annually.

As a member of the logistics sector's Environmental Benchmark Forum, we work with other logistics companies sharing best practice and advice on environmental initiatives.

We are seeking to reduce our energy consumption, working with expert advisers on, for example, further improving our use of LED lighting and solar panels. We are also committed to enhancing our monitoring of water consumption so we can better manage usage and to improving recycling initiatives we have introduced this year.

We are working with the businesses we have acquired to ensure that all Eddie Stobart companies are consistent in their approach to reducing emissions and energy use and are proactively taking steps to reduce their environmental impact.

The engines in the Eddie Stobart fleet are the cleanest available, meeting Euro 6 emission standards. We continue to investigate new technologies to further improve our environmental standards. By investing in our optimisation technology we will further reduce empty vehicle miles, minimising the overall impact on the environment.

Our Driver Development Programme (DDP), which includes training in Safe and Efficient Driving, helps us reduce fuel consumption by encouraging more efficient driving practices. Our telematics systems enable us to monitor drivers' behaviour by tracking harsh braking, idling and lack of cruise control which lead to fuel inefficiency.

We continue to measure and monitor our operational carbon footprint in order to assess our environmental impact. As the Group has expanded and has a larger fleet travelling a greater total distance, our total scope one emissions* (relating to fuel usage) have increased. However, we are pleased that we have improved the fuel efficiency rates of the Eddie Stobart fleet and achieved a higher average km travelled per 100 litres of fuel than in 2017. Our scope two emissions** (derived from electricity usage) decreased in 2018.

Supporting our local communities

While 'When you wish upon a Star' is our corporate charity partner, we have communicated to our employees to champion and support local causes which are important to their teams and customers.

In 2018 our people supported causes that mattered to them most; they chose to donate to Alzheimer's UK. Our teams got creative dressing as elves, they took part in gruelling muddy obstacle courses and ran marathons dressed as Santa. They also collected for and donated to Warrington Food bank, which is part of the Trussell Trust network, a charity that provides three-day emergency food supplies to people living in crisis.

Eddie Stobart is a forces-friendly employer

We received the Silver Employer Recognition Scheme (ERS) award in April 2018.

As a signatory to the Armed Forces Covenant, Eddie Stobart has pledged to support our Armed Forces. In particular we seek to:

- Provide employment opportunities for Armed Forces leavers and veterans
- Enable our employees who are members of the Reserves or are cadet instructors to be able to undertake their commitments by offering an extra two-weeks' paid leave on top of normal holiday allowance to attend an annual camp
- Facilitate careers awareness activities for cadet units
- Raise awareness of and provide support for Armed Forces charities that are aligned with Eddie Stobart's priorities
- Work alongside the Career Transition Partnership (CTP) to encourage job applications to increase exposure to the service leaver community

Our commitment to the Armed Forces is supported across Eddie Stobart and is led by our HR Director. We have put in place our own experienced internal liaison officer who provides support to our reservists and cadets.

* Scope one (direct) GHG emissions are derived from the consumption of gas, oil and vehicle fuel
** Scope two (indirect) GHG emissions are derived from the consumption of purchased electricity

Scope one and two emissions calculated in accordance with the applicable governmental department requirements in force at relevant time i.e. 2018: requirements of the Department for Business Energy and Industrial Strategy and 2017: DEFRA requirements

Risk management and principal risks

Risk management framework

The Board is ultimately responsible for setting the Group's risk appetite and for overseeing the effective management of risk. The Board has delegated oversight of risk management and internal controls to the Audit Committee. Day to day risk management is the responsibility of the senior management team. A risk management framework setting out the Group's risk management's processes and procedures is in place and is reviewed by the Audit Committee annually.

A Group level risk register is maintained recording the mitigating factors and actions in place for each risk and a report on the review of that register by senior management is submitted to the Audit Committee.

The principal risks facing the Group have been identified by the Directors (with senior management input) and the mitigating actions agreed.

Principal risks	Mitigation
Economic environment risk	
Changes in the economic environment, whether resulting from the UK's decision to withdraw from the EU or otherwise, changing government policy and legislation or other external factors, may adversely affect our business and our customers' businesses. For example: more complex rules for cross-border transport and restrictions on the movement of workers from Europe may affect the Group's operations and financial position and changes in planning legislation or property-related policies may adversely affect the property market and our ability to enter into commercially attractive property transactions and generate value from our property expertise.	The Group monitors developments and proposed changes in government policies, legislation, regulation and other factors that may impact our business and our customers' businesses. Our strategy is kept under close review to ensure we respond to any such impact. The Board views the potential impact of Brexit as an integral part of the economic environment risk rather than a stand-alone risk. Significant uncertainty continues as to the outcome of negotiations with the EU following the UK's decision to withdraw from the EU. Although we have experienced no significant impact on our business to date, we will continue to monitor the implications for our business and respond appropriately. Our unique operating model provides us with the flexibility to respond rapidly to changing market conditions. During the year, we have taken steps to improve the resilience of our network, such as acquiring The Pallet Network, giving us access to the services of its extensive network of members. We have continued to mitigate risk relating to security of labour transport and warehousing operation by further developing our in-house recruitment capabilities following the acquisition of The Logistic People and continuing to invest in our driving schools.
Operating environment risk	
Customer demand for outsourced logistics and warehousing services may change, reflecting the changing behaviours of consumers. There may be changes in the availability of high quality warehouse capacity and other property opportunities to support business growth. New technologies may emerge that change the nature of the logistics industry.	We continually review and monitor market developments including new technologies, property opportunities and emerging logistics business models, and review our strategy accordingly. The Group stays in close contact with its customers to ensure we understand and can respond to their changing needs. We continue to invest in developing our own state of the art technology in order to stay at the forefront of technological expertise in the logistics industry.
People risk	
Loss of one or more key members of the senior management team or failure to retain and attract experienced and skilled people at all levels across the business could also have an adverse impact.	The management team is appropriately rewarded for its efforts and succession plans are in place across key positions in each of the businesses. As noted in the Remuneration report on page 34 a review and benchmarking exercise is underway in relation to remuneration of Executive Directors and senior management to ensure our remuneration packages remain appropriate to attract and retain talented people. We take pride in creating a positive workplace environment, through training, engagement, rewards and values.
Customer risk	
Loss of one or more of our key customers could have a material impact on Group revenues.	We believe that the best way to mitigate this risk is to continue to deliver excellent levels of service at competitive rates. We monitor our key customer dependency regularly and seek to balance our exposure to each market sector we operate in by targeting new customer opportunities. We typically have long-standing customer relationships; a number of key relationships have lasted for longer than 15 years. A healthy pipeline of new opportunities is being evaluated. This risk is also mitigated by our strategy of building a balanced portfolio across the sectors we operate in.

Health and safety risk

Our business involves operating vehicles and other assets, and working in environments that can be a risk to people and property. Our primary concern is to minimise, to the extent possible, the risk of harm to people who work in our business or are affected by it.

Induction sessions for new employees (including our drivers and warehouse operatives) involve health and safety training and we run an on-going health and safety training programme. We also have a comprehensive suite of health and safety procedures that all new joiners must confirm they will adhere to.

We have a dedicated Head of Health, Safety, Quality and Environment who oversees a team responsible for setting our health and safety standards and monitoring compliance with our comprehensive health and safety processes and procedures. This team undertakes health and safety reviews of our sites and customer sites to ensure compliance with appropriate standards. There are well-established accident reporting procedures and reviews are undertaken after all significant incidents to ensure our policies have been followed and that we enhance our standards where we can to reduce the risk of future accidents occurring. We have invested a new IT system using the latest technology to help us manage our health and safety processes, accident, incident and near miss reporting as well as site maintenance works and audits. This system enables us to better monitor accident frequency rates and types of injuries sustained so we can benchmark health and safety performance of specific sites and business areas and take targeted actions to introduce safety improvement initiatives.

Reputational risk

Our potential to win new business or develop existing relationships could be adversely affected by a material incident and negative press could affect public perception of our brand. Such incidents could include a significant failure to deliver a customer project, wrong-doing or fraud by an employee, breach of our IT security system, a natural disaster such as a fire or flood preventing us from operating from a site or a major health and safety incident.

We have comprehensive processes and procedures in place to manage operational risk and adherence to those processes and procedures is regularly reviewed by our HSQE team. We also have business continuity plans in place and escalation processes to ensure significant incidents are dealt with promptly and effectively. Our communications with the press are handled by our Head of Communications and experienced external PR advisers.

Systems and technical risk

A failure or unavailability of a key IT system, unauthorised access or a cyber security breach could have a significant impact on operational performance, company reputation and financial performance.

We partner with industry-leading formally-accredited, data centre hosting providers. All critical core IT infrastructure and data is replicated across dual data centres, to provide resilience and availability. A formal testing programme is in place to provide assurance of recovery in the event of a disaster.

We continue to invest in cyber-security solutions, tools and infrastructure in line with industry best practice and provide formal governance and risk management of the cyber security posture through the information security steering group, which includes senior executive management representation. Independent security testing is regularly conducted by certified, specialist security organisations and we have access to specialist technical forensic resources in the event of a significant cyber incident.

Financial risk

Failure to meet covenants in financing documents could result in lack of available funding. Lack of available cash could result in the Company being unable to meet its financial obligations.

Net debt is monitored on a daily basis and banking facilities are reviewed against future expected cash flow movements to ensure that adequate facilities are in place.

Legal and regulatory risk

We are required to comply with extensive and complex legal and regulatory requirements. Non-compliance could result in significant fines, reputational damage (and possibly criminal proceedings), withdrawal of operating licences and closure of sites. Changes in laws and regulations could have an adverse impact on operations and financial performance.

We have systems and procedures in place to ensure compliance with, and to manage the impact of, and changes in, government legislation and regulation such as agency worker regulations, vehicle operating procedures and environmental requirements.

This strategic report was approved by the Board on 28 March 2019 and signed on its behalf by;

Damien Harte
Chief Financial Officer

Board of Directors

Philip Swatman, Non-executive Chairman

Chair of the Remuneration Committee and member of the Audit Committee.

Appointed in April 2017.

Skills and experience: Philip has extensive capital markets experience, having served as a Managing Director and subsequently Co-Head of Investment Banking of NM Rothschild between 1998 and 2001, thereafter serving as Vice-Chairman of Investment Banking until 2008. Philip has been involved in a significant number of high profile transactions including the IPO of Vodafone and the sale of BPB plc to Saint Gobain.

Other roles: Philip has served as a non-executive director at nine companies, including as a member of the Council of Lloyd's. His present roles include Chairman of Cambria Automobiles plc and non-executive director of a number of private companies.

Alex Laffey, Chief Executive Officer

Joined Eddie Stobart in May 2015.

Skills and experience: Alex is an international logistics expert with over 25 years' experience in supply chain distribution at a senior level. He has operated in a number of markets across Europe and Asia for grocery supply chains and general merchandise, in-store and online operations. He headed international distribution for Tesco and led a review of the company's global logistics blueprint to realise synergies across all of its markets. This programme delivered significant cost savings and service improvements. In addition, Alex also managed Tesco's UK logistics, with over 50,000 store deliveries per week and a £1.6 billion annual cost base.

Damien Harte, Chief Financial Officer

Joined Eddie Stobart in December 2016. Has resigned effective 31 March 2019.

Skills and experience: Damien has over 30 years' experience in senior financial positions of large organisations across a range of sectors in the UK and internationally, including logistics and distribution, manufacturing, renewable energy, media and leisure. Most recently he was Global Chief Financial Officer of LM Windpower, a leading player in the global renewable energy market.

Damien is a Certified Accountant and holds an MBA from the University of Chicago.

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Christopher Casey, Non-executive Director

Chairman of the Audit Committee and member of the Remuneration Committee.

Appointed in April 2017.

Skills and experience: Christopher has over 30 years' strategic financial experience. He was previously a partner of KPMG LLP and its predecessor firms from 1992 until 2010. He has extensive experience as an audit committee chairman and non-executive director of publicly listed companies.

Other roles: He is currently a Non-Executive Director of TR European Growth Trust plc, BlackRock North American Income Trust plc, City Natural Resources High Yield Trust plc and Mobius Investment Trust plc.

Stephen Harley, Non-executive Director

Member of the Audit Committee and the Remuneration Committee.

Appointed in April 2017.

Skills and experience: Stephen brings significant international logistics and supply chain expertise to the Board. He spent most of his 42 year career with Ford in logistics and supply chain management and held the most senior positions in this area: executive director for global material planning and logistics and for parts supply and logistics.

Other roles: Stephen is currently Managing Director, Asset Businesses for Laing O'Rourke.

Elaine Williams, Company Secretary

Appointed in October 2017.

Skills and experience: Elaine joined the business in 2017, having formerly held roles as general counsel, company secretary and deputy company secretary in major FTSE 100 companies. Elaine brings extensive experience of corporate and commercial legal transactions, corporate governance and compliance.

Governance

Philip H Swatman
Chairman

\\ We continue to promote good governance that supports effective decision making and the delivery of our strategy //

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During the year the Board has continued to focus on promoting good governance that supports delivery of our strategy and encourages openness and accountability. We are committed to promoting a governance structure that enables effective decision-making, enhances our business and protects the interests of our stakeholders. As Chairman, one of my principal responsibilities is the effectiveness of our governance, including the effective operation of the Board and ensuring it plays a constructive role in the development of our strategy and objectives.

The Board has overseen the progress made this year in our strategy of becoming a provider of end-to-end supply chain logistics solutions including the successful acquisition of The Pallet Network, a specialist in palletised distribution services. This acquisition has further broadened the range of services the Eddie Stobart Group, including our subsidiaries, iForce, Speedy Freight and The Logistic People can offer to customers. We will continue to focus on growth opportunities for the business across the supply chain including cross selling new services to existing customers and will regularly review our strategy.

We welcome Anoop Kang as our new Chief Financial Officer for the remainder of the 2019 financial year. Board members have been closely involved in the selection process and we are confident that Anoop's appointment will further enhance the breadth of the skills and experience of the Board. Further information on the work of the Board during the year is set out in page 32.

The Audit Committee, which has responsibility for oversight of our internal controls and risk management framework, has progressed the development of assurance on internal controls during the year, further enhancing the governance of the Group. Following the appointment of BDO LLP in January 2018 to provide internal audit services, the Audit Committee has considered internal audits reports covering a range of business and functional areas across the Group.

Audit Committee members were also closely involved in the selection of our new external auditors, PricewaterhouseCoopers LLP, who have undertaken the audit of the group financial statements for the 2018 financial year. Further information about the work of the Audit Committee is set out on page 33.

Further information on the work of the Remuneration Committee and the remuneration arrangements for the Directors and senior management is set out in the Remuneration report on pages 34 and 35.

Philip H Swatman
Chairman
28 March 2019

Code compliance

The Company complies with the requirements of the QCA Governance Code, which is considered appropriate for an AIM listed company. The Governance section of this annual report (pages 30-37) describes the principal elements of our governance structure which comply with the principles of the QCA Governance Code. The Company has published a corporate governance statement, which explains how the Company satisfies the requirements of the QCA Governance Code and where relevant disclosures made in accordance with the QCA Governance Code can be found. The corporate governance statement, which is available on the Company's website at www.eddiestobart.com, is reviewed and approved by the Board annually.

The Board

Role of the Board

The Board considers and approves the Company's strategy, budget, material transactions and corporate actions and oversees the Company's progress towards its strategic objectives. There is a written statement of matters which require Board approval, which is reviewed annually.

Board members

The Board is comprised of three independent Non-executive Directors and two Executive Directors. The Non-executive Directors were appointed shortly before the IPO in April 2017. The two Executive Directors during the 2018 financial year joined Eddie Stobart prior to the IPO. Alex Laffey became Chief Executive in May 2015. Damien Harte joined as Chief Financial Officer in December 2016 and will retire from the Board on 31 March 2019 due to family health reasons. Anoop Kang has been appointed Chief Financial Officer with effect from 1 April 2019.

There is a clearly documented division between the executive role of the Chief Executive and the role of the Non-executive Chairman, which is reviewed annually. The Directors have determined that, given the size of the Board, it is not appropriate to appoint a senior independent non-executive director.

The time commitment expected of the Non-executive Directors is commensurate with the size and complexity of the Company and as necessary to properly perform their duties. Attendance at a minimum of twelve Board meetings a year and the annual general meeting is expected.

Skills and experience

The Board members bring a wealth of commercial and financial expertise to the Board from a variety of backgrounds. Please see the biographies of the Directors as at the date of this report on pages 28 and 29 for further information on their skills and experience.

Anoop Kang, who joins on 1 April, brings to the Board extensive financial and investor relations experience gained in listed companies. He was most recently the Chief Financial Officer of Cambian Group plc and previously held a number of senior financial positions at Keir Group plc and Balfour Beatty plc. Anoop is a Chartered Accountant. The Directors at the date of this report believe the Board has, and will continue to have following the retirement of Damien Harte and the appointment of Anoop Kang, an appropriate mix of skills and experience to provide strong and effective leadership.

Each Director is aware of the importance of keeping their skills up to date. Members of the senior management team provide industry specific updates and the Company Secretary provides briefings on developments in corporate governance and the regulatory framework.

Independence

All of the Non-executive Directors (including the Chairman) are considered to be independent. Independence of the Non-executive Directors is reviewed annually and the Board has determined that each of them continues to demonstrate strong independent judgement and there is no relationship that could materially interfere with the exercise of their independent judgement.

Board Committees

The Board has established an Audit Committee and a Remuneration Committee. Each of the Non-executive Directors is a member of these Committees. The Executive Directors and other members of senior management attend at the invitation of the Committee. The terms of reference of these committees are available on the Company's website. Given the size of the Board it is not considered necessary to establish a Nomination Committee.

Board

The Board is responsible for the Company's strategy and oversees the conduct of its business.

Audit Committee

The Audit Committee has responsibility for:

- Monitoring the integrity of the financial statements of the Company
- Advising on appropriate accounting policies and reviewing management judgements
- Reviewing the effectiveness of the internal control and risk management systems
- Approving the internal audit plan
- Approving the external audit plan and reviewing the effectiveness of the external auditor

Remuneration Committee

The Remuneration Committee has responsibility for:

- Determining the Company's policy framework for the remuneration of the executive directors and members of senior management
- Approving the design of any incentive schemes and the targets for any performance related schemes

Executive Management

The Executive Management team supports the Chief Executive in relation to the implementation of the Group's strategy and management of the day to day operations of the Group.

The Board continued

Board and Committee meetings and attendance

Board meetings are scheduled to be held monthly with ad hoc meetings called when needed. Thirteen Board meetings were held in the financial year ended 30 November 2018. All Directors attended all the Board meetings. The table below illustrates attendance at Board and Committee meetings in the 2018 financial year.

Director*	Board	Audit Committee	Remuneration Committee
P H Swatman	13	4	1
C Casey	13	4	1
S Harley	13	4	1
A Laffey**	13	-	1
D.Harte**	13	3	1

Note: *All Directors attended all Board meetings and all Committee meetings they were entitled to attend as members.
**The Chief Executive and Chief Financial Officer are not members of the Audit or Remuneration Committees but attend Committee meetings at the invitation of the Chair of the Committee.

Board activities since the start of the 2018 financial year have included oversight and consideration of:

- Strategy and progress towards strategic objectives
- The acquisition of The Pallet Network
- The selection and appointment of a new Chief Financial Officer
- The external market environment including the risks and opportunities as a result of the referendum to leave the EU
- The principal risks faced by the Company
- Updates on business activities and financial performance
- Working capital management
- The Company's dividend policy
- Business pipeline and future opportunities
- Property-related opportunities to support business growth
- Updates on investor relations and share price performance
- People issues such as recruitment, incentivisation and succession planning

Role of the Executive Management

The Board has delegated to the Chief Executive the authority to manage the day-to-day operations of the company. Authority in relation to financial matters is delegated to the Chief Financial Officer. The Executive Management team supports the Chief Executive in discharging his responsibilities. The following members of senior management report directly to the Chief Executive Officer:

Chief Operating Officer, Transport Operations - David Pickering
iForce and Contract Logistics and Warehousing - Sebastien Desreumaux
Speedy Freight - Mike Smith
The Logistic People - Simon Edwards
European Operations - Raf Hustinx

Chief Information Officer - John Court
Human Resources Director - Angelina Miley
Legal Director and Company Secretary - Elaine Williams
Corporate Affairs Director - Rupert Nichols
UK Finance Director - David Meir

The Board's interactions with the business

Spending time with members of the Group's management team and visiting our sites enables the Non-executive Directors to develop their understanding of our operations and the opportunities and the challenges as the Group expands. Board meetings are regularly held at the Eddie Stobart Head Office Service Support Centre in Warrington, with at least one Board meeting a year taking place at another site. Since the start of 2018 the Non-executive Directors have visited the iForce operations in Corby, The Pallet Network hub at Minworth, Sutton Coldfield, the Speedy Freight head office in Knutsford and one of the Speedy Freight franchisee's operations.

The Board's interactions with investors

The Board considers effective communication with its investors to be an important part of its role. In addition to providing clear and concise reporting, meetings are held with institutional investors regularly to listen to their views. Engagement with shareholders and potential investors is primarily undertaken by the Chief Executive and the Chief Financial Officer. The Chairman and other Non-executive Directors meet with investors on request. Shareholders have the opportunity to raise matters for discussion with the entire Board at the Annual General Meeting.

Strategy Days

As part of the Group's strategy development process, the Board held a two-day review session attended by all members of the Group executive management team. These sessions enabled the Board to review and provide input on the plans of each of the Group's subsidiaries (including for each customer segment) and the European operations, ensuring these were underpinned by the Group IT and People strategies.

Culture

Our corporate culture defines who we are and how we do business and is integral to the success of the Group. Our reputation for customer service and meeting our customers' needs across their supply chain, which is key to the delivery of our strategic objectives, is supported by our approach to doing business in an ethical and responsible manner. The Board is committed to upholding high ethical standards and believes that the tone at the top sets the standard for the rest of the business. The Board endorses our corporate vision and values, which shape our culture, and is responsible for our governance structure and the policies that support our culture. Please see page 24 of the Strategic report for more information about how we communicate the standards we expect of our employees and suppliers in doing business.

Performance evaluation

The effectiveness of the Board is essential to the success of the Group. A performance evaluation process was undertaken based on a series of questions prepared by the Company Secretary with input from the Chairman. The questions related to the Board and its Committees and covered matters such as size of the Board, opportunities to review strategy; performance of the Chairman, the mix of knowledge and skills on the Board; succession; quality of reporting to the Board and the effectiveness of the Board and the Directors. Directors were also asked for feedback on progress in relation to areas of focus identified in the previous performance evaluation; succession planning and additional site visits.

The results of the performance evaluation confirmed that the Board and its Committees are operating effectively to discharge their responsibilities and there is an appropriate mix of skills and experience among Board and Committee members, which facilitates constructive discussion. Board members indicated that good progress has been made since the last Board evaluation in relation to the Board's contribution to succession planning and increasing frequency of site visits and agreed that focus on these areas should continue.

Feedback on the strategy days (see above) was extremely positive and strategy-focused sessions with the senior management team will be repeated regularly. The Board identified additional areas for focus in the coming year to enhance further the effectiveness of the Board including streamlining management reporting in certain areas and supporting diversity and opportunity initiatives.

Audit Committee report

Audit Committee
The Audit Committee consists of Christopher Casey as Chairman and the two other independent Non-executive Directors.

Meetings and attendance
The Audit Committee met four times during the financial year ended 30 November 2018. All members attended all Committee meetings. The Committee is scheduled to meet four times during the current financial year. Committee members meet at least once a year without management present.

Meetings are usually attended by the Chief Financial Officer and the external auditor. Other members of senior management attend meetings by invitation. The internal auditor is invited to report to each meeting. Attendance at meetings is set out in the table on page 32.

Activities
Activities of the Audit Committee included:
- Reviewing the financial results for the full and half year for approval by the Board
- Considering the appropriateness of preparing the financial statements on a going concern basis
- Recommending the appointment of PricewaterhouseCoopers LLP as the Company's auditor
- Approving the audit plan and considering the findings of the external auditor for the financial year ended 30 November 2018
- Recommending the appointment of the internal auditor BDO LLP, progressing the development of the 2019 internal audit plan and considering internal audit reports
- Reviewing and considering risk management and internal controls
- Receiving reports on specific risk issues such as insurance risk, health and safety and cyber security
- Approving polices adopted by the Company such as its treasury policy

Significant accounting judgements
The Audit Committee considered the areas of significant accounting judgement in connection with the preparation of the financial statements, including the following:
- Impairment of goodwill and intangible assets; judgements were made by management in relation to key inputs in the value in use discounted cash flow models when carrying out the goodwill impairment review
- Accounting for consulting and property services; judgements were made by management in order to determine the appropriate basis and timing of recognition of revenue deriving from these services
- Accounting for the acquisition of The Pallet Network; judgements were made by management as part of the purchase price allocation exercise to identify intangible assets and residual goodwill acquired
- Classification of items as exceptional for the purpose of the disclosure in the financial statements; judgements were made by management in relation to exceptional items disclosed in the income statement.

For further information see applicable notes to the financial statements (page 49 onwards).

External auditor
The Audit Committee oversees the relationship with the external auditor. Members of the Audit Committee participated in the tender process in connection with the selection of the new external auditor and the Audit Committee recommended to the Board the appointment of PricewaterhouseCoopers LLP as the Group's external auditor for the financial year ended 30 November 2018. The Audit Committee has reviewed the independence of PricewaterhouseCoopers LLP and the conduct of the audit for the financial year ended 30 November 2018. The Committee concluded that the external audit process has been effectively run and that PricewaterhouseCoopers LLP remain independent and has recommended their appointment by shareholders at the Annual General Meeting in May 2019 as external auditor for the financial year ending 30 November 2019. The external auditor attends all Committee meetings and the Committee meets with the external auditor without management present at least once a year.

Internal audit
Following the appointment of BDO LLP to provide internal audit services in January 2018, an internal audit charter was adopted and an internal audit plan agreed. BDO LLP has conducted internal audits in relation to a number of business and control areas across the group, including financial controls, IT controls and cybersecurity, certain human resources processes and compliance with specific legal and regulatory obligations. Action plans are drawn up by management and presented to the Audit Committee in response to any issues identified in such audits. The Committee has approved an internal audit charter and has progressed the development of the 2019 internal audit plan. Internal audits are undertaken on a co-sourced basis with the internal HSQE team where appropriate.

Internal controls
The Board has delegated responsibility for reviewing the effectiveness of the Group's systems of internal control to the Audit Committee. This covers all material controls including financial, operational and compliance controls and risk management systems. In undertaking these reviews, the Committee is supported by a number of sources of internal assurance from within the Eddie Stobart business, in particular assurance work done by the HSQE team, presentations from senior management on risk areas and internal audits undertaken by BDO LLP.

No material control failings have come to light during the financial year ended 30 November 2018 and no weaknesses in financial control resulted in any losses or contingencies that would require disclosure in the financial statements.

Risk management and internal controls
The Group's risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for the effectiveness of the Company's risk management and internal controls and has delegated to the Committee the responsibility for oversight of the Company's risk management framework. The Committee has received a report on operating policies and procedures in place, the assurance work done by the Company's internal assurance team, HSQE, to check adherence to those polices and tracks follow up actions taken to address any issues identified. The Committee has also received internal audit reports from BDO LLP on areas agreed in the internal audit plan. A whistleblowing policy is in place to encourage employees to report any malpractice or illegal acts or omissions and is reviewed by the Committee each year.

Christopher Casey
Chairman of the Audit Committee
28 March 2019

Directors' Remuneration report

Our approach to remuneration
The Committee aims to ensure that the remuneration of Directors and senior management supports the delivery of the Group's strategy. We set remuneration packages at a level that is appropriate for the market the Group operates in whilst taking into account the need to attract and retain talented people. In addition to base salary, the Executive Directors and senior management have the opportunity to receive long term variable reward, dependent on achievement of appropriate performance conditions. A review and benchmarking exercise in relation to remuneration of Executive Directors and senior management is underway as noted below.

Directors' remuneration in the year ended 30 November 2018
The remuneration of the Directors during the year ended 30 November 2018 is set out below together with comparable figures for the previous financial year.

	Salary/fees* £,000		Benefits** £,000		Pension costs*** £,000		Long term incentives**** £,000		Total £,000	
Executive Directors	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
A Laffey	407	331	22	14	41	33	-	-	470	378
D Harte	244	220	15	12	24	22	-	-	283	254
Non-executive Directors	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
P Swatman	151	98	-	-	-	-	-	-	151	98
C Casey	70	40	-	-	-	-	-	-	70	40
S Harley	60	39	-	-	-	-	-	-	60	39

* This column sets out salary and fees received for the full financial years ended 30 November 2018 and 30 November 2017. Increases in salaries/fees in 2018 were in line with the pay increases for all employees of Eddie Stobart Logistics plc and Eddie Stobart Limited. During 2017, A Laffey and D Harte were employees of Eddie Stobart Logistics plc from April 2017 and received salaries of £400,000 and £240,000 respectively. Prior to that A Laffey and D Harte were employees of, and received salaries from, subsidiaries of Eddie Stobart Logistics plc. The salaries for Non-executive Directors in 2017 related only to the period from IPO in April 2017.

** Benefits includes private medical insurance, life assurance, car allowance and tax paid by the Company on such benefits.

** A cash allowance was paid to one of the Directors in lieu of a pension contribution.

*** None of the Directors have received cash under any incentive arrangement in the financial ended 30 November 2018. Awards under the MIP were granted to A Laffey and D Harte in the financial period ended 30 November 2017 but no vesting has taken place by reference to the 2018 financial year. For further details of the MIP and the performance conditions please see note 25 of the financial statements. The charge to the Company in connection with the MIP awards is set out in note 25 to the financial statements.

This table has been audited.

No payments were made in the financial year ended 30 November 2018 to past directors and no payments were made in connection with the exit of any Director.

Please see section below headed 'Our approach to remuneration in 2019' for information about the remuneration of the Executive Directors in 2019.

Membership
The Remuneration Committee consists of Philip H Swatman as Chairman and the two other Non-executive Directors. All members are therefore independent Non-executive Directors.

Meetings and attendance
The Committee meets at least once a year and at other times as appropriate. The Committee met once in the 2018 financial year and three times since the end of the 2018 financial year.

Activities
Activities of the Remuneration Committee have included:

- Reviewing our approach to remuneration
- Approving the introduction of an annual cash bonus scheme for Executive Directors and senior management
- Approving the individual packages of Executive Directors including the package agreed with the new Chief Financial Officer to join on 1 April 2019 and the participation of the Executive Directors in the LTIP in the 2019 financial year
- Considering the proposed grant of LTIP awards to members of the senior management team in in 2019
- Considering and approving the approach to disclosure of remuneration-related matters

Our approach to remuneration in 2019
Given the growth in the size and complexity of the Eddie Stobart business since the IPO a comprehensive review and benchmarking of salaries and short-and long-term incentive schemes has been commenced for Executive Directors and senior management team members, with the benefit of professional advice. The outcome of the review will be implemented in the 2019 financial year as explained below.

Long-term incentives

Currently the only long-term incentive arrangement in which the Executive Directors participate is the MIP. The Remuneration Committee has agreed that it is highly unlikely that the target for the exercise of the options granted under the MIP will be achievable and that given the importance of proper incentivisation, the Executive Directors in 2019 should be granted awards under the LTIP. These awards will be based on performance criteria related to total shareholder return and earnings per share as approved by the Remuneration Committee.

The awards to be granted to the Chief Executive under the LTIP will replace his entitlement under the MIP. The current Chief Financial Officer will no longer be entitled to exercise his rights under the MIP following his retirement on 31 March 2019. The new Chief Financial Officer from 1 April 2019 will be entitled to an award under the LTIP for the 2019 financial year. The performance criteria and the value of LTIP awards granted in 2019 to the Executive Directors will be disclosed in the 2019 remuneration report.

The Executive Directors did not participate in the LTIP in 2017 or 2018 as the MIP was considered at the relevant time to be an appropriate incentive scheme for those individuals.

LTIP awards were granted to members of senior management in 2017 but it was not considered appropriate to grant awards under the LTIP to them in 2018 because of the level of change in membership of the senior management team. The acquisition of businesses since has brought new senior managers into the Group and resulted in differing incentive schemes being in place across the Group. Also new senior managers have been recruited externally and allocations of responsibilities have been changed to align with our strategic priorities.

It is intended that LTIP awards will be granted to senior managers in 2019 as part of the overall remuneration review and benchmarking exercise referred to above. In assessing the grant of awards to senior managers in 2019 the Remuneration Committee will take into account that 50 per cent of the LTIP awards granted to senior managers in 2017 have lapsed (as the target of achievement of an EBITDA target for the 2018 financial year was not achieved) and it is highly unlikely that the target the for vesting of the remaining 50% of these awards (linked to total shareholder return over a three year period) will be achieved.

In line with guidelines issued by investor representative bodies, no more than 10% of the issued ordinary share capital of the Company may be issued or committed to be issued under employee share based incentive schemes (which includes the LTIP and the SIP (described below)) in the ten year period from the date of IPO. No more than 5% of the issued ordinary share capital may be issued or committed to be issued under discretionary share plans in relation to senior executives of the Company in that period.

Annual bonus
A cash bonus scheme for the 2019 financial year for the Chief Executive, the new Chief Financial Officer and the senior management team is in the final stages of approval and will be implemented as the first element of the overall remuneration review referred to above. The amounts of cash bonuses payable will be based on achievement of financial and non-financial performance measures to be approved by the Remuneration Committee, which will be disclosed in the 2019 annual report. The maximum potential bonus opportunity for the Executive Directors will be an appropriate multiple of salary based on benchmarking data for the Chief Executive and for the new Chief Financial Officer (pro-rated).

Salaries
The salaries of the Chief Executive and the fees payable to the Non-executive Directors will increase in 2019 only in line with any pay increases for all employees of Eddie Stobart Logistics plc and Eddie Stobart Limited. The new Chief Financial Officer will receive a salary of £280,000 (pro-rated) plus a pension contribution equal to 15% of basic salary, a car allowance and other medical and life assurance benefits.

As at the date of this report, the fees payable to the Non-Executive Directors are as follows:
- Non-executive Director, Chairman of the Board and Remuneration Committee – £153,000 per annum
- Non-executive Director, Chairman of the Audit Committee – £71,400 per annum
- Non-executive Director – £61,200 per annum

Directors' interests in shares
The table below shows the interests of Directors in shares as at 30 November 2018, all of which are beneficial except where noted.

	Total interest in shares	Percentage of share capital as at 30 November 2018
Executive Directors		
A Laffey	875,312	0.2%
D Harte	312,656	0.1%
Non-executive Directors		
P Swatman*	25,000	0%
C Casey	7,500	0%
S Harley	10,000	0%

* 12,500 shares are beneficially owned by P Swatman's wife.
** No Directors disposed of shares in the 2018 financial year. The Company's share capital was increased at the time of the acquisition of The Pallet Network, resulting in the percentage holdings of Directors as at 30 November 2018 being lower than as at 30 November 2017.

As at 27 March 2019 the latest practicable date prior to the approval of this document, there had been no change in the interests of Directors in the shares of the Company.

Service contracts and letters of appointment
The Executive Directors have service contracts of indefinite duration terminable on not less than 12 months' notice by either party.
The Non-executive Directors have letters of appointment for an initial three year period, continuing thereafter subject to termination upon at least three months' notice by either party.

The appointment dates of the Directors are set out below:

P H Swatman	4 April 2017
C Casey	18 April 2017
S Harley	4 April 2017
A Laffey	4 April 2017
D Harte	4 April 2017

Letters of appointment of the three Non-executive Directors, and the service contracts of Alex Laffey, Chief Executive and Damien Harte, Chief Financial Officer are dated 18 April 2017.

Share-based incentives schemes
Management Incentive Plan ("MIP")
On Admission the Executive Directors subscribed for A ordinary shares (MIP Shares) in a subsidiary of the Company which shares can, subject to certain conditions, be sold to the Company in future at an aggregate value equivalent to a maximum of 8% (relevant percentage) of the increase in shareholder value over a share value hurdle ("hurdle"). The hurdle is 10% above the placing price per share on Admission and will increase on a compounding basis by 10% per annum for each of the three years from the date the MIP Shares were issued.

At the end of the three year period following the issue of the MIP Shares, the Executive Directors could elect to sell the MIP Shares to the Company or the Company can elect to purchase them for cash or in return for shares in the Company (at the Company's discretion). The value of the MIP Shares on the date the election is made (Exercise Date) will be the Relevant Percentage multiplied by the amount by which the Company's Ordinary Share price exceeds the Hurdle (based on a 90 day average share price) multiplied by the number of issued ordinary shares at Admission. If the Company elected to purchase the MIP Shares in return for ordinary shares in the Company the number of ordinary shares will be based on the MIP Share value and share price of the ordinary shares on the Exercise Date.

No further MIP shares can be issued.

Long-Term Incentive Plan ("LTIP")
The LTIP was established to reward members of the senior management team by offering them nil-cost options. The LTIP has been designed flexibly to be capable for future use by the Company and not only for the award of nil-cost options. The LTIP requires participants who have received an award to appoint Link Market Services Trustees Limited to hold applicable ordinary shares on trust for the LTIP participant for the applicable holding period. Please see note 25 to the financial statements for details of the performance conditions for vesting of LTIP awards.

As noted above, LTIP awards were granted to members of the senior management team in the 2017 financial year.

Share Incentive Plan ("SIP")
A UK HMRC-approved Share Incentive Plan was established on Admission and a grant of free shares was made to employees in order to ensure employees are incentivised and their interests aligned with those of the Company. No further awards have been made under this scheme. The trustee is Link Market Services Trustees, an independent professional body, which has acquired 1,687,500 shares which are held in trust for the benefit of the participating employees. Eligible employees will forfeit their shares if they cease to be employed by the Eddie Stobart Group during the three year period from Admission, except in permitted circumstances. The SIP has been designed flexibly to be capable of future use by the Company and not just for the free share offer at the time of Admission.

Further information on the share-based incentive schemes is included in note 25 on page 78 of the financial statements.

Philip H Swatman
Chairman, Remuneration Committee
28 March 2019

Directors' report

The Directors submit their report and the audited consolidated financial statements of Eddie Stobart Logistics plc for the year ended 30 November 2018.

Results

The profit before tax for the year ended 30 November 2018 from continuing operations was £23.6 million (2017: £9.9 million).

Dividends

The Directors recommend a final dividend for the year of 4.76 pence per share which, together with the interim dividend of 1.54 pence per share results in a total dividend for the year of 6.30 pence per share (2017: 5.8 pence). If approved by shareholders the total amount of the dividends paid in respect of the financial year ended on 30 November 2018 will be £23.9 million (2017: £20.8 million). The final dividend will be payable on 7 June 2019 subject to shareholder approval. The record date is 10 May 2019 and the ex-dividend date is 9 May 2019.

Principal activities, business review and future developments

The Strategic report on pages 2 to 27 describes the principal activities of the Company and its subsidiaries, a review of the business for the financial year ended 30 November 2018 and an indication of likely future developments.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

P Swatman	(appointed 4 April 2017)
C Casey	(appointed 18 April 2017)
S Harley	(appointed 4 April 2017)
A Laffey	(appointed 4 April 2017)
D Harte	(appointed 4 April 2017)*

* D Harte has resigned with effect from 31 March 2019. Anoop Kang has been appointed Chief Financial Officer and a Director of the Company with effect from 1 April 2019.

Directors' remuneration, share options, long-term executive plan awards, pension contributions and benefits are set out in the Remuneration report on pages 34 to 35. The Company has Directors' and Officers' liability insurance in place.

Share capital

Details of the authorised and issued share capital of the Company are set out in note 24 to the financial statements.

Environmental policy

Maintaining and improving the quality of the environment in which we live is an important concern for the Company. We aim to minimise our impact on the environment wherever this is practical. Further information on our initiatives to reduce our impact on the environment is set out on page 25.

Interests in voting rights

As at 27 March 2019, the latest practicable date prior to the approval of this document, the Company had been notified of the following interests held by significant shareholders amounting to 3% or more of the voting rights attaching to the Company's issued share capital:

Significant Shareholders	Percentage of Voting Rights Held
Woodford Asset Management Limited	25%
Greenwhitestar Topco Limited	14.2%
Stobart Group Limited	11.8%
AXA Investment Managers Limited	6.6%
FIL Limited	5.6%
Invesco Asset Management Limited	4.8%
Schroders Investment Management Limited	3.5%

Employee engagement

Our policy is to employ the best people irrespective of race, gender, nationality, disability or sexual orientation. Consultation with employees or their representatives occur regularly, with the aim of ensuring employees' views are taken into account when decisions are made that are likely to affect their interests. Further information on our employee engagement activities is set out on page 22. Information on the SIP under which many of our employees hold shares, is given on page 35. Factors affecting the performance of the Company are shared with employees as part of the notifications of half-yearly and annual results and updates about significant events on our internal intranet.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration, having regard to their particular aptitudes and abilities. In the event an employee becomes disabled, every effort is made to retrain them in order that their employment may continue. Our policy is that opportunities for training, career development and promotion should be available to all employees.

Health, safety and wellbeing

The Group recognises the importance of maintaining high standards of health, safety and wellbeing for everyone working within our business. We aim to achieve high standards of health and safety management across all our business activities. Further information on our approach to health and safety is set out on page 24.

Financial risk management

Information in respect of the financial risk management objectives and policies of the Group, is contained in note 21 of the financial statements.

Political donations

The Group made no political donations during the year.

Strategic report
Governance
Financial statements

Research and development activities
We undertake research and development activities, predominantly in connection with our continued investment in IT systems and technologies that help us deliver logistics solutions to our customers.

Related party transactions
Any related party transactions required to be disclosed under the AIM rules are disclosed in note 27 to the financial statements.

Disclosure of information to auditor
The Directors in office on 28 March 2019 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors has confirmed that he has taken all reasonable steps to make himself aware of any relevant audit information and to establish that it has been communicated to the auditor.

Directors' indemnities
The Company's articles of association allow the indemnification of Directors out of the assets of the Company to the extent permitted by law and indemnities in favour of the Directors have been entered into during the year.

Modern Slavery Act
Our Modern Slavery Act statement, which sets out our commitment to preventing modern slavery and human trafficking from occurring within any part of our business and supply chain, is available on our website at www.eddiestobart.com.

Annual General Meeting
The Annual General Meeting is to be held on 28 May 2019 at Stretton Green Distribution Park, Langford Way, Appleton, Warrington, WA4 4TQ. Further details will be set out in the Notice of Annual General Meeting which will be sent to shareholders separately.

Post balance sheet events
No post balance sheet events have been disclosed in the financial statements (see note 30).

Engagement with stakeholders
The Company keeps up to date with the views of its shareholders by frequent dialogue and meetings with key investors and responding promptly to any questions or issues raised by shareholders. Engagement with shareholders is primarily undertaken by the Chief Executive and the Chief Financial Officer although the Chairman is available to meet investors if requested. Shareholders have the opportunity to raise matters for discussion the entire Board at the AGM.

Going concern
The Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and that it is appropriate to prepare the financial statements on the going concern basis. Please see note 1 to the financial statements on page 49 for further information.

This Directors' report was approved by the Board on 28 March 2019 and signed by its order by;

Elaine Williams
Company Secretary
28 March 2019

Eddie Stobart Logistics plc (registered office)
Stretton Green Distribution Park,
Langford Way,
Appleton,
Warrington,
WA4 4TQ

European branches
Stobart Automotive Belgium
Eikelaarstraat 28,
3600 Genk Belgium

Stobart Automotive
Pripotocni 1519/10a,
100 00 Prague 201, Czech Republic

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This responsibility statement was approved by the Board on 28 March 2019 and signed on behalf of the Board and each Director by;

Damien Harte
Chief Financial Officer

Independent auditor's report
to the members of Eddie Stobart Logistics plc

Report on the audit of the financial statements

Opinion

In our opinion:
- Eddie Stobart Logistics plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 November 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 November 2018; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach
Overview

- Overall Group materiality: £1.5m (2017: £1.1m), based on 5% of profit before tax and exceptional items (2017: 5% of profit before tax and exceptional items).
- Overall Company materiality: £0.23m (2017: £1m), based on 5% of profit before tax (2017: gross assets).

- Our audit focused on those entities with the most significant contribution to the Group's results. Of the Group's 31 reporting components, we subjected 10 to full scope audits for Group purposes. The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed below and the information to be reported.
- The Group team allocated the component materialities which ranged from £0.23m to £1.43m, having regard to the mix and size and risk profile of the Group across the components.
- The components within the scope of our work accounted for 97%* of Group revenue and 96%* of the Group's earnings before tax..
  **Including consolidation journal entries*

Key audit matters relate to:
- Impairment of goodwill and intangible assets
- Accounting for consultancy and property services
- Accounting for the acquisition of The Pallet Network Group

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditor's report
to the members of Eddie Stobart Logistics plc continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets Refer to note 1 (Principal Accounting Policies) and note 14 to the accounts. The Group has a material level of goodwill (£189.7m) and intangible assets (£122.5m) at 30 November 2018. When carrying out the goodwill impairment review, determining the recoverable amount for each cash-generating unit ("CGU") requires a number of judgements over certain key inputs in the value in use discounted cash flow models. These include budgets, forecasts, discount rates and long term growth rates.	The following procedures were performed: • We assessed the accuracy of the Group's historical forecasts by comparing management's forecast for the prior year against actual results. Where relevant we factored this into our sensitivity analysis; • We engaged an internal valuation expert to review the model and the discount factor, and challenged management on the long term growth rate and the discount rate. We sensitised the model to adjust the long term growth rate and found no issues. The discount rate applied by management is within the acceptable range; • We challenged management on the cash flow forecasts and corroborated any significant growth assumptions; • We reviewed management's assessment of the CGUs and determined these to be reasonable; and • We performed sensitivities relevant to the individual CGUs to assess the implications of the Group's assumptions not being met. We assessed the remaining headroom between the recoverable and carrying amount and noted no indicators for impairment. Specifically for intangible assets: • We considered whether the development of new software or systems superseded or impaired any of the existing assets on the balance sheet and none were noted; and • We considered whether any specific indicators of impairment exist, for example loss of key customers, and none were noted.
Accounting for consultancy and property services Refer to note 1, the Revenue accounting policy part (e) and (f) (Principal Accounting Policies). The Group has earned revenues in relation to consultancy and property services during the year. Certain individual transactions arising from consultancy and property service provision require management to make judgements in order to determine the appropriate basis and timing of recognition of income deriving from those services, including their associated presentation.	The following procedures were performed: • We challenged management as to whether any of the revenue earned should be spread over the term of the associated commitment or recognised in the current year. It was concluded that the latter was the appropriate treatment; • We obtained third party evidence, including signed contracts, bank statements and legal correspondence to support the revenue recognised; • We performed a review of the parties involved in the transactions to determine whether any party involved is a related party. No related parties were identified; and • We have considered the adequacy of the Group's disclosures in respect of the accounting policies and the key areas of judgement in respect of revenues earned on consultancy and property services.
Acquisition of The Pallet Network Group Refer to note 1 (Principal Accounting Policies) and note 6. During the year, ESLL Group Limited (ESLL) acquired 100% of the share capital of The Pallet Network Group Limited on a cash and debt free basis. This acquisition has had a material impact on the financial statements, resulting in the recognition of goodwill (£17.4m), intangible assets (£33.3m) and amounts owing in respect of deferred consideration (£8.7m). Management engaged a third party expert to perform a purchase price allocation exercise to identify the relevant intangible assets and residual goodwill acquired. There are a number of key assumptions and judgements which form part of purchase price allocation exercise.	The following procedures were performed: • We engaged an internal valuation expert to review the methodology and key assumptions applied in the purchase price allocation exercise; • We challenged management and the third party expert on the use of specific discount rates used within the model. The rate in relation to customer related intangibles was subsequently adjusted which altered the allocation between those intangibles and residual goodwill; • We reviewed the sale and purchase agreement to ensure consistency with management's accounting; • We reviewed the treatment of costs associated with the acquisition and confirmed that they have been treated appropriately; • We have agreed the amount of consideration accounted for as remuneration to be reasonable, including the period over which the remuneration is recognised; and • We reviewed the disclosures within the financial statements and considered the adequacy of the disclosures in respect of the acquisition to be reasonable.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is managed on a reporting entity basis, with 31 reporting components, including the Company. The Group's trading entities operate their own accounting function, which reports to the Group finance team. Consistent with the Group's operations, we scoped our audit at a reporting component level, performing a full scope audit for all financially significant components.

We have obtained reporting from the component auditors, engaged in key meetings including attendance at the clearance meetings and have reviewed the working papers.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£1.5m (2017: £1.1m).	£0.23m (2017: £1.0m).
How we determined it	5% of profit before tax and exceptional items.	5% of profit before tax (2017: gross assets).
Rationale for benchmark applied	We have applied the relevant performance measure of profit before tax and exceptional items as our benchmark because, in our view, this is the most relevant metric against which the performance of the Group is most commonly measured and is disclosed on the face of the Consolidated Income Statement.	In our view, users focus on the consolidated results of the Group rather than the individual results of the Company. Notwithstanding, we used a measure consistent with that of the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.23m and £1.43m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.07m (Group audit) (2017: £0.07m) and £0.07m (Company audit) (2017: £0.07m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Independent auditor's report
to the members of Eddie Stobart Logistics plc continued

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 November 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Philip Storer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 March 2019

Consolidated Income Statement
for the year ended 30 November 2018

	Note	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Continuing operations			
Revenue	3	**843,141**	623,924
Cost of sales		**(662,682)**	(485,656)
Gross profit		**180,459**	138,268
Administrative expenses: before amortisation of acquired intangibles and exceptional items		**(129,183)**	(96,137)
Amortisation of intangibles	7,14	**(13,818)**	(11,137)
Administrative expenses: before exceptional items		**(143,001)**	(107,274)
Administrative expenses: exceptional items	5	**(7,774)**	(4,414)
Total administrative expenses		**(150,775)**	(111,688)
Profit from operating activities		**29,684**	26,580
Profit from operating activities: before exceptional items	4	**37,458**	30,994
Finance income	9	**15**	5
Finance expenses: before exceptional items	9	**(6,110)**	(9,650)
Finance expenses: exceptional items	5	**(489)**	(7,753)
Total finance expense		**(6,599)**	(17,403)
Net finance expense		**(6,584)**	(17,398)
Share of profit from equity accounted investees, net of tax	15	**524**	733
Profit before tax	7	**23,624**	9,915
Income Tax expense	10	**(7,379)**	(5,030)
Profit for the year from continuing operations		**16,245**	4,885
Profit attributable to:			
Eddie Stobart Logistics plc		**16,245**	3,931
Non-controlling interests		**-**	954
Profit for the year		**16,245**	4,885
Earnings per share:			
Basic – total operations	12	**4.4p**	1.2p
Diluted – total operations	12	**4.4p**	1.2p

The accompanying notes form part of the financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 30 November 2018

	Note	**Year ended 30 November 2018 £'000**	Year ended 30 November 2017 £'000
Profit for the year		**16,245**	4,885
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**655**	(175)
Foreign currency translation differences – equity-accounted investees	15	**(89)**	20
Effective portion of changes in fair value cash flow hedges		**-**	1,546
Tax on items that are or may be reclassified subsequently to profit or loss		**-**	(340)
Total items that are or may be reclassified subsequently to profit or loss		**566**	1,051
Total comprehensive income for the year		**16,811**	5,936
Total comprehensive income attributable to:			
Owners of the Company		**16,811**	4,982
Non-controlling interests		**-**	954
Total comprehensive income for the year		**16,811**	5,936

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity
for the year ended 30 November 2018

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

Consolidated Statement of Financial Position
as at 30 November 2018

	Note	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	**66,280**	59,979
Goodwill	14	**189,730**	172,353
Intangible assets	14	**122,482**	99,147
Investments in equity accounted investees	15	**1,576**	1,276
Deferred tax asset	23	**5,850**	5,976
Deferred tax asset		**385,918**	338,731
Current assets			
Inventories	16	**3,126**	2,396
Trade and other receivables	17	**231,166**	148,979
Cash and cash equivalents	18	**5,234**	11,936
		239,526	163,311
Total assets		**625,444**	502,042
Liabilities			
Current liabilities			
Loans and borrowings	21	**(35,908)**	(7,767)
Trade and other payables	19	**(169,558)**	(128,218)
Current tax liability		**(7,038)**	(2,770)
Provisions	22	**(3,454)**	(3,434)
		(215,958)	(142,189)
Non-current liabilities			
Loans and borrowings	21	**(128,989)**	(113,666)
Trade and other payables	20	**(25,265)**	(18,822)
Deferred tax liabilities	23	**(19,474)**	(14,977)
		(173,728)	(147,465)
Total liabilities		**(389,686)**	(289,654)
Net assets		**235,758**	212,388
Equity			
Share capital	24	**3,793**	3,579
Share premium	24	**146,002**	117,257
Merger reserve	24	**7,950**	7,950
Translation reserve		**79**	(487)
Own shares		**(2,700)**	(2,700)
Share option reserve		**2,758**	1,079
Retained earnings		**77,876**	85,710
Total equity attributable to owners of the Company		**235,758**	212,388
Non-controlling interests		**-**	-
Total equity		**235,758**	212,388

The Consolidated Group Financial Statements on pages 44 to 82 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf by

Damien Harte
Chief Financial Officer
Company number 08922456

Consolidated Cash Flow Statement
for the year ended 30 November 2018

	Note	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Cash flows from operating activities			
Profit for the year from continuing operations		**16,245**	4,885
Adjustments for:			
Net finance costs	9	**6,095**	9,645
Share of profit of equity-accounted investees, net of tax	15	**(524)**	(733)
Tax expense	10	**7,379**	5,030
Depreciation	13	**7,582**	6,797
Amortisation of intangible assets	7,14	**13,818**	11,137
Gain on sale of property, plant and equipment		**(2,779)**	(2)
Equity settled share-based payment expenses		**2,004**	1,079
Other non-cash exceptional items	4	**(236)**	3,685
Foreign exchange		**695**	(238)
Changes in:			
Inventories		**(730)**	(39)
Trade and other receivables		**(63,570)**	(14,761)
Trade and other payables		**21,534**	5,218
Deferred income/revenue, including government grant		**-**	(2,469)
Cash generated from operating activities	4	**7,513**	29,234
Net interest paid		**(7,154)**	(7,678)
Income taxes paid		**(3,704)**	(2,667)
Net cash generated from operating activities		**(3,345)**	18,889
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment		**3,570**	3,783
Acquisition of subsidiaries, net of cash acquired		**(22,127)**	(43,220)
Purchase of property, plant and equipment		**(14,179)**	(8,865)
Purchase of intangibles		**(3,716)**	(770)
Interest received		**15**	5
Dividends received from equity accounted investees	15	**135**	416
Net cash used in investing activities		**(36,302)**	(48,651)
Cash flows from financing activities			
Proceeds from issue of share capital (net of costs)		**28,960**	118,019
Draw down of revolving finance facility	21	**28,889**	-
Draw down of new borrowings (net of costs)		**23,355**	98,434
Acquisition of non-controlling interests		**-**	(5,050)
Repayment of financing facility, net of costs		**(21,530)**	(145)
Repayment of bank borrowings		**-**	(171,232)
Payment of capital element of finance lease liabilities		**(5,077)**	(7,466)
Dividends paid to minority interests during the year		**-**	(200)
Prior year and interim dividends paid during the year	11	**(21,572)**	(5,011)
Net cash generated from financing activities		**33,025**	27,349
Net decrease in cash and cash equivalents		**(6,622)**	(2,413)
Cash and cash equivalents at the start of the financial year		**11,936**	14,083
Effect of exchange rate fluctuations on cash held		**(80)**	266
Cash and cash equivalents at the end of the financial year		**(5,234)**	11,936

The accompanying notes form part of the financial statements

Notes to the Consolidated Financial Statements
for the year ended 30 November 2018

1. Principal Accounting Policies
Eddie Stobart Logistics plc (the Company) is a company limited by share capital, incorporated and domiciled in the United Kingdom. The address of the Company's registered office is Stretton Green Distribution Park, Langford Way, Appleton, Warrington, Cheshire, England, WA4 4TQ. The Consolidated Financial Statements of the Company as at and for the year ended 30 November 2018 and the comparative year ended 30 November 2017 comprise the financial statements of the Company and its subsidiaries (referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The Group and its subsidiaries provide value added logistics, distribution and warehousing services for its clients across a wide range of service sectors and industries.

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

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

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, Directors have completed a budgeting process for the financial year ending 30 November 2019, incorporating a detailed income statement, cash flow analysis and statement of financial position, and a forecasting exercise for a period of six months beyond this.
The Directors have assessed the funding requirements of the Group and the Company and compared them to banking facilities available. This exercise has not identified any issues that would suggest any significant risk to the Group's continued trading position and the forecasts demonstrate that the Group is expected to remain within its existing finance facilities and their associated covenants. The Directors have therefore adopted the going concern basis in preparing these Consolidated Financial Statements.

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

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

Basis of consolidation
The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at 30 November 2018. Control is identified when the Group has rights to variable returns from its involvement with the investee and has the ability to affect those returns from its power over the investee. The Group controls an investee where:
- Power over the investee exists (the ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns via its involvement with the investee exists
- The Group has the ability to use its power over the investee to affect those returns

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to any non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The Financial Statements of subsidiaries used in the preparation of the Consolidated Financial Statements are prepared for the same reporting year as the Parent Company, except for the iForce Group, which operates a 52 week reporting period ending 26 November 2018. A change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Any investment retained is recognised at fair value.

Notes to the Consolidated Financial Statements continued
for the year ended 30 November 2018

1. Principal Accounting Policies continued

Basis of consolidation (continued)

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

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

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

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

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

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

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

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

Segment reporting

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

Foreign currency

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

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

Financial instruments

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

Strategic report
Governance
Financial statements

1. Principal Accounting Policies continued

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

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

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

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

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

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

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

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

Property, plant and equipment

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

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.
Depreciation is generally recognised within administrative expenses in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

- Land and buildings: 1%-5% per annum straight line; or period of lease if shorter
- Plant and machinery: 3-7 years straight line and between 15%-20% reducing balance as appropriate
- Fixtures fittings and equipment: 3-7 years straight line and between 15%-33% reducing balance as appropriate
- Commercial vehicles: 3-10 years straight line and 25% reducing balance as appropriate

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Consolidated Financial Statements continued
for the year ended 30 November 2018

1. Principal Accounting Policies continued

Assets under construction

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

Intangible assets and goodwill

These comprise software development and implementation costs (internally generated intangible assets); trademarks and brands and are stated at cost less accumulated amortisation and impairment (see below). Costs incurred in developing the Group's own brands are expensed as incurred and are included within admin expenses.

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

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

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

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

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

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured

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

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

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

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

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

These are as follows:
- Software development and licences; 3 years
- Rights to trademarks, brand names and customer relationship lists; 6 to 15 years
- *Franchise contracts; 10 to 15 years*

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

Impairment

i. Non-derivative financial assets - a financial asset not classified at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

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

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1. Principal Accounting Policies continued

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

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

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At 30 November 2018 the Group held no financial assets available for sale.

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

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

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

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

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

Trade receivables

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

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

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

Cash and cash equivalents

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

Inventories

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

Employee benefits

i. Short-term employee benefits - short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.
ii. Defined contribution plans - a defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Notes to the Consolidated Financial Statements continued
for the year ended 30 November 2018

1. Principal Accounting Policies continued

Share-based payments
The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value is measured by an independent third party to review and calculate fair values using the Log-normal Monte-Carlo stochastic model. The fair values of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:
- including any market performance condition (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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

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

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

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

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

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

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

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

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

i. Lease remediation and site restoration - provisions are established over the life of leases to cover remedial work necessary at termination under the terms of those leases. Guidance for the total cost is made with reference to independent third party quantity surveyors reports and spread over the terms of the lease.
ii. Onerous contracts - a provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.
iii. Employee restructuring - a provision for employee restructuring costs is made once the Group is committed to any restructuring plans, which require a change to the status of employees that have a cost implication.
iv. Insurance claims are assessed on a case by case basis, with the estimated costs of claims based on the advice of the Group's external insurance advisers.

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

1. Principal Accounting Policies continued

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

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

(c) Training and other contracts
Revenue is recognised over the life of the contract in proportion to the costs of providing the services.

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

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

The Group continues to be successful in providing property-related services including to third party investors as part of its core strategy and the growth of its warehousing estate. It has earned fees of £19.2m (2017 £10.4m) with a strong pipeline of further projects and work going into 2019. The Directors have 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 Group 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.

(f) Sale of services – Consultancy
In line with the stated strategy of consulting-led logistics, the Group offers a range of consultancy services including property, logistics, IT consulting and integration services. In the year to 30 November 2018 revenue from these services totalled £15.0m (2017: £6.7m).

For the purpose of allocating revenues to operating segments (note 3) £12.3m of fees relating to property services and £15.0m of consulting revenues form part of Transport revenues (2017: £10.4m and £6.7m respectively). Contract and logistics revenue relating to property services is £5.6m (2017: £nil).

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

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

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

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

Notes to the Consolidated Financial Statements continued
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1. Principal 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, unwinding of the discount on provisions and the net interest cost from accounting for defined benefit pension schemes. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Exceptional items

Items that are material in size or nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of business units and the associated legal and employee costs, costs associated with business acquisitions, and other significant gains or losses.

In the prior year, items of expenditure relating to the initial public offering (IPO) and the acquisition of business assets, as well as costs associated with the refinancing and closure of swap arrangements and a gain arising on a lease agreement have been treated as exceptional costs (see note 5).

Alternative performance measures (APMs)

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

Tax

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

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

ii. Deferred tax - is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly-controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill

New standards and interpretations

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

Title	Key Issues	Effective Date	Impact on Eddie Stobart Logistics plc
IFRS 15 Revenue from Contracts with Customers	The new standard is a single global revenue standard that contains a single model that applies to two approaches, being at a point in time and over time. For complex transactions with multiple components, variable consideration or extended periods, application of the standard can lead to revenue being accelerated or deferred in comparison to current IFRS.	Periods beginning 1 January 2018, deferred from 1 January 2017.	The Group is currently in the process of finalising its IFRS 15 assessment and will report on the outcome in the interim presentation of the Group's results.
IFRS 9 Financial Instruments	IFRS 9 was introduced in 2014 as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.	Periods beginning 1 January 2018.	The Group does not currently expect adoption of the standard to have a significant impact on its consolidated results or financial position.
IFRS 16 Leases	IFRS 16 was issued in January 2016 and is effective from 1 January 2019, eliminating the classification of leases as operating leases or finance leases and setting out a single lease accounting model.	Periods beginning 1 January 2019, subsequent to EU endorsement.	Significant impact on Statement of Financial Position (operating lease commitments of £830m in 2018, will at a future point, be brought onto the Statement of Financial Position). Income Statement presentation will also be impacted. The measurement of both is currently under review.

At the date of approval of these Consolidated Financial Statements, the following standards and interpretations which have not been applied in these financial statements were in issue but are either not yet effective or have not been adopted by the EU:
- Amendments to IFRS 2 Classification and Measurement of Share-based payment transactions.
- Amendments to IAS 7 Disclosure Initiative.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses.
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Annual Improvements 2014–2016 Cycle.

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

2. Summary of Significant Accounting Judgements and Fair Value estimates

Significant accounting judgements

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described above, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below) and have been identified as being particularly complex or involve subjective assessments.

i. Lease commitments - at the point of entering into a new lease, Directors make best efforts to assess the pricing, size, quality, location and fit for new warehouse space, to which a commitment is being made. In making this assessment Directors must take a view on market rentals, which is inherently a critical accounting judgement. If the rental is subsequently deemed to be above market rate then there is a risk that the contract could prove to be onerous and may also impact the ability to recognise any revenue from property-related services that have been provided.

ii. Assessment of control – for non-wholly owned acquisitions judgement is required in evaluating the facts and circumstances in order to assess and determine whether and when the business has control. In making this determination, Directors look closely at whether the Group has the ability to influence the returns generated by the investee through being able to direct its activity and also whether the investee is exposed to variable rates of return.

iii. Re-financing of borrowing (note 21) – judgement is required when accounting for the re-financing of the Group's borrowings. An assessment of the terms and structure of both the original and replacement facility is made to determine the treatment of capitalised borrowing costs. Where the re-financing is deemed to result in the extinguishment and replacement of the original loan the corresponding costs are released in full to the income statement.

iv. Determination of Alternative performance measures (note 4) - alternative performance measures, such as underlying results, are used in the day-to-day management of the Group, and represent statutory measures adjusted for items which, in the Directors' view, could distort the understanding of comparability and performance of the Group year on year. These items include amortisation of acquired intangibles, share of profit from equity accounted investees, employee share scheme costs which were fully funded by the previous parent holding group, exceptional costs, start-up costs associated with contract wins and the profit impact of severe weather conditions.

v. Assessment of Agent versus Principal in considering whether to recognise revenue gross or net – judgement is required when determining whether an entity is acting as an agent or principal based on an evaluation of the risks and responsibilities taken by the entity. In the cases of The Pallet Network Group and Speedy Freight, the operating models have indicators that could support either conclusion. It is the view of management, that the key determining factors such as the responsibility for the delivery of services and the provision of insurance, lead to the conclusion that both businesses act as Principals and therefore the revenue should be recognised gross for these entities.

vi. Classification of certain leases - judgement 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 judgement is made at the outset on a case by case basis. However, once these judgements have been made, no change to the lease classification is expected.

Notes to the Consolidated Financial Statements continued
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2. Summary of Significant Accounting Judgements and Fair Value Estimates continued

Key sources of estimation in applying the Group's accounting policies
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i. 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. Management periodically reviews the major classes of assets to ensure that the periods over which they are amortised or depreciated as appropriate.

ii. Impairment of goodwill - the Group is required to perform an annual impairment test on goodwill by reference to its value in use or its fair value, less costs of disposal. This requires an estimate of future business performance, cash flows and discount rates all of which rely on estimates and judgements of future events and may therefore be subject to change. The carrying value of goodwill as at 30 November 2018 is £189.7m (note 14).

iii. 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 relief. The calculation of deferred tax balances also includes an estimate of future profits and assumptions regarding future tax treatments, for example in relation to the deductible of the brand intangible. The calculations are prepared in consultation with third party advisers but due to the estimates and judgements required may still be subject to change.

iv. Contingent consideration and valuation of put and call option – where an investment involves contingent consideration, which is variable dependent upon the future success of the business, Directors must exercise judgement and form a view of the probable outcome at the measurement points. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income unless the contingent consideration is classified as equity. In such circumstances, changes are recognised within equity. Changes in contingent consideration arising from additional information, obtained within one year of the acquisition date, about facts or circumstances that existed at the acquisition date are recognised as an adjustment to goodwill. The first point at which the put and call could be exercised is 31 May 2021, and therefore the risk of material misstatement is considered to be greater, given that the level of accuracy in forecasts and estimates decreases over longer periods. See other financial liability in note 20.

v. Property, plant and equipment (note 13) - the fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which property could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

vi. Intangible assets (note 14) – the Group has significant investments in definite lived intangible assets and goodwill at 30 November 2018 as a result of acquisitions of businesses and purchase of such assets. The carrying value of definite intangible assets at 30 November 2018 is £122.5m (2017: £99.1m). These assets represent the fair value of customer relationships acquired in a business combination, which are determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows and brand names held under licence which are valued at their amortised cost. This involves the preparation of discounted cash flow projections, which require an estimate of both future operating cash flows and an appropriate discount rate. Such estimates are inherently subjective and can have a material impact on the result of the impairment test.

vii. Trade and other receivables (note 17) - the fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date. Provisions for impairment of receivables are established when there is objective evidence that the Group will not be able to collect all amounts due.

viii. Fair value estimates in share schemes (note 25) - Judgement is required when calculating the fair value of awards made under the Group's share-based payment plans. Note 25 describes the key assumptions and valuation model inputs used in the determination of these values. In addition estimates are made of the number of awards that will ultimately vest and judgement is required in relation to the probability of meeting non-market-based performance conditions and the continuing participation of employees in the plans. The complexity of the assessment and the sensitivity of the assumptions are described in note 25.

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3. Operating Segments

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

All operations are continuing for each segment.

Analysis of operating segments

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

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

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

Depreciation for Road Transport is £3.9m (2017: £3.5m), Contract Logistics and Warehousing is £2.7m (2017: £2.4m) and EU Transport is £1.0 (2017: £0.9m).

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

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3. Operating Segments continued
The Group also presents and reviews revenues organised by customer sector.

Analysis of revenue by sector

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

4. Alternative Performance Measures Reconciliations
Alternative performance measures (APMs)

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

4. Alternative Performance Measures Reconciliations continued

Reconciliation to underlying EBITDA

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Reported profit from operating activities before exceptional items	**37,458**	30,994
Amortisation of acquired intangibles	**13,818**	11,137
Share of profit from equity accounted investees	**524**	733
Employee share scheme costs funded by previous parent holding group	**568**	413
Management Incentive Plan and Long-Term Incentive Plan	**1,111**	-
Investor and management charges	**-**	634
Gain arising on lease agreement	**-**	4,616
Force majeure - severe weather	**445**	-
Start up costs associated with contract wins	**1,387**	-
Underlying EBIT(i)	**55,311**	48,527
Depreciation	**7,581**	6,797
Underlying EBITDA(i)	**62,892**	55,324
Profit after tax attributable to owners of the company	**16,245**	3,931
Amortisation of acquired intangibles	**13,818**	11,137
Employee share scheme costs funded by previous parent holding group	**568**	413
Management Incentive Plan and Long-Term Incentive Plan	**1,111**	-
Force majeure - severe weather	**445**	-
Start up costs associated with contract wins	**1,387**	-
Exceptional items (excluding gain arising on lease agreement)	**8,263**	16,783
Adjusted profit after tax (note 12)	**41,837**	32,264
Cash generated from operating activities	**7,513**	29,234
Purchase of property, plant and equipment	**(14,179)**	(8,865)
Proceeds from sale of property, plant and equipment	**3,570**	3,783
Income taxes paid	**(3,704)**	(2,667)
Exceptional items (note (a) below)	**8,499**	8,482
Adjusted free cash flow	**1,699**	29,967

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

Note (a) Reconciliation of cash impact of expectional items.

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Exceptional items (note 5)	**(8,263)**	(12,167)
Adjusted for:		
Gain arising on lease agreement	**-**	4,616
Residual capitalised bank fees relating to the previous loan	**-**	(6,621)
Deferred consideration associated with business acquisitions	**236**	(942)
Costs associated with business acquisitions	**-**	(400)
Other non-cash exceptional items	**-**	(338)
Non-cash exceptional items	**236**	(3,685)
Cash impact of exceptional items	**(8,499)**	(8,482)

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5. Exceptional Items

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

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

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

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

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

6. Acquisitions

Acquisition of The Pallet Network Group

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

The consideration was £30.3m, on a cash and debt free basis, funded by a combination of equity and debt. Debt of £24.0m was raised from the existing lending syndicate under exactly the same terms as the existing debt and the issue of 21.4m shares, at a price of 140p per share, raised £30m in new equity before expenses. Further deferred consideration of £8.7m will be payable, in two even instalments 12 and 24 months following the transaction date. This amount has been recognised on the Consolidated Statement of Financial Position.

The Pallet Network Group was consolidated into the Group as of 28 June 2018 and during the period has contributed revenues of £54.7m and profit before tax of £3.5m to the consolidated results of the Group. Goodwill arising on the acquisition represents the projected profitability of The Pallet Network Group. None of this goodwill is expected to be deductible for corporation tax purposes.

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

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

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

Transaction costs associated with the acquisition have been recorded in the income statement classified as exceptional costs (note 5).

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

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

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for the year ended 30 November 2018

7. Profit Before Tax

The following items have been charged / (credited) in arriving at profit before income tax:

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Employee benefits (note 8)	**205,907**	178,044
Depreciation of property, plant and equipment (note 13)	**7,582**	6,797
Amortisation of intangible assets (note 14)	**13,818**	11,137
Profit on disposal of property, plant and equipment	**(2,779)**	(2)
Operating lease rentals payable:		
- land and buildings	**40,271**	31,022
- plant and equipment	**4,815**	4,524
- commercial vehicles	**43,937**	34,712
Foreign exchange arising in the year	**695**	(238)

Auditors' remuneration

During the year, the Group (including overseas subsidiaries) obtained the following services from the Group's auditors, the costs of which are detailed below:

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Audit services		
Fees payable to the Company's auditors for the audit of the Parent Company and the Consolidated Financial Statements	**44**	-
Fees payable to the Company's auditors for the audit of the Subsidiaries	**347**	-
Fees payable to the Company's previous auditors for the audit of the Parent Company and the Consolidated Financial Statements	**-**	42
Fees payable to the Company's previous auditors for the audit of the Subsidiaries	**157**	452
Non-Audit Services		
Tax, share based payment advice and other services payable to the Company's previous auditors	**92**	41

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8. Employees and Directors

Details concerning the remuneration of Directors are highlighted in the table, referenced as audited, on page 34 of the Directors' Remuneration report. Staff costs and the average number of persons (including Directors) employed by the Group during the year were:

	Year ended 30 November 2018 £'000	Period ended 30 November 2017 £'000
Staff costs for the Group during the year		
Wages and salaries, including payments on termination	**183,172**	158,127
Social security	**18,584**	17,087
Pension	**4,151**	2,830
	205,907	178,044
Average monthly number of employees		
Total operational	**4,155**	4,050
Total administration	**1,508**	1,235
Total management	**437**	408
Total employees	**6,100**	5,693

Pensions – defined contribution scheme

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group under the control of trustees. The only obligation of the Group with respect to the retirement benefit plan is to make specified contributions. The total expense recognised in the income statement of £4.1m (2017: £2.8m) represents contributions payable at rates specified by the rules of the plan.

Employee head count

At 30 November 2018 the Group employed 6,636 people in the UK and mainland Europe.
The annual percentage increase in headcount is Operational 10%, Administration 39% and Management 17%. The growth in employees is attributable to new contract wins, and the recent business acquisitions of The Pallet Network Limited.

Directors' Remuneration

A summary of Directors' remuneration is detailed below;

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Emoluments, bonus and benefits in kind	**970**	846
Pension costs	**65**	62
Total Directors' remuneration	**1,035**	908

Key management compensation (including Executive Directors):

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Emoluments, bonus and benefits in kind	**2,586**	1,525
Pension costs	**172**	144
Total management compensation	**2,758**	1,669

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9. Finance Income and Finance Expense

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

10. Tax Expense

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

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Current income tax		
UK Corporation tax - continuing operations	**7,680**	3,629
Overseas corporation tax	**571**	344
Adjustments in respect of prior periods	**(163)**	795
Total current income tax charge	**8,088**	4,768
Deferred taxation (credit) / charge		
Current tax year	**(760)**	924
Adjustments in respect of prior periods	**(21)**	(664)
Effect of rate change on opening balance	**72**	2
Total deferred income tax (credit) / charge	**(709)**	262
Total charge in the income statement	**7,379**	5,030
Income tax on items charged to Comprehensive Income		
Deferred tax on effective portion of changes in fair value of cash flow hedges	**-**	(340)
Total Income tax charged on items charged to equity	**-**	(340)

10. Taxation Expense continued

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Profit before tax on continuing operations	**23,624**	9,915
Profit before tax on continuing and discontinued operations multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.33%)	**4,489**	1,917
Effects of:		
Post-tax profits of Associates	**(78)**	(142)
Expenses / (income) not deductible for tax purposes including profit on disposal	**856**	842
Expenses not deductible – exceptional items	**1,404**	397
Effect of different tax rates on overseas profits	**562**	115
Impact of change in rate	**72**	-
Non-deductible intangibles	**706**	735
Deferred tax not recognised from prior year	**-**	1,035
Adjustments in respect of prior periods	**(632)**	131
Total tax expense – continuing operations	**7,379**	5,030

A reduction in the UK corporation tax rate from 20% to 19% became effective from 1 April 2017. The rate applied for the year ended 30 November 2018 was 19.00% (2017: 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 2018 (2017: 17%).

Factors that may affect future tax expenses

The Group has not recognised deferred tax assets in respect of trading losses with a tax value of £nil (2017: £1.0m) in the UK and therefore, to the extent that these losses may be used against profits arising in future periods, the effective tax rate on these profits may be reduced. Other than certain items noted in the tax reconciliation above, there are no other significant factors that may affect future tax expenses.

11. Dividends

At the date of approving these Financial Statements, no final dividend has been approved. However, the Directors have recommended a dividend in respect of the year ended 30 November 2018 of 4.76p per share (2017: 4.40p), payable, subject to the approval of the shareholders at the Annual General Meeting to be held on 28 May 2019, on 7 June 2019 to shareholders on the register on 10 May 2019. The ex-dividend date is 9 May 2019. No provision for dividends payable has been made in the financial statements for this financial year. An interim dividend was paid during the year on 7 September 2018 of 1.54p per share (2017: 1.40p).

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

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12. Earnings Per Share

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

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

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

	Year ended 30 November 2018	Year ended 30 November 2017
Adjusted earnings per share		
Basic	**11.4p**	9.8p
Diluted	**11.3p**	9.8p
	£'000	£'000
Adjusted profit after tax (Note 4)	**41,837**	32,264

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13. Property, Plant and Equipment

Year ended 30 November 2017	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Commercial vehicles £'000	Assets under construction £'000	Total £'000
Cost at 1 December 2016	**19,440**	**8,940**	**4,598**	**14,367**	**-**	**47,345**
Assets purchased on business acquisition	1,144	119	2,463	4,719	-	8,445
Effects of movements in foreign exchange	122	25	34	76	-	257
Additions in the year	12,980	645	2,798	4,384	1,453	22,260
Disposals	(3,256)	(1,550)	(304)	(3,562)	-	(8,672)
Cost at 30 November 2017	**30,430**	**8,179**	**9,589**	**19,984**	**1,453**	**69,635**
Assets purchased on business acquisition	2,164	804	2,797	738	-	6,503
Effects of movements in foreign exchange	145	33	24	73	-	275
Additions in the year	6,113	1,589	2,084	2,235	5,253	17,274
Additions transferred from assets under construction	5,249	97	-	-	(5,346)	-
Disposals	(764)	(61)	(286)	(6,439)	-	(7,550)
Reclass adjustments	(268)	134	(11)	(602)	-	(747)
At 30 November 2018	**43,069**	**10,775**	**14,197**	**15,989**	**1,360**	**85,390**
Accumulated depreciation at 1 December 2016	**1,280**	**2,031**	**1,749**	**4,425**	**-**	**9,485**
Effects of movements in foreign exchange	83	25	21	49	-	178
Charge for the year	1,418	1,072	1,204	3,103	-	6,797
Disposals	(2,725)	(1,484)	(73)	(2,522)	-	(6,804)
Accumulated depreciation at 30 November 2017	**56**	**1,644**	**2,901**	**5,055**	**-**	**9,656**
Acquisitions	566	661	2,468	302	-	3,997
Effects of movements in foreign exchange	84	26	21	56	-	187
Charge for the year	2,205	1,250	1,655	2,472	-	7,582
Disposals	(103)	(43)	(123)	(2,052)	-	(2,321)
Reclass adjustments	4	19	(19)	5	-	9
At 30 November 2018	**2,812**	**3,557**	**6,903**	**5,838**	**-**	**19,110**
Net book value at 30 November 2018	**40,257**	**7,218**	**7,294**	**10,151**	**1,360**	**66,280**
Net book value at 30 November 2017	**30,374**	**6,535**	**6,688**	**14,929**	**1,453**	**59,979**

As at 30 November 2018, the balances held in respect of assets held under finance leases and hire purchase agreements are:

Cost	1,687	846	1,121	16,180	-	19,834
Aggregate depreciation	(210)	(357)	(187)	(5,435)	-	(6,189)
Net book value at 30 November 2018	**1,477**	**489**	**934**	**10,745**	**-**	**13,645**

As at 30 November 2017, the balances held in respect of assets held under finance leases and hire purchase agreements are:

Cost	1,687	1,218	1,238	22,585	-	26,728
Aggregate depreciation	(128)	(222)	(107)	(7,142)	-	(7,599)
Net book value at 30 November 2017	**1,559**	**996**	**1,131**	**15,443**	**-**	**19,129**

The value of land not depreciated is £nil (2017: £nil).

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14. Goodwill and Intangible Assets

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

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

Details of business combinations made during the year can be found in note 6, along with a description of assets and liabilities acquired and any impact on goodwill and intangibles.

Software comprises internally-generated software packages, developed by the individual business units in order to support their operations. These are being amortised between 3 and 5 years.

Brand names comprise the Eddie Stobart trademark and designs, which have been licensed by the Group and are being amortised between 6 and 15 years, being the period of the licence agreement.

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

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

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

A description of goodwill acquired in the current year is provided in note 6.

14. 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 two to five years. Terminal cash flows are based on these five year projections, assumed to grow perpetually at 2.5%. In accordance with IAS 36, the growth rates for beyond the forecasted five years do not exceed the long-term average growth rate for the industry. The key assumptions forming inputs to the cash flows are revenues and operating cash flows.

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

Sensitivity

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

15. Investments in Equity Accounted Investees

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Balance at 30 November	**1,276**	939
Foreign exchange movement	**(89)**	20
Post-tax share of profits	**524**	733
Dividends received from Group companies	**(135)**	(416)
Closing Balance	**1,576**	1,276
Represented by		
Property, plant and equipment	**68**	54
Current assets	**2,706**	2,378
Current liabilities	**(1,192)**	(1,152)
Non-current liabilities	**(6)**	(4)
Share of net assets	**1,576**	1,276

All joint ventures have a reporting year end of 31 December. The Group has taken advantage of the exemption from producing additional financial statements for those joint ventures whose financial year end is not co-terminus with the Group's financial year. IAS 27 allows the use of an alternative financial year end date for joint ventures on the basis that it would be impractical to align the joint venture year end as it is currently aligned to the year end of the other parties participating in the joint venture. Under IAS 27 the Group is required to make adjustment to the financial statements for any significant transactions or events that may arise at the date of signing these statements. No such adjustments are necessary.

During the financial year, the Group received dividends of £135,000 (2017: £416,000).

Notes to the Consolidated Financial Statements continued
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16. Inventories

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Fuel and lubricants	**2,410**	2,064
Consumable supplies	**716**	332
Total	**3,126**	2,396

Inventories represent the value of fuel, lubricants and consumable supplies as at 30 November 2018. There is no impairment provision in respect of inventories. Purchases of these goods during the year are charged directly to the Consolidated Income Statement. As such, the difference between the opening and closing balances, £730,321, was the amount expensed to the Consolidated Income Statement during the year.

17. Trade and Other Receivables

	Year ended 30 November 2019 £'000	Year ended 30 November 2017 £'000
Trade receivables	**161,030**	99,365
Less provision for impairment of trade receivables	**(778)**	(132)
Trade receivables – net	**160,252**	99,233
Other receivables and prepayments	**70,914**	49,746
	231,166	148,979

The ageing of trade receivables and associated provision for impairment is detailed below:

	2018		2017	
	Trade receivables £'000	Provision for impairment £'000	Trade receivables £'000	Provision for impairment £'000
Current	**109,044**	**-**	67,872	-
Overdue less than 1 month	**36,451**	**-**	23,583	-
Overdue 1 - 2 months	**7,907**	**-**	5,534	-
Overdue more than 2 months	**7,628**	**(778)**	2,376	(132)
	161,030	**(778)**	99,365	(132)

18. Cash and Cash Equivalents

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Cash at bank and in hand	**5,234**	11,936

19. Trade and Other Payables (Current)

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Trade payables	**109,125**	67,513
Tax and social security	**16,795**	11,470
Other payables, accruals and deferred income	**43,638**	44,724
Other financial liability	**-**	4,511
	169,558	128,218

20. Trade and Other Payables (Non-current)

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Employee benefits	-	144
Deferred lease liability	**10,159**	6,655
Deferred income	**1,911**	1,914
Other financial liability	**12,926**	10,109
Other long term payables	**269**	-
	25,265	18,822

The other financial liability includes the fair value of the put and call options in relation to a subsidiary undertaking and deferred consideration in relation to acquisitions (see note 6), with £1.8m being attributable to The Pallet Network Group (2017: £nil) and £11.8m to Puro Ventures (trading as Speedy Freight) (2017: £10.1m).

21. Financial Assets and Liabilities

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

Finance facilities

Borrowing facilities

On 21 June 2018, the Group signed an amendment to the existing senior facility agreement to borrow a further £24.0m, under the same terms and conditions and with the same lending syndicate as the existing arrangement, in order to part fund the acquisition of The Pallet Network Group. The facility is secured on the shares of subsidiaries of the Group, is subject to a variable rate of interest and subject to certain conditions is repayable in full in April 2022. Fees of £0.7m were capitalised against this arrangement and will be spread evenly over the remaining term of the loan. This takes the finance facility up to £124.0m borrowed from the existing syndicate of lenders (2017: £100.0m).

Included in the analysis above are financing fees of £0.6m on the new facility at 30 November 2018 (30 November 2017: £2.7m), which have been netted against the principal term loan outstanding. During the year fees of £0.6m (2017: £1.0m) were amortised through the Consolidated Income Statement.

In the UK, the Group also has access to a revolving finance facility of up to £85.0m (2017: £75.0m) though normally restricted to £75.0m (2017: £65.0m), which is dependent upon and secured against assets within the Group. The facility is subject to a variable rate of interest and is in place until 2021. As at 30 November 2018 that balance drawn down against the revolving finance facility is £28.9m (2017: £nil).

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

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21. Financial Assets and Liabilities continued

Maturity Profile of Financial Liabilities

The maturity profiles (including interest payments in respect of finance lease and hire purchase liabilities) of financial liabilities are shown in the table below:

Maturity profile at 30 November 2018	Due within 1 year £'000	Between 1 and 5 years £'000	Due after 5 years £'000	Total £'000
Financial liabilities				
Bank loans and interest	**2,010**	**124,343**	**-**	**126,353**
Trade payables	**109,125**	**-**	**-**	**109,125**
Finance lease and hire purchase obligations	**5,009**	**2,617**	**2,029**	**9,655**
Other financial liability	**-**	**12,926**	**-**	**12,926**
	116,144	**139,886**	**2,029**	**258,059**

Maturity profile at 30 November 2017	Due within 1 year £'000	Between 1 and 5 years £'000	Due after 5 years £'000	Total £'000
Financial liabilities				
Bank loans and interest	3,184	100,433	-	103,617
Trade payables	67,513	-	-	67,513
Finance lease and hire purchase obligations	4,583	11,974	1,259	17,816
Other financial liability	4,511	10,109	-	14,620
	79,791	122,516	1,259	203,566

Foreign exchange differences on retranslation of these assets and liabilities are taken to the Consolidated Income Statement except where those assets and liabilities are held in entities denominated in foreign currency in which case differences are taken to reserves as described in note 1.

The minimum lease payments under finance leases fall due as follows:

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Within one year	**5,285**	5,008
Between one and five years	**2,743**	13,086
After five years	**2,149**	1,383
	10,177	19,477
Future finance charges on finance leases	**(522)**	(1,661)
Present value of finance lease liabilities	**9,655**	17,816

The obligations under finance leases and hire purchase contracts are taken out with various lenders at interest rates prevailing at the inception of the contracts.

Financial risks and capital management

Through its operations, the Group is exposed to the following financial risks:

- Funding and liquidity risk
- Credit risk from trade receivables
- Interest rate cash flow risk from variable rate bank loans
- Foreign exchange risk

In the process of managing these financial risks, the Group uses the following financial instruments:

- Cash at bank
- Bank loans
- Trade receivables, including amounts owed by associates and joint ventures
- Trade and other payables, including amounts owed to associates and joint ventures
- Finance leases and hire purchase agreements

The Group's overall risk management programme focuses on reducing financial risk as far as possible and therefore seeks to minimise potential adverse effects on the Group's financial performance. The policies and strategies for managing specific financial risks are summarised as follows:

21. Financial Assets and Liabilities continued

(i) Funding and liquidity risk

The Group finances its operations by a combination of equity, bank loans, leases, working capital and retained profits. The Group undertakes short-term cash forecasting to monitor its expected cash flows against its cash availability and finance facilities. The Group also undertakes longer-term cash forecasting to monitor its expected funding requirements in order to meet its current business plan, in the context of its existing facilities and to identify any requirement for future funding facilities. The Group monitors its current and forecast financial performance against its banking covenants to ensure that it remains compliant with their requirements. The Group also maintains an active dialogue with a wide range of finance providers in order to ensure that it is aware of all possible sources of finance when it is assessing the availability and cost of providing for the funding requirements in the current business plan.

ii) Credit risk

The Group's principal exposure to credit risk is in its trade receivables arising from credit sales. A large proportion of the Group's trade receivables are covered by insurance, with £88.7m covered at 30 November 2018 (2017: £42.5m). In accordance with this insurance policy, and also carried out as Group policy in other uninsured credit sales, the Group carries out procedures to assess the credit risk of new customers before entering into new contracts, sets credit limits accordingly and monitors outstanding receivables balances in accordance with these. The Board places significant emphasis on credit control and any changes in debtor payment profiles are identified and acted upon. The age profile of outstanding trade receivables as at 30 November 2018 is shown in note 17, together with associated provisions against recoverability, which gives an indication of the level of credit risk to which the Group is exposed.

(iii) Interest rate cash flow risk

Some of the Group's borrowings are issued at variable rates that expose the Group to interest rate cash flow risk. The Group's exposure to floating rate interest is modelled in its budgets and forecasts. The Group's principal strategy is to manage its treasury position to reduce borrowing requirements and therefore its exposure to interest cost. As such, the current exposure to volatility in interest rates is limited and the Group estimates that a rise of 0.5% in interest rates would have reduced pre-tax profits by approximately £792,000 for the year ended 30 November 2018 (2017: £607,000 pre-tax profits).

(iv) Foreign exchange risk

The Company's functional and presentational currency is Pound Sterling. The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the Euro. Due to the significant degree of natural hedging arising from purchases and receipts in Euros, which largely mitigates the transactional and financial reporting foreign exchange risk, the Board does not currently seek to hedge its exposure to foreign exchange risk. The Group estimates that a 5% weakening of the Euro from the year end exchange rate would decrease net assets by approximately £824,000 (2017: £596,000 decrease in net assets).

Capital management

Capital comprises share capital, retained profits and borrowing facilities. The Group's short- to medium-term strategy continues to be to strengthen its capital base in order to sustain the future development of the business and therefore the current policy is to reinvest profits rather than recommend the payment of dividends. The Group also focuses on the management and control of working capital in order to reduce net debt, whilst allowing for capital investment in assets for the future development of the business. The Group has also secured finance facilities that contain sufficient headroom to allow for business growth in the event that market volumes significantly increase or incremental turnover is obtained through organic growth or acquisition.

Fair Value of Financial Assets and Liabilities

The book value and comparable fair value of the Group's financial assets and liabilities are shown in the table below.

		2018		2017	
Classification	Valuation method	**Book value £'000**	**Fair value £'000**	Book value £'000	Fair Value £'000
Financial assets					
Cash	Level 1	**(5,234)**	**(5,234)**	11,936	11,936
Trade receivables	Level 2	**161,030**	**161,030**	99,233	99,233
Interest rate swap	Level 2	**399**	**399**	-	-
Financial liabilities					
Trade payables	Level 2	**109,125**	**109,125**	67,513	67,513
Bank loans	Level 2	**126,353**	**126,353**	103,617	103,617
Finance lease and hire purchase obligations	Level 2	**9,655**	**9,655**	17,816	17,816
Other financial liability (note 20)	Level 3	**12,926**	**12,926**	14,620	14,620

The Group uses the following valuation methods for measuring the fair value of financial instruments
Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are based on data from active markets.
Level 3: Other techniques for which all inputs which have a significant effect on the recorded fair value are not based on data from active markets.

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21. Financial Assets and Liabilities continued

Interest rate swap

On 10 July 2017 the Group entered into an interest rate swap with the Bank of Ireland Global Markets for a value of £60m with a floating rate option of GBP LIBOR, the effective date of the contract is 25 April 2018 and terminates on 22 April 2022. The contract is repayable in quarterly instalments on the 25th day of April, July, October and January of each year of the contract. The fixed rate of interest on the swap contract is 0.963% per annum. The swap is currently in the money, has a fair value of £399k and the movement is taken through the interest line in the income statement.

22. Provisions

	Lease remediation £'000	Employee claims £'000	Total £'000
Balance at 1 December 2016	999	1,283	2,282
Provisions made	1,884	540	2,424
Provisions utilised	(312)	(976)	(1,288)
Movement in foreign currency translation	16	-	16
Total	1,588	(436)	1,152
Balance at 30 November 2017	2,587	847	3,434
Provisions made	-	1,869	1,869
Provisions released	(1,845)	-	(1,845)
Provisions utilised	(7)	(1,912)	(1,919)
Acquired during the year	1,894	-	1,894
Movement in foreign currency translation	21	-	21
Total	63	(43)	20
Balance at 30 November 2018	**2,650**	**804**	**3,454**

Analysis of total provisions:	2018 £'000	2017 £'000
Current	**3,454**	3,434
Non-current	-	-
	3,454	3,434

Lease remediation

A provision is held across the Group property portfolio for future dilapidation costs and site restoration. During the year, a decision to redirect the forthcoming HS2 railway line has resulted in a change in the existing requirement for a dilapidations provision at a warehouse that has been exited by the Group, with £1.2m released to the income statement.

Employee claims

The Group 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 Group.

23. Deferred Tax

Deferred tax is calculated in full on temporary differences using the liability method, and predominantly relates to UK balances, using a tax rate of 17% (2017: 17%).

	Year ended 30 November 2018 £'000	Year ended 30 November 2017 £'000
Deferred tax brought forward	**(9,001)**	(10,526)
Adjustment in respect of prior years	**21**	663
Transfer to the Consolidated Income Statement	**688**	(925)
Deferred tax on items recognised directly in equity	**-**	(340)
Acquisition of business	**(5,332)**	2,127
Deferred taxation carried forward	**(13,624)**	(9,001)

Deferred tax assets have been recognised in respect of pension deficits, the fair value of financial instruments, accelerated capital allowances and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

23. Deferred Tax continued

	At 30 November 2018 £'000	Consolidated Income Statement £'000	Direct to Equity £'000	Acquired with Business Combinations £'000	Adjustment in respect of prior years £'000	At 30 November 2017 £'000
Tax effects of temporary differences due to:						
Intangible assets	**(19,182)**	554	-	(5,657)	17	(14,096)
Revaluations	**(292)**	-	-	-	-	(292)
Deferred tax liability	**(19,474)**	**554**	**-**	**(5,657)**	**17**	**(14,388)**
Losses	**4,675**	(328)	-	-	(410)	5,413
Accelerated capital allowances	**747**	550	-	6	780	(589)
Other temporary differences	**428**	(88)	-	319	(366)	563
Deferred tax asset	**5,850**	**134**	**-**	**325**	**4**	**5,387**
	(13,624)	**688**	**-**	**(5,332)**	**21**	**(9,001)**

	At 30 November 2017 £'000	Consolidated Income Statement £'000	Direct to Equity £'000	Acquired with Business Combinations £'000	Adjustment in respect of prior years £'000	At 30 November 2016 £'000
Tax effects of temporary differences due to:						
Intangible assets	**(14,096)**	84	-	(3,072)	-	(11,108)
Accelerated capital allowances	**(589)**	(588)	-	(327)	-	326
Revaluations	**(292)**	-	-	-	-	(292)
Deferred tax liability	**(14,977)**	**(504)**	**-**	**(3,399)**	**-**	**(11,074)**
Losses	**5,413**	(426)	-	5,716	26	97
Hedging instruments	**-**	-	(340)	-	-	340
Other temporary differences	**563**	4	(1)	(190)	637	113
Deferred tax asset	**5,976**	**(422)**	**(341)**	**5,526**	**663**	**550**
	(9,001)	**(926)**	**(341)**	**2,127**	**663**	**(10,524)**

Unprovided deferred tax assets, which are unprovided because they may not be recovered, are as follows:

	2018 £'000	2017 £'000
Non-trading losses	**1,468**	898
Capital losses	**756**	1,546
Total losses	**2,224**	2,444

Notes to the Consolidated Financial Statements continued
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24. Capital and Reserves
Share capital and share premium

	No. of shares '000	Share capital £'000	Shares premium ('000)	Merger reserves £'000
Ordinary shares in issue at 30 November 2016	**70,300**	**703**	**64,647**	-
IPO adjustment	76,250	762	117,257	-
Prior year business acquisition merger reserve	5,000	50	-	7,950
Bonus issue	206,368	2,064	-	-
Cancellation of share premium	-	-	(64,647)	-
Ordinary shares in issue at 30 November 2017	**357,918**	**3,579**	**117,257**	**7,950**
Share issue	21,429	214	28,745	-
Ordinary shares in issue at 30 November 2018	**379,347**	**3,793**	**146,002**	**7,950**

All of the ordinary shares in issue referred to in the table above are fully paid.

Ordinary share capital & share premium & merger reserve
Prior to the IPO in April 2017, the Company performed a share split, with the consequence that Ordinary share capital reduced from £1 par value to 1p par value per share. Also prior to the IPO, share premium was cancelled in order to convert into distributable reserves. A bonus issue of shares was granted to the current shareholders at the same time.

On 25 April 2017 the Company placed 76.25m Ordinary 1p shares with an attached merger reserve of 159p per share (the total listing price being 160p per share) on AIM.

The Company also issued 5m Ordinary 1p shares, with an attached share premium of 159p per share total value (160p per share) to the shareholders of iForce Group for their interests in the business.

On 28 June 2018 the Company placed 21.43m Ordinary 1p shares with an attached share premium of 139p per share (140p per share in total), to provide part of the funding for the acquisition of the TPN Group, as described in Note 6.

Own shares
Included in the total number of ordinary shares outstanding above are 1,690,000 (2017: 1,690,000) Ordinary shares held by the Group's employee benefit trust. The Ordinary shares held by the trustee of the Group's employee benefit trust pursuant to the SIP are treated as Own shares in the Consolidated and Company's Balance Sheet in accordance with IAS 32.

Nature and purpose of reserves
i. Translation 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.

ii. Own shares reserve – This reserve arose when the Group issued equity share capital under its Share Incentive Plan (SIP) which is held in trust by the trustee of the Group's employee benefit trust. If these shares are forfeited throughout the vesting period for leavers or another reason they will continue to be owned by the trust and therefore will continue to be presented within Own shares in the group financial statements.

iii. Share options reserves – consist of provisions made during the financial year relating to Long-Term Incentive and Management Incentive Plans for future liabilities relating to management and employee share-based incentive scheme payments, further details are disclosed in note 25.

25. Share-based Payments
As at 30 November 2018, the Company operated the following share award plans:
- Long-Term Incentive Plan;
- Management Incentive Plan; and
- Share Incentive plan.

There were no exercisable options under the above schemes as at 30 November 2018 (2017: £nil).

Long-term incentive plan (LTIP)
The LTIP was approved by the Board on 18 April 2017 enabling the Group to award options on shares to key employees following admission to the Alternative Investment Market (AIM) on the London Stock Exchange. Awards were granted during the year ended 30 November 2017, giving award holders the right to exercise nil-out options at the end of the three year period from the date of the award, dependent on;

- The level of growth in earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ending 30 November 2017 of £56.8m; and
- achievement of 10% compound growth in the total shareholder return (TSR) over the period from the date of admission to trading on the London Stock Exchange (25 April 2017) to the third anniversary of admission.

25. Share-based Payments continued

The fair value of options granted during the year ended 30 November 2018 was determined on a Log-normal Monte-Carlo Stochastic model. Using an initial price, a simulation of a large number of share paths was undertaken that followed the geometric Brownian motion that calculated a valuation for each path, which was then averaged to obtain an overall valuation for two key outputs:

- the simulated share price at the vesting date; and
- the intrinsic value of the LTIP shares.

IFRS 2 states that there is present obligation to settle in cash if:

- the choice of settlement in equity has no commercial substance; or
- the Company has a past practice or stated policy of settling in cash; or
- the entity generally settles in cash whenever the counterparty requests cash settlement.

For the Group, none of the above apply and there is no assumed obligation to settle in cash, consequently the LTIP award will be treated as equity settled for this valuation. The LTIP award also gives rise to post-vesting restriction on the shares for a period of 12 months from the date of issue to participators or the fourth anniversary of the granting of the LTIP, whichever is the earliest.

Under IFRS 2 there is a requirement to consider post-vesting restrictions to be incorporated in calculating the fair value for the LTIP award; as shares in the Company are traded on the London Stock Exchange, the restriction would have a negligible effect on the price that a knowledgeable and willing market participant would pay for the shares and as such no adjustment to the fair value of the LTIP shares has been calculated. This valuation has been calculated and provided by an independent third party who have advised the directors of the fair value and future LTIP obligations as follows;

Number of shares under options granted – 707,000

Fair value as calculated per option – 90.5 pence

Total value of options – £480,066

The vesting period charge in the financial statements is as follows;

	Value of options granted Total £'000	Value of options expired Total £'000	Total £'000	Future obligations: Greater than 12 months £'000	Future obligations: 2019 £'000	Future obligations: **2018 £'000**
Fair value charge of LTIP scheme	480	(240)	240	29	81	**130**

Management incentive plan (MIP)

The MIP was approved by the Board on 25 April 2017. The Company entered into arrangements with the two participants A Laffey and D Harte. A Laffey subscribed for 60,000 A1 ordinary shares in Greenwhitestar Acquisitions Limited, a subsidiary of the Company, at £0.65p per share and D Harte subscribed for 20,000 A2 ordinary shares at £2.00 per share. The participants have the right to sell all of their MIP shares at the end of the three year period from the date of the award. The Company also has a corresponding call right at the end of this period. The date on which this right is exercised is referred to as the Exercise Date.

The Company, at its discretion, may purchase the MIP shares for cash or by issuing ordinary shares in the Company. Where participants receive ordinary shares in the Company, the MIP participants are restricted from selling 50% of their allotment for a 12 month period from the date of issue or the fourth anniversary of the MIP share issue whichever is earliest.

Performance conditions

The value of the MIP shares on the Exercise Date aggregate on sale will be 8% of the increase in the Company's share price above a share price hurdle multiplied by the number of issued share capital at the date of admission. The share price will be based on the 90 day average price of the of the Company's ordinary shares.

The hurdle is set at a premium of 10% above the placing price of a share in the Company on admission and the hurdle will increase on a compound basis by 10% per annum to the vesting date. Based on the above, the hurdle at the date of admission is equivalent to a market capitalisation of £762m provided no new share issues take place. If for example the market capitalisation at the end of the MIP was valued at £862m, the increase in shareholder value above the hurdle of £762m is £100m and it is this figure that is attributable to the 8% MIP value of shares, i.e. £8m.

The fair value of MIP shares valuations was determined on a Log-normal Monte-Carlo Stochastic model, using an initial price, a simulation of a large number of share paths was undertaken that followed the geometric Brownian motion which calculated a valuation for each path, that was then averaged to obtain an overall valuation using similar type of companies operating in the same sector as the Company as a benchmark group to evaluate the comparative market capitalisation performance condition.

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25. Share-based Payments continued

This simulation was performed over a large number of share paths and the valuation provided three key outputs:
- the simulated share price at the Exercise Date;
- the 90 day average share price at the Exercise Date; and
- the intrinsic value of the MIP shares.

The MIP scheme may be settled in cash or shares at the discretion of the Company and IFRS 2 states that there is present obligation to settle in cash if;
- the choice of settlement in equity has no commercial substance; or
- the Company has a past practice or stated policy of settling in cash; or
- the entity generally settles in cash whenever the counterparty requests cash settlement.

For the Company, none of the above apply and there is no assumed obligation to settle in cash, consequently the MIP award will be treated as equity settled for this valuation and the plan also gives rise to post-vesting restriction on the shares for a period of 12 months from the date of issue to participants or the fourth anniversary of the granting of the MIP shares, whichever is the earliest.

Under IFRS 2 there is a requirement to consider post-vesting restrictions to be incorporated in calculating the fair value for the MIP shares; as shares in the Company are traded on the AIM market of the London Stock Exchange, the restriction would have a negligible effect on the price that a knowledgeable and willing market participant would pay for the shares and as such no adjustment to the fair value of the MIP shares has been calculated. This valuation has been calculated at fair value and the number of shares cannot be sold until the date of crystallisation. This fair valuation has provided by an independent third party who has advised management of the fair value of future MIP obligations as follows;

		Fair value of future obligations		
	Total £'000	Greater than 12 months £'000	2019 £'000	**2018 £'000**
Fair value charge of MIP scheme	3,089	413	1,029	**1,647**

Share Incentive Plan (SIP)

The SIP was approved by the Board on 25 April 2017. The SIP is an equity settled share incentive plan approved by HMRC. The purpose of the SIP is to be a free share issue to staff fully funded by funds from the outgoing parent shareholder. The SIP shares are held in trust by independent third party trustees for specified employees, but may be forfeited during a three year period that commenced from 30 June 2017 in certain circumstances.

The number of shares held in trust are 1,687,500 Ordinary £0.01p shares at a cost of £1.60 per share with a market value of £2.7m. All of the shares were fully paid for by the outgoing shareholder and parent. The employees who participated in the SIP are the Company's Executive Directors and employees, including the employees of the Company's subsidiaries, as at 30 June 2017.

The SIP also allows for the extension of the SIP to allow additional employees to participate at the discretion of the Board.

The current and future charge to the Income Statement is detailed below;

		Future obligations		
	Total £'000	Greater than 12 months £'000	2019 £'000	**2018 £'000**
Fair value charge of Employee Benefit Trust SIP Scheme	2,018	383	654	**981**

26. Operating Lease Arrangements

At the year end the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018		2017	
	Plant and equipment £'000	**Land and buildings £'000**	Plant and equipment £'000	Land and buildings £'000
Within one year	**52,239**	**46,986**	38,837	34,444
Between one and five years	**91,082**	**179,624**	62,955	120,696
Due after five years	**12,618**	**447,364**	9,736	311,987
	155,939	**673,974**	111,528	467,127

27. Related Party Disclosures and Ultimate Parent Undertaking

During the year the Company and or its subsidiaries entered into commercial transactions with related parties as shown in the table below.

2018 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 Limited	b	2,795	-	553	-
Speedy ROI Limited	c	190	-	39	-
Puro Property Partnership Limited	d	-	30	-	11

a. In February 2015, two Directors of a subsidiary company were loaned an aggregate amount of £475,000, at 3% plus RBS base rate non-compound interest, repayable in full as at February 2022.

b. IPS at Eddie Stobart Limited is a joint venture participation. IPS at Eddie Stobart Limited provides logistics and management services.

c. Speedy ROI Limited is a related party by common directorship of Puro Ventures Limited. Sales of £190,000 were made to Speedy ROI Limited during the year, with £39,000 owed at 30 November 2018.

d. Puro Property Partnership Limited is a related party by common directorship of Puro Ventures Limited. Rent of £2,500 per month was paid to Puro Property Partnership Limited during the year, with £10,999 being owed at 30 November 2018.

In addition, amounts totalling £15,000 were received by the Company from a Director during the year before being paid out on his behalf to a third-party. There is no balance due to the Company or any company in the Group at the year end.

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
Stobart Group Limited and subsidiaries	a	1,369	(1,645)	-	-
AstSigns Limited	b	31	(150)	-	-
Oakfield Manor Estates Limited	b	8	-	-	-
WS Transportation Limited	b	741	(1,527)	-	-
DBAY Advisors Limited	c	-	(576)	-	-
Greenwhitestar Holding Company 1 Limited	d	2,703	(2,845)	-	-
Greenwhitestar Holding Company 2 Limited	e	-	-	-	-
Directors' loans	f	-	-	475	-
IPS at Eddie Stobart Limited	g	1,535	-	187	-

On 25 April 2017 Eddie Stobart Logistics plc was listed on the Alternative Investment Market of the London Stock Exchange. As a consequence the Group 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. These changes are outlined specifically below. The period during which transactions could have been affected by the existence of a related party relationship has been fully disclosed in the interim financial statements for the period to 31 May 2017 that covered the period from 1 December 2016 to 25 April 2017.

Notes to the Consolidated Financial Statements continued

for the year ended 30 November 2018

27. Related Party Disclosures and Ultimate Parent Undertaking continued

a. Stobart Group Limited and its subsidiary undertakings. Prior to 25 April 2017 Stobart Group Limited owned 49% of the share capital of Greenwhitestar Holding Company Limited, the Company's ultimate parent undertaking. During the year, the Group made purchases of property rents and transport services and provided haulage services to Stobart Group Limited in the normal course of business. As of 25 April 2017 Stobart Group Limited is no longer a related party as a consequence of its reduced shareholding.

b. W Stobart was a director of the Company until his resignation on 4 April 2017. Related party transactions up to 4 April 2017 have been disclosed for:
   i. purchases relating to its provision of branded products and vehicle advertising from AstSigns Limited;
   ii. haulage services provided to Oakfield Manor Estates Limited and WS Transportation Limited: and
   iii. purchases of haulage services from WS Transportation Limited.

   W Stobart is a director or controlling shareholder of each of these companies.

c. DBAY Advisors Limited, incorporated in the Isle of Man, was prior to 25 April 2017 deemed to be the controlling party of Greenwhitestar Holding Company 1 Limited and Advisors to the fund manager of DouglasBay Capital Fund II LP, which was beneficially interested in the Company. In the lead up to the stock market flotation the Group made purchases in respect of management services provided by DBAY Advisors Limited. As of 25 April 2017 onwards, DBAY Advisors Limited are no longer a related party as a consequence of their reduced interest in the Company.

d. Greenwhitestar Holding Company 1 Limited (GWHC1) is the immediate parent company of GWHC2 defined holders and charged management fees for services rendered up to 25 April 2017. As of 25 April 2017 onwards, GWHC1 is no longer a related party as a consequence of their reduced interest in the Company.

e. Greenwhitestar Holding Company 2 Limited (GWHC2) was the Company's immediate parent company until 25 April 2017. As of 25 April 2017 onwards, GWHC2 is no longer a related party as a consequence of their reduced interest in the Company.

f. In February 2015, two Directors of a subsidiary company were loaned an interest free aggregate amount of £475,000, repayable in full as at February 2022.

g. IPS at Eddie Stobart Limited is a joint venture participation. IPS at Eddie Stobart Limited provides logistics and management services.

28. Contingent liabilities

There is an unlimited bank cross guarantee arrangement between the Company and certain of its material subsidiary undertakings. The maximum potential liability at 30 November 2018 was £124.0m (2017: £100.0m).

29. Capital commitments

At 30 November 2018, the Group had no capital commitments (2017: £0.1m).

30. Subsequent events

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

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Company Statement of Financial Position
as at 30 November 2018

	Note	**30 November 2018 £'000**	30 November 2017 £'000
Assets			
Non-current assets			
Investments	4	65,300	65,300
Amounts owed by Group undertakings	5	-	122,303
		65,300	187,603
Current assets			
Amounts owed by Group undertakings	5	151,629	-
Other receivables		72	136
Cash		4	25
		151,705	161
Current liabilities			
Amounts owed to Group undertakings	6	(26,218)	(2,006)
Other creditors	6	(640)	(47)
		(26,858)	(2,053)
Non-current liabilities			
Amounts owed to Group undertakings		-	-
		-	-
Net assets		**190,147**	185,711
Equity			
Called up share capital		3,793	3,579
Share premium account		146,002	117,257
Merger reserve		7,950	7,950
Prior year treasury shares		(2,700)	(2,700)
Share option reserve		2,758	1,079
Retained earnings		32,344	58,546
Total shareholders' funds	7	**190,147**	**185,711**
Profit / (Loss) for the year		**(4,630)**	**(1,664)**

This Statement of Financial Position should be read in conjunction with the notes to the Company Statement of Financial Position on pages 85 to 89 and the notes to the Consolidated Financial Statements on pages 49 to 82.

The Company Financial Statements on pages 83 to 89 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf by:

Damien Harte

Damien Harte
Chief Financial Officer
Company number 08922456

Company Statement of Changes in Equity
for the year ended 30 November 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share options reserve £'000	Own shares £'000	(Accumulated losses) / Retained earnings £'000	Total £'000
Balance at 1 December 2016	703	64,647	-	-	-	(62)	**65,288**
Loss for the year	-	-	-	-	-	(1,664)	**(1,664)**
Cancellation of share premium	-	(64,647)	-	-	-	64,647	**-**
Issue of capital (net of costs)	2,876	117,257	7,950	-	-	(2,064)	**126,019**
Share based payment charges	-	-	-	1,079	(2,700)	2,700	**1,079**
Dividends paid	-	-	-	-	-	(5,011)	**(5,011)**
Balance at 30 November 2017	**3,579**	**117,257**	**7,950**	**1,079**	**(2,700)**	**58,546**	**185,711**
Loss for the year	-	-	-	-	-	(4,630)	**(4,630)**
Issue of capital (net of costs)	214	28,745	-	-	-	-	**28,959**
Share based payment charges	-	-	-	1,156	-	-	**1,156**
Incentive plans	-	-	-	523	-	-	**523**
Dividends paid	-	-	-	-	-	(21,572)	**(21,572)**
Balance at 30 November 2018	**3,793**	**146,002**	**7,950**	**2,758**	**(2,700)**	**32,344**	**190,147**

The accompanying notes form part of the financial statements.

Notes to the Company Financial Statements
for the year ended 30 November 2018

1. Basis of Accounting
Eddie Stobart Logistics plc is a public limited company incorporated in the United Kingdom. The results of the Company are included in the financial statements of Eddie Stobart Logistics Plc which are available from Stretton Green Distribution Park, Langford Way, Appleton, Warrington, Cheshire, England, WA4 4TQ. These financial statements present information about the Company as an individual undertaking and not about its Group. The separate financial statements of the Company are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

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 adjustments where necessary in order to comply with Companies Act 2006.

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:

- Company cash flow statement and related notes
- Disclosure in respect of transactions with wholly-owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not effective IFRSs
- Disclosure in respect of the compensation of key management personnel

As the Consolidated Financial Statements of the Group include equivalent disclosures, the Company has taken exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair value measurement
- Disclosures required by IFRS 7 Financial instrument disclosures
- Share-based payments – IFRS 2 is being applied to equity instruments

The financial statements are presented in Sterling rounded to the nearest thousand.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Basis of preparation
The Company accounting policies set out below have been applied consistently to all years in these Financial Statements, other than where new policies have been adopted. These financial statements have been prepared on a going concern basis, in accordance with The Companies Act 2006 as applicable to companies using FRS 101 and under the historic cost convention.

2. Significant Accounting Policies
The accounting policies adopted by the Company are consistent with those used in the Group's Consolidated Financial Statements as set out on pages 49 to 58, except for the following items which are only relevant for the Company as a standalone entity.

Judgements and key sources of estimation
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The key estimates with a significant risk of material adjustment in the next year, are discussed below:

- IAS 36 'Impairment of assets'. In testing for impairment of investments in, and amounts due from, subsidiary undertakings, the Directors have made certain assumptions concerning the future development of its subsidiary businesses that are consistent with their annual budgets and forecasts into perpetuity. Should these assumptions regarding the discount rate or growth in the profitability be unfounded then it is possible that investments in, and amounts due from, subsidiary undertakings included in the balance sheet could be impaired.

- IFRS 2 'Share-based payments'. The Company has issued equity settled share-based payment options to certain employees in exchange for services rendered by them. The fair value is measured using an option valuation model at the date of grant and is recognised as an employee expense over the period in which the employees become unconditionally entitled to the options, with a corresponding increase in equity. This valuation is based on estimates of the number of options that will eventually vest, based on related service and non-market vesting conditions that are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any of the future periods affected.

Notes to the Company Financial Statements continued
for the year ended 30 November 2018

2. Significant Accounting Policies continued

Investments and amounts owed by Group undertakings
Investments in subsidiaries are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Cash and cash equivalents
In the Statement of Financial Position, cash includes cash and cash equivalents excluding bank overdrafts.

3. Employees and Directors
Directors' remuneration is shown in the Directors' Remuneration report from page 34 to 35. The Company has two direct employees (2017: 2). The Directors do not believe it is practicable to apportion the remuneration of the Directors between services as Directors of the Company and services as Director Group subsidiaries.

4. Investments in Subsidiary Undertakings
The cost and provisions for impairment of the Company's investments are shown below:

	30 November 2018 £'000	30 November 2017 £'000
Cost and net book value		
At 30 November	**65,300**	65,300

We have looked at the future cash flows of the companies which comprise the investments and believe that these values are recoverable.

Company name	Business activity	Proportion of ordinary share capital held: Directly	Proportion of ordinary share capital held: Indirectly	Country of incorporation
Subsidiary undertakings: Registered office				
Stretton Green Distribution Park, Langford Way, Appleton, Warrington, WA4 4TQ				
Greenwhitestar Acquisitions Limited	Holding company		100%	United Kingdom
Stobart Transport & Distribution Limited	Holding company		100%	United Kingdom
Eddie Stobart Group Limited	Holding company		100%	United Kingdom
AHL Anglia Limited	Holding company		100%	United Kingdom
AIL Anglia Limited	Holding company		100%	United Kingdom
iForce Group Limited	Holding company		100%	United Kingdom
TLP Holdings Limited	Holding company		100%	United Kingdom
Eddie Stobart Limited	Contract logistics		100%	United Kingdom
Stobart Truckstops Limited	Logistics support		100%	United Kingdom
O'Connor Container Transport Limited	Contract logistics		100%	United Kingdom
O'Connor Container Storage Limited	Contract logistics		100%	United Kingdom
Westlink Storage & Shipping Company Limited	Warehouse logistics		100%	United Kingdom
iForce Auctions Limited	Contract logistics		100%	United Kingdom
iForce Limited	Contract logistics		100%	United Kingdom
iForce Trading Limited	Contract logistics		100%	United Kingdom
Stobart Rail Freight Limited	Dormant		100%	United Kingdom
Autoteq Limited	Dormant		100%	United Kingdom
Acumen Distribution Service Holdings Limited	Dormant		100%	United Kingdom
Autologic Services Limited	Dormant		100%	United Kingdom
Buyforce Limited	Dormant		100%	United Kingdom
iForce Holdings Limited	Dormant		100%	United Kingdom
Subsidiary undertakings: Registered office				
Puro House, Unit 2 The Pavilions, Cranford Drive, Knutsford Business Park, Knutsford, Cheshire, WA16 8ZR				
Puro Ventures Limited *	Contract logistics		47.5%	United Kingdom
Subsidiary undertakings: Registered office				
Headlands House 1 Kings Court Kettering Parkway, Kettering, Northamptonshire, NN15 6WJ				
The Logistic People Limited	Recruitment services		100%	United Kingdom
Subsidiary undertakings: Registered office				
Old Bank Chambers La Grande Rue, St Martin's, GY4 6RT				
ESLL Group Limited (formally Eddie Stobart Logistics Limited)	Holding company		100%	Guernsey

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4. Investments in Subsidiary Undertakings continued

Company name	Business activity	Proportion of ordinary share capital held: Directly	Indirectly	Country of incorporation
Subsidiary undertakings: Registered office				
Bond Drive Extension, Dublin Port, Dublin 3				
Eddie Stobart (Ireland) Limited	Contract logistics		100%	Ireland
Eddie Stobart (Ireland) Drivers Services Limited	Contract logistics		100%	Ireland
Subsidiary undertakings: Registered office				
Prologics Park, Midpoint Way, Minworth, West Midlands, B76 9EH				
The Pallet Network Group Limited	Contract logistics		100%	United Kingdom
The Pallet Network Limited	Contract logistics		100%	United Kingdom
Subsidiary undertakings: Registered office				
Unit 3, The Drive, Gatwick Road, Crawley, West Sussex, RH10 9AN				
Eezehaul Limited	Contract logistics		100%	United Kingdom
Subsidiary undertakings: Registered office				
Hazeldonk 6049, 4836 LA Breda, The Netherlands				
Eddie Stobart Europe Holding BV (formally Autologic Benelux B.V.)	Holding company		100%	The Netherlands
Stobart Automotive NL BV (formally Walon BV)	Contract logistics		100%	The Netherlands
Subsidiary undertakings: Registered office				
Eikelaarstraat 28, 3600 Genk, Belgium				
Eddie Stobart Logistics Europe NV	Contract logistics		100%	Belgium
Stobart Automotive Belgium NV	Contract logistics		100%	Belgium
Stobart Automotive Europe NV	Contract logistics		100%	Belgium
Automotive Plant Releasing Services NV	Dormant		100%	Belgium
Subsidiary undertakings: Registered office				
Velika & Georgi Chenchevi Street 3, 5400 Sevlievo, Bulgaria				
Eddie Stobart Logistics Bulgaria OEED	Contract logistics		100%	Bulgaria
Subsidiary undertakings: Registered office				
U Stavoservisu 692/1b, 108 00 Praha 10, Czech Republic				
Stobart Automotive CZ s.r.o.	Contract logistics		100%	Czech Republic
Subsidiary undertakings: Registered office				
ul. Krakow Suburb 47/51, 00-071 Warsaw, Poland				
Walon Poland SP zo.o.	Dormant		100%	Poland
Subsidiary undertakings: Registered office				
Bucuresti Street (DJ 601) no. 51, 077055 Ciorogarla – Ilfov, Romania				
Eddie Stobart Logistic Romania SRL	Contract logistics		100%	Romania
Joint Ventures: Registered office				
IPS at Eddie Stobart Limited, C/O Culina Group Limited, Shrewsbury Road, Market Drayton, TF9 3SQ	Contract logistics		50%	United Kingdom
Transport Service & Logistics GMBH Hauptstraße 96, D-82467 Garmisch-Partenkirchen, Germany	Contract logistics		50%	Germany
TSK Transport Service & Logistics Gmbh** Hauptstraße 96, D-82467 Garmisch-Partenkirchen, Germany	Contract logistics		50%	Germany
Transport Service & Releasing Iberia S.L. Paseio de la Calderona, 28850 Ciempozuelos, Spain	Contract logistics		33%	Spain

* The Group has effective control over the operating activities of Puro Ventures Limited, a franchise delivery model business incorporated in the United Kingdom and therefore consolidates Puro Ventures Limited in its financial statements in accordance with IFRS 10. See Note 6b of the Group financial statements for more information on Puro Ventures Limited.

** The Company's 50 per cent interest in TSK continues to be held indirectly and has been registered as being held by AHL Anglia Limited following the liquidation of a Belgian intermediate holding company.

Notes to the Company Financial Statements continued
for the year ended 30 November 2018

5. Receivables

	30 November 2018 £'000	30 November 2017 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	**151,629**	-
Amounts falling due in more than one year:		
Amounts owed by Group undertakings	-	122,303

The Company has amounts due from Group undertakings which are repayable on demand. Repayment is not anticipated within the year ending 30 November 2019.

6. Trade and Other Payables (Current)

	30 November 2018 £'000	30 November 2017 £'000
Current Liabilities		
Amounts owed to Group undertakings	**(26,218)**	(2,006)
Other creditors	**(640)**	(47)
	(26,858)	(2,053)

The Company has amounts due to Group undertakings which are repayable on demand.

7. Reconciliation of Movement in Shareholders' funds

	30 November 2018 £'000	30 November 2017 £'000
Opening shareholders' funds	**185,711**	65,288
New share issue	**214**	812
Share premium on issue (net of share issue costs)	**28,745**	117,257
Merger reserve	-	7,950
Share incentive provision	**523**	1,079
Share based payments	**1,156**	2,700
Prior year treasury reserve	-	(2,700)
Dividends paid	**(21,572)**	(5,011)
Profit and loss	**(4,630)**	(1,664)
Total shareholders' funds	**190,147**	185,711

As permitted by Section 408(4) of the Companies Act 2006, the Parent Company's Income Statement has not been included in these Financial Statements. The Parent Company's loss after tax for the financial year was £4,630,000 (2017: £1,664,000 loss).

Ordinary share capital, share premium and merger reserve

Prior to the IPO, the Company performed a share split, with the consequence that ordinary share capital reduced from £1 par value to 1p par value per share. Also prior to the IPO, share premium was cancelled in order to convert into distributable reserves. A bonus issue of shares was granted to the current shareholders at the same time.

On 25 April 2017 the Company placed 76.25m Ordinary 1p shares with an attached merger reserve of 159p per share (the total listing price being 160p per share) on AIM.

The Company also issued 5m ordinary 1p shares, with an attached share premium of 159p per share total value (160p per share) to the shareholders of iForce Group for their interests in the business.

On 28 June 2018 the Company placed 21.43m Ordinary 1p shares with an attached merger reserve of 139p per share (140p per share in total), to provide part of the funding for the acquisition of the TPN Group.

Own shares

Included in the total number of Ordinary shares outstanding above are 1,690,000 (2017: 1,690,000) Ordinary shares held by the Group's employee benefit trust. The Ordinary shares held by the trustee of the Group's employee benefit trust pursuant to the SIP are treated as Own shares in the Consolidated and Company's Balance Sheet in accordance with IAS 32.

7. Reconciliation of Movement in Shareholders' Funds continued

Own share reserve

This reserve arose when the Group issued equity share capital under its Share Incentive Plan (SIP) which is held in trust by the trustee of the Group's employee benefit trust. If these shares are forfeited throughout the vesting period for leavers or another reason they will continue to be owned by the trust and therefore will continue to be presented within Own shares in the Group Financial Statements.

Share option reserves

Consist of provisions made during the financial year relating to Long-Term Incentive and Management Incentive Plans for future liabilities relating to management and employee share-based incentive scheme payments. Further details are disclosed in note 25.

8. Capital Commitments

At 30 November 2018, the Company had no commitments (2017: £nil).

9. Contingent Liabilities

There is an unlimited bank cross guarantee arrangement between the Company and some of subsidiary undertakings. The maximum potential liability at 30 November 2018 was £124.0m (2017: £100.0m).

10. Subsequent Events

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

Glossary

Term	Definition
Accounts	The financial statements of the Group and/or the Company, as appropriate
Admission	The admission of the issued ordinary shares to trading on AIM that became effective on 25 April 2017
ALLMI	Association of Lorry Loader Manufacturers and Importers
AAT	The Association of Accounting Technicians
ADR	The European Agreement concerning the International Carriage of Dangerous Goods by Road
AFR	Accident Frequency Rate which is calculated to provide an indication of the number of RIDDORs that occur for every 100,000 hours worked
AGM	Annual General Meeting of the Company
AI	Artificial Intelligence
AIM	Alternative Investment Market of the London Stock Exchange
APMs	Alternative Performance Measures
Board	Board of Directors of the Company
Brexit	A reference to the UK's referendum decision to leave the European Union
CAGR	Compound Annual Growth Rate
CGU	Cash Generating Unit
Company/Parent Company	Eddie Stobart Logistics plc a public limited company incorporated in England and Wales with registered 08922456
CPC	Certificate of Professional Competence
CTP	Career Transition Partnership
DCPC	Driver Certificate of Professional Competence
DDP	Eddie Stobart's Driver Development Programme
Directors	The Directors of the Company as at the date of this document, as identified on pages 28 and 29
DVSA	The Driver Vehicle and Standards Agency
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
Eddie Stobart Group/Group	The Company and its subsidiaries from time to time
Eddie Stobart	The Company or the Eddie Stobart Group, as appropriate
EPS	Earnings Per Share
Executive Directors	Alex Laffey and Damien Harte
HGV	Heavy Goods Vehicle
HSQE	Health Safety, Quality and Environment
IAS	International Accounting Standards
iForce/iForce Group	iForce Group Limited, a subsidiary of the Company
IFRS	International Financial Reporting Standards
IOSH	The Institution of Occupational Safety and Health
IoT	Internet of Things
IPaaS	Integration Platform as a Service
IPO	The Initial Public Offering of ordinary shares resulting in the Admission
LGV	Light Goods Vehicle
LMS	Learning Management System
Logistic People	Logistic People Limited, a wholly owned subsidiary of TLP
LTIP	The Long Term Incentive Plan described on page 78
MHE	Material Handling Equipment
MIB	Manufacturing, Industrial and Bulk
MIP	Management Incentive Plan described on page 79
Ordinary Shares/Shares	Ordinary shares of £0.01 each in the capital of the Company
RFC	Regional Fulfilment Centre
SaaS	Software as a Service
Sectors	The Group divides its business up into sectors, comprising of Retail, Consumer, E-commerce, Manufacturing Industrial and Bulk (MIB) and Other
QCA	Quoted Companies Alliance
QCA Corporate Governance Code	QCA Corporate Governance Code for Small and Mid-Size Quoted Companies published by the QCA
RIDDOR	A workplace incident reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013
SAFED	Safe and Fuel Efficient Driving
SIP	Share Incentive Plan described on page 80
Speedy Freight	Puro Ventures Limited, a subsidiary of the Company that trades as Speedy Freight
SUD	Safe Urban Driving
TLP	TLP Holdings Limited, a subsidiary of the Company
TPN	The Pallet Network Limited
UK GAAP	UK Generally Accepted Accounting Principles

Advisors

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