17 June 2020

Wincanton plc

Preliminary Announcement of Results for the financial year ended 31 March 2020

"Excellent financial foundations set to unlock potential for growth"

Wincanton plc ('Wincanton' or the 'Group'), the largest British third party logistics company, today announces its preliminary results for the year ended 31 March 2020.

Key financial measures
Note: discussion of the results is on a comparable IAS 17 basis, unless otherwise stated.

	2020	**2020**	2019	Change
	IFRS 16[1]	**IAS 17**[1]	IAS 17	vs IAS 17
Revenue (£m)	**1,201.2**	**1,201.2**	1,141.5	5.2%
Underlying EBITDA (£m) [2,3]	**104.1**	**68.9**	66.7	3.3%
Underlying operating profit (£m)[3]	**61.0**	**57.3**	55.3	3.6%
Underlying profit before tax (£m)[3]	**52.8**	**52.9**	49.3	7.3%
Underlying EPS (p)[3]	**36.1p**	**35.8p**	33.5p	6.9%
Free cash flow (£m)[4]	**40.8**	**40.8**	57.0	
Net debt excluding lease liabilities (£m)[5]	**10.1**	**10.1**	19.3	
Statutory results				
Operating profit (£m)[3]	**52.0**		54.6	
Profit before tax (£m)	**43.8**		48.6	
Basic EPS (p)	**31.1p**		34.5p	

FY19/20 operational and financial highlights

- Strong year on year revenue growth of 5.2% to £1,201.2m (2019: £1,141.5m) – notable growth in Retail Grocery (+26.0%) and Retail General Merchandise (+5.8%)
- Growth driven by new business in the year, including transportation and vehicle maintenance services contract with Morrisons and contracts with Wickes, Dwell and Sofa Club in our market-leading Home and eFulfilment business
- All major contract renewals successful in year, including Sainsbury's, Waitrose & Partners, Williams Sonoma Inc., Ibstock, Müller Milk, Lucozade Ribena Suntory and adidas
- Underlying profit before tax growth of 7.3% to £52.9m and EPS growth of 6.9% to 35.8p, both driven by revenue growth, strong operational performance and reduced levels of debt
- Robust balance sheet with continued strong cash generation leading to a reduction in net debt to £10.1m (2019: £19.3m)
- Chief Executive's review completed – refocused strategic direction and organisational structure aligned to growth focus: "Great people delivering sustainable supply chain value"

COVID-19 update

- Continuity of business operations secured throughout COVID-19 lockdown period and health and wellbeing of employees safeguarded
- Year to date revenue down c10% year on year with negative impact on year to date profitability mostly in closed book contracts, but May revenue up 7% from April
- Signs of gradual increase in activity levels in segments most affected (Construction and Transport Services)
- Financial measures taken to mitigate short-term impacts of COVID-19, including suspension of final dividend
- Group well-positioned to capitalise on growth opportunities that continue to emerge

James Wroath, Chief Executive Officer, commented:

"Wincanton delivered another year of strong performance in FY19/20, since when the COVID-19 crisis has created significant challenges for the Group and our customers. The measures we have implemented have ensured great service has continued

during the crisis period and opportunities for future growth have continued to emerge. Furthermore, profitability continues to recover as our sectors return towards normal levels of activity.

The overall direction of our strategy following my initial review has not been altered by COVID-19. Wincanton has a strong business model with an experienced management team, diversified service offerings and an excellent reputation. I expect to use this foundation as a springboard for growth to drive even greater success in the future. Our focus on great people delivering sustainable supply chain value will underpin the Group's development. We remain on course for what I anticipate will be an exciting next phase of growth and achievement for Wincanton as a result of the huge commitment of our staff and our disciplined approach."

For further enquiries please contact:

Wincanton plc
Tim Lawlor, Chief Financial Officer — Tel: 01249 710000

Buchanan
Richard Oldworth, Victoria Hayns — Tel: 020 7466 5000

A virtual meeting/conference call for analysts will be held today, Wednesday 17 June 2020, commencing at 9.30am. Wincanton's Preliminary Results 2020 are available at www.wincanton.co.uk
An audio webcast /recording of the analysts' meeting will be available today on the Company's website.

Notes

[1] Wincanton reports key financial measures based on underlying performance. IFRS 16 Leases, which replaces IAS 17 Leases, has been adopted in the period using the modified retrospective approach and accordingly prior periods are not restated. Consequently, the results for the year ended 31 March 2020 under IFRS 16 are not directly comparable with prior periods and therefore they have also been presented on an IAS 17 basis.

[2] Underlying EBITDA refers to underlying operating profit before depreciation and amortisation and is reconciled in Note 2 to the accompanying financial statements.

[3] The section on Alternative Performance Measures (APMs) below provides further information on these measures, including definitions and a reconciliation of APMs to statutory measures.

[4] Free cash flow is defined as the movement in net debt, before pension payments, dividends and the acquisition of own shares. Further information is provided in the Financial Review below.

[5] Net debt is the sum of cash and bank balances, bank loans and overdrafts and excludes lease liabilities. Note 8 to the accompanying financial statements provides a breakdown of net debt for the current and prior periods.

COVID-19 update

The circumstances resulting from COVID-19 have created unprecedented levels of uncertainty for the UK and beyond. The Group's first priority throughout has been to safeguard the health and wellbeing of our employees and their families, whilst continuing to provide our essential logistics services to customers and playing a key role in helping the nation to function. In so doing, Wincanton has implemented measures in line with Government advice, the financial impacts of which are described in more detail below.

Year to date impact

Year to date revenue at the end of May was a little over 10% below the comparable period last year, but with an increase in May of approximately 7% over April. The most significant volume shortfalls have occurred in our Industrial & Transport sector, in particular the Construction and Transport Services businesses.

The profit impact of the volume movements has varied according to contract types, but as a whole the Group has seen a disproportionate impact to its profitability in the financial year to date due to the areas impacted tending to be closed book operations. Encouragingly, however, profits increased in May as it was largely these closed book operations that underpinned the month on month revenue growth. It remains too early to confidently estimate the financial impact of the COVID-19 crisis on the Group's full year results and there remains uncertainty regarding the levels of demand and business interruption for the remainder of the year.

At the onset of the COVID-19 crisis, we saw an increase in volume and demand from both our Grocery and Consumer Products customers as consumers prepared for the lockdown. Both areas have now returned to the volumes we would expect at this time of year. In non-grocery retail, volumes have remained lower than the prior year periods reflecting a focus on 'essential' products and the lockdown impact on shopping habits. The open book nature of most of the contracts in this area has ensured that profitability has not been significantly impacted by the volume movements.

In our closed book two-person home delivery network we were required to cease operations at the end of March in line with safety guidelines, resulting in a significant negative impact on profitability during the shutdown. The service restarted in May and initial restart volumes have been encouraging.

Our Construction business (representing 11.5% of Group revenue in FY19/20) saw major parts of the network closed at the start of April, due to the voluntary shutdown of many construction sites and builders' merchants. Revenue during April was down by around 70%. There was some benefit from construction sites starting up activity in May with an increase in revenue, but volumes were still over 50% down on the prior year and indications are that the return of volumes will be gradual. Despite swift action to reduce the variable elements of the cost base, the reduction in revenue had a substantial

impact on profitability in these largely closed book contracts.

Container volumes and Pullman Fleet Services ('PFS') revenue continue to be below expectations, with the container business impacted in April by reduced traffic from Asia and latterly by reduced consumer demand in the UK. PFS workshop volumes have been depressed by general lower demand for vehicle maintenance and repairs as a result of less road activity during the lockdown period. Our energy business has also experienced some slowdown due to reduced retail forecourt fuel volumes in April and May, although we are starting to see some signs of increasing demand as the country moves out of lockdown.

Financial position
The Group's balance sheet has been strengthened over recent years, with a reduction in net debt and the pension deficit. Net debt at the year end reduced to £10.1m (2019: £19.3m) and the pension moved into a substantial surplus on an IAS 19 basis at 31 March 2020 (£94.4m surplus compared to a prior year net pension deficit of £7.1m), although this surplus will reduce as financial markets settle down.

The Group has a £141.2m Revolving Credit Facility ('RCF') with a syndicate of five banks which matures in late 2023. In early May the facility with the syndicate banks was extended by a further £40m for one year under a pre-existing accordion facility. The Group also has an uncommitted £7.5m overdraft facility.

The Group has had productive discussions with its Pension Trustee regarding the timing of pension recovery payments and agreed an amended Schedule of Contributions over the next 12 months which will improve the Group's liquidity by approximately £6 million. The agreement contains provisions for accelerated payment of deferred contributions if dividends are paid within the deferral period.

As previously announced, management has taken a number of measures to maximise liquidity during the period of uncertainty, including ceasing all discretionary and non business-critical expenditure, suspending cash bonus payments, introducing pay reductions of 20% for the Board and executive management and taking lease payment holidays where possible. The Group has taken advantage of government initiatives including the deferral of VAT payments and in accordance with the Government's Job Retention Scheme, a peak of c2,500 employees (c15% of the workforce) were 'furloughed'.

The Board is not proposing a final dividend and will review the ongoing payment of dividends when there is greater visibility of the long term impact of COVID-19.

Impact on results for the year ended 31 March 2020
Underlying trading in the year ended 31 March 2020 was not materially impacted by COVID-19 and underlying operating profit was in line with expectations. Since the year end, as described above, COVID-19 has significantly affected economic activity and disrupted the business operations of many of Wincanton's customers. In response to this, and in line with guidance from the Financial Reporting Council, the Group has reviewed all Cash Generating Units to determine whether any of the assets related to these operations are impaired.

These reviews are performed by comparing the estimated future cash flows to be generated under a contract with the carrying value of the assets generating those cash flows. Forecasting future cash flows inevitably involves a degree of estimation given the uncertainties inherent in operating in a COVID-19 environment.

As a result of these reviews, non-current assets and inventories within Transport Services (related to the containers and fleet maintenance services businesses) and Construction in the Industrial & Transport segment have been impaired – a non-cash impairment charge of £9.3m has therefore been recognised as a non-underlying item in the Income statement. Of the total charge, £8.0m of the impairment has been taken on non-current assets and £1.3m on inventory. The degree of the downturn causing the impairment is unprecedented and the Directors therefore believe it is appropriate to disclose the impairment separately in the Income statement as a non-underlying item.

CHAIRMAN'S REVIEW

Results

I am pleased to report a year of solid progress for Wincanton with revenue up 5.2% and underlying profit before tax up 7.3%. Reassuringly, the Group has delivered revenue growth on the back of some significant new contracts. Net debt at the year-end fell 47.7% from £19.3m to £10.1m despite increased dividend payments of £13.8m and a £17.8m top up to our pension scheme.

As we closed the financial year, our balance sheet was strong and our cash flow healthy. In normal circumstances, this would provide strong reassurance to our various stakeholders, enable us to deliver progressive dividends and put us in a good position to develop our business. However, these are far from normal circumstances. COVID-19 has impacted our business significantly and there remains considerable uncertainty regarding the levels of demand and business interruption for the remainder of the year.

Strong operational performance

The commitment of our people to doing things well has again been evident in high levels of customer satisfaction and the Group's impressive health and safety record. It has also been manifest in the way our workforce has responded to the effects of COVID-19 and the needs of our customers. This very much reflects the Group's culture which we seek to nurture and

maintain. For example, we have recently launched a new purpose statement and Code of Conduct, 'the Wincanton Way', for our employees. James Wroath provides more details in his Chief Executive Statement.

During the year, we secured some valuable contract wins and retained many long standing contracts. Encouragingly, we experienced no significant contract losses. We are grateful to our customers for trusting us to be a key part of their supply chain and to our suppliers for supporting us in meeting our customer needs.

We have continued our investment in innovation and in fast-moving technologies to support our business. Our OneVAST warehouse, one of the outputs from our W^2 Labs initiative, is now fully operational. It brings buyers and sellers of space together online by offering a cloud-based, virtual warehouse. Also of note is our work with MiX Telematics, our Winsight in-cab technology, our wearable 'ProGlove' device and 'Soter Spine' which enables our operatives to lift items with reduced risk of injury.

Further tangible progress was made during the year on reducing our carbon emissions which has also helped us to reduce our operating costs.

Board changes

The financial year saw the appointment of our new Chief Executive, James Wroath. James was Chief Operating Officer of North America for LSG Sky Chefs from 2015 until he joined us in September 2019. He has deep experience in logistics and the broader business services environment and is focused on exploiting Wincanton's respected market position, its extensive national coverage and its strong operational base to deliver profitable growth. James has now played himself into his new role and made some significant structural changes to take the business forward. This is discussed further in his Chief Executive Statement.

Other Board changes were the previously announced arrival of Debbie Lentz who joined the Board on 1 June 2019 and the appointment of Mihiri Jayaweera on 7 April 2020. Debbie is currently President of Global Supply Chain and a member of the Senior Management Team of Electrocomponents plc, the FTSE 250 global multi-channel provider of industrial and electronic products and solutions. She has a strong track record in digital and supply chain management, both of which are highly relevant to the further development of Wincanton's e-commerce propositions. Mihiri was, until October 2019, Group Head of Strategy and a member of the Group Executive Committee of TP ICAP Group, the FTSE 250 professional intermediaries firm, operating in financial, energy and commodities markets internationally. She has a deep understanding of investment banking and financial analysis. With the appointment of these two Non-executive Directors, we now have a balanced Board in place with wide ranging experience and broad diversity of thought.

I should like to thank our previous Chief Executive, Adrian Colman for his efforts at Wincanton. He joined the business in January 2013 as Chief Financial Officer, was appointed Chief Executive in August 2015 and played a major role in turning around the Group over those years. We wish him well in his retirement. I should also like to pay tribute to David Radcliffe who retired as a Non-executive Director in December after seven and a half years' service. David brought deep experience and insight to our deliberations.

We completed an external Board evaluation in the year. Overall, it was very encouraging but, as always, we have identified some actions to be followed through.

Our people

My thanks, as always, go to our 19,100 colleagues who provide the consistently high levels of service required to help us win and retain business. Our people are the cornerstone of our impressive and still improving health and safety record which is an important differentiator for the Wincanton brand. I am particularly grateful to them for the way they have responded to the effects of COVID-19 which has been exceptional in all parts of our business.

Stewart Oades, our Senior Independent Director, has been appointed as our employee representative Non-executive Director and has visited a number of our sites to hold consultations with our workforce. This exercise has provided valuable feedback for the Board.

We have a strong focus on diversity and inclusion within our people strategy. We are also working to narrow our gender pay gap.

Our current remuneration policy has been in place for three years and we are presenting a new policy for approval at our Annual General Meeting. The changes reflect current regulations and are in line with the policies applying to our wider workforce. We have been encouraged by the support our proposals have received during consultations with our major investors. Given the particular circumstances arising from COVID-19, we are also modifying short term remuneration arrangements. We hope you will support the changes we are recommending which align executive incentives to the overall objectives of the Group and the interests of all our stakeholders.

Dividends

Given the uncertainties regarding the effects of COVID-19, the Board wishes to retain as much cash as possible in the Group. The measures we have taken include agreeing the rescheduling of payments to the pension scheme and implementing a temporary 20% pay reduction for the Board and senior management. We have also announced that the final dividend, which would ordinarily be paid in July, will be suspended. Whilst the Board very much recognises the importance of the dividend to our shareholders, we consider it prudent to hold as much cash as possible until we can fully assess the financial implications of the COVID-19 crisis on the Group's business. We will keep dividend payments under review as the year progresses with a view to recommencing payments as soon as it is prudent to do so.

Strategic development

Wincanton is a much respected brand with extensive national coverage and strong operational performance. Our new management team has been focusing on how we can use these strengths to grow our business profitably, shifting it towards more value-added activities to deliver benefits to our customers and to improve our margins. This is discussed further in the Chief Executive Statement. We had anticipated that the first benefits of our new initiatives would become evident during the course of the new financial year but are mindful that the current COVID-19 crisis is likely to slow our progress.

As well as a focus on market-facing development and innovation, we had also planned to direct significant investment at improving the efficiency of our operational and support functions this coming year. Again, COVID-19 is likely to necessitate an extension to our original timetable.

Despite the short term challenges, we continue to remain alert to opportunities in our industry. In this context, I should mention the work we put into evaluating the potential acquisition of Eddie Stobart Logistics plc (Eddie Stobart) last autumn. We saw this as a major opportunity to increase our scale and the breadth of our offerings and to deliver major cost synergies. We therefore devoted considerable time and effort to reviewing this business. However, we concluded that the underlying profitability of Eddie Stobart and the ongoing liquidity concerns would not enhance Wincanton's shareholder value. We therefore aborted the project. Having spent a number of years getting our own business back onto a sound financial footing, we did not want to take disproportionate risks with its future.

We will continue to look for opportunities to grow our business inorganically but only where we feel that the balance of risk and reward makes sense.

Outlook

Given the effects of COVID-19, it is difficult to provide a reliable outlook statement for the coming year. However, logistics are crucial for most of our customers and for the country in general so we do not expect persistent and widespread major falls in the demand for our services. We are highly conscious of the need to manage cash carefully and have taken a number of measures to maintain liquidity within the business. All that said, in the medium to long term, we continue to see excellent opportunities for Wincanton.

Dr. Martin Read CBE
Chairman

CHIEF EXECUTIVE STATEMENT

I have certainly had an interesting time since joining Wincanton in September of last year. This is a strong business at a fascinating time for the industry. I would like to thank Adrian Colman and Tim Lawlor for the work they have done to put our business on its firm financial footing. I am excited to work with an excellent team on the next steps of our journey.

The potential acquisition of Eddie Stobart, coming so early in my tenure, gave me a great opportunity to review the UK market and the strategic direction of our organisation. I was also able to engage in substantive discussions with our shareholders. Ultimately the risks associated with that transaction proved to be too great, but the lessons I learned about our business were very useful in determining our next steps.

More recently, the challenges we have faced from COVID-19 have demonstrated the resilience Wincanton has both in the calibre of our people and the diversity of our trading sectors. I would like to pay tribute to all our great people who have worked tirelessly throughout the crisis. They are delivering not only for our customers and our business, but also for the country. I am proud to lead such a committed and talented group of logistics professionals. The impact of this global pandemic is covered in more detail elsewhere in this report, but it should not overshadow a successful year for the Group.

Business reflections

The impression I had of the business before joining was a positive one. I saw a well led business with a strong balance sheet, reliable dividends and longstanding customer relationships. The reality has been even better than I expected as I have found all those things plus a great team delivering value for our customers every day. I have been fortunate enough to visit a number of our locations across several diverse sectors in both business to business ('B2B') and business to consumer ('B2C'). We have in-built resilience as a result of our diversity of activity, managing supply chains for everything from bricks to wine.

Throughout my visits I have been really impressed with the depth and breadth of our people's expertise, adding value to our customers through being a true extension of their own business. We have a strong spirit embedded in impressive tenure of both our colleagues and our customer relationships. The quality of our operations shines through and our regular renewals are evidence of our customers' appreciation for what we do for them.

I intend to build on the excellent financial foundations to unlock the potential for growth of the business. This potential exists in the range and scope of expertise we have; it exists in the passion and experience within our teams; and it exists in the strength of our customer showcases and our market leading technologies.

Financial and business performance overview

In the year ended 31 March 2020 we delivered another period of improving financial performance. Revenue grew by over 5% on the back of significant new business secured in the previous year and several wins in early 2019. Our underlying profit before tax on an IAS 17 basis grew by 7.3%, due to the new business and a strong operating performance, particularly in

Retail & Consumer ('R&C'). Despite the arrival of COVID-19 before the end of the year, we were able to reduce our year end net debt to £10.1m, down £9.2m from the prior year.

At a sector level, R&C delivered strong volumes and profit performance driven by both new customer wins and core business growth. There remains active interest in our services and I am confident that we can continue to be successful across the sector. Our largest win was with Morrisons to operate three transport locations and five fleet maintenance units for them. The contract is for five years and we are delighted to add their impressive brand to our retail business sector.

It was also a good year for our home delivery service team. We gained multi-year contracts with Sofa Club, Dwell, Homebase, Cormar Carpets and Wickes (Kitchen and Bathrooms) for a range of technology enabled one and two-person home deliveries. This is a strong sector for Wincanton with high levels of measurable consumer and customer satisfaction.

Other notable R&C wins were with Stuffstr, an innovative apparel recirculation platform and with Fentimans, the brewer of botanical beverages.

Conversely, our Industrial & Transport ('I&T') sector experienced some pressure in the second half of the year which contributed to a decline in revenue. The fall in revenue also included the impact of the exit of the underperforming Britvic general haulage contract in the prior year.

Pullman Fleet Services ('PFS') has faced an increasingly competitive market including increased competition from vehicle manufacturers ('OEMs') offering repair and maintenance deals with vehicle purchases. We also elected to exit a contract for a home delivery fleet rather than convert from an open book to a closed book arrangement. We have incurred restructuring costs in PFS in the second half of the year to re-shape the cost base and rationalise our workshop network. Market conditions for our containers business also remain tough and these have been exacerbated by the global COVID-19 situation and its impact on international container traffic. Considering the uncertainty surrounding these businesses as a result of COVID-19 and the impact this has had on their forecasts it has been necessary to take an impairment of assets in these businesses as part of the year end process.

Other areas within the sector had broadly flat volumes except for defence which benefitted from previously awarded new business flowing through. The start-up of new business wins in Construction compensated for lower core volumes. Plans to enhance profitability in this area have been severely impacted by COVID-19 and the temporary shutdown of many UK construction sites.

Nevertheless, I&T does have some of our most attractive opportunities and there were notable wins and renewals in the year. We won a major piece of business with Hapag Lloyd supplying dedicated contract vehicles for containers and we expanded our energy business with a contract for artic tanking services for Watson Fuels. We also saw continued growth in our relationship with EDF Energy, supporting the construction of the new Hinkley Point power plant, with task orders for a range of technology and fulfilment services. This engagement is a fantastic opportunity for us to showcase our logistics capabilities in the major infrastructure construction sector.

The high profile renewals in the year included Müller Milk and Phillips 66 in tanking; Kingfisher in containers; Monier and Wienerberger in Construction; adidas in our haulage business; and General Dynamics in defence. Strong service performance and relationship management are a key feature in our successful retention of customers for the long term. In this context, it is worth highlighting that our Müller Milk contract for milk distribution, in various guises, goes back almost 100 years!

The service performance of our operations was again excellent, underlining Wincanton's reputation for delivering quality on a large scale. The Black Friday and Christmas peaks were notable for the consistency of performance and a clear reflection of the skill and commitment of our exceptional teams. This even included five new sites in our grocery network that delivered outstanding first peak seasons.

Our COVID-19 response has reflected the core strength of the operational capability of the business, reacting with agility to the volatile demand patterns we have seen in recent months.

Safety & sustainability

Safety is a clear priority within this business. The prioritisation of the safety of each member of our team is clear in every site visit I have made and in all my interactions with our people. I am pleased to say that this passionate focus is apparent in the results that are delivered. Once again, a clear year on year improvement has been made in our safety performance. While the pursuit of a safe environment for our colleagues is a never ending goal, this is an achievement that the team is rightly proud to celebrate. The Lost Time Incident Frequency Rate performance indicator improved again from 0.51 last year to 0.41 this year, a reduction of a third in two years.

Although there are unique challenges from COVID-19 to our ways of working, safety has continued to be paramount in our business as we have played a vital role in keeping the country moving.

From an environmental sustainability perspective, I am pleased to see that our carbon intensity ratio decreased again year on year. To maintain the critical focus in this area, we will publish a new Sustainability Strategy in 2020. Vehicle emissions is where our operations have the greatest impact on the environment and so this will continue to be our highest focus area. We will continue to utilise the latest vehicle and planning technologies to drive them further downwards.

Colleague engagement

We continued with our process of 'pulse' engagement surveys across the Group, with two conducted in the year. Over the last 12 months, engagement has risen by 2% to 69% group wide, reflecting the good levels of commitment to the business that have been apparent on my site visits. Key strengths include Health and Safety, Autonomy, and Line Management Support with steady increases in all such areas.

The launch of ‘The Wincanton Way’ in January was also very well received. This new Code of Conduct sets out what we stand for as a business. It is underpinned by a corporate governance structure and robust risk, controls, and compliance programme. The Code enables our colleagues to make the right choices and demonstrate the highest standards of integrity and ethical behaviour, in everything that we do. Our comprehensive framework of policies and standards is applied across our business regardless of location or level. ‘The Wincanton Way’ will bring our Mission, Vision and Values together and deliver a resultant increase in engagement to the Group.

Our colleagues are at the heart of everything we do at Wincanton, so we are investing in diversity and inclusion. This can be viewed as a traditional, male-dominated industry and there is a real opportunity for us to outperform by continuing to widen the talent pool. This purpose has been chosen to reflect the high quality and commitment of our Wincanton people being at the forefront of everything we do. It also recognises the importance of seeing opportunities for our services throughout the supply chain. Finally, we must continue to deliver ongoing value to our customers and to do so in a sustainable way – ethically, safely, environmentally and financially.

Our strategy

The business already has a good track record of success, but I'm certain the quality of our offering will attract more opportunities in the market.

To support this, we will ensure the business is focused on four key areas:

1. Our people

An inclusive culture supporting performance and growth for our colleagues; developing the best teams that attract and retain the most talented people in the industry

Our business has great people and has consistently championed several leading development initiatives such as the growing Apprenticeship scheme and our ‘Warehouse to Wheels’ programme. We have also had for many years the ‘Driver of the Year’ competition which I had the honour of attending for the first time in 2019. It is a hard fought day where our best 16 drivers and 16 warehouse operatives battle it out in tasks focused on safe and expert driving skills. We are increasingly able to identify our best drivers with our extensive vehicle telematics systems that provide data on all aspects of driving performance.

We recognise the ever increasing battle for talent and so we will leverage our position as the largest British owned 3PL company to ensure that we continue to attract the best people, creating engaging opportunities and careers with us. We will put more investment into training academies to grow our own talent, develop our colleagues and to make sure that we have the skills our customers need. We will also invest in our systems so that when our people need to engage with us on pay or holidays or any other practical issue, the process is easy, instantaneous and accurate.

In our industry, where it is often so important to be an extension of our customer’s business and for our people to understand and be part of their culture, it can be difficult to form a true Wincanton identity with our people. Safety is an impressive example of where we have succeeded in doing this, new and prospective customers recognise it when they interact with our people, and I have noticed it in every operation I have visited. Our people understand and engage with the Wincanton safety programme and that is why we deliver market leading performance in this area. Our challenge is to drive more of this, without undermining our commitment to engage seamlessly with our customers. We will seek to harmonise policies and conditions wherever possible, make more use of recognition initiatives and internally branded development and career pathway programmes to drive a greater ‘one company’ feel to the organisation.

We will also use our new Code of Conduct – ‘The Wincanton Way’ to underpin our whole business.

2. Our products and services

Customer propositions that deliver sustainable value and innovation throughout the supply chain, meeting changing market demands and harnessing the best technologies

The W² programme has placed Wincanton in a leading position when it comes to innovation in the supply chain and logistics industry. The oneVASTwarehouse platform, a digital marketplace that is revolutionising the procurement of flexible and short term warehousing space, is just one example of how W² can place Wincanton at the forefront of supply chain innovation. An innovative approach to solutions for our customers will continue to be a central component of our strategy.

As operators of some of the country’s most sophisticated automated facilities, such as for Screwfix and Nestle Purina, we also intend to make investments to be ahead of the curve in the development of both automation and robotics solutions. We will use the expertise in our teams to play a critical role in ensuring that ‘substance’ in the use of such technology is prioritised over ‘style’, delivering genuine supply chain value to our current and future customers.

IT technology will also continue to play an important part in our products and services offering. This is particularly true in our infrastructure operations where we will leverage the investment that we have made in a state-of-the-art Logistics Management System (LMS). This software provides customers with a true control tower. IT capability in this area has been instrumental in our growing relationship with EDF Energy as we support them with the construction of Hinkley Point C.

Another key area of future opportunity is for us to leverage our scale for customers when it comes to financing new supply chain projects. We will work with our financial partners to identify projects that can add real value to the industry.

3. Our markets

Deliberately chosen markets for investment that offer the potential for organic and inorganic growth, leveraging both our capabilities and our expertise

Our business is active in an impressively wide range of sectors and industries and will continue to be so. We want to focus our growth plans on those areas where we can increase both our top and bottom line. We will do this by leveraging our existing experience either directly in the markets we operate in today or in adjacent ones.

The markets we focus on will necessarily evolve but to begin with we will be most focused on major infrastructure projects, eCommerce fulfilment and opportunities to be deeper into retailer supply chains. The COVID-19 crisis has underlined the need to focus in these areas with a marked shift to online shopping and an expectation of economic stimulation through infrastructure investment.

We believe there are significant organic opportunities if we invest into the right business development and key account management resources, but we will also consider strategic acquisitions where they can be synergistic from a revenue or efficiency perspective.

4. Our operating model

A disciplined and efficient operating model that is agile and easy for our customers and our people to engage with; and enables economies of scale

In this highly competitive marketplace agility is a key attribute. Much of the time the competition we face for new business is from large organisations headquartered outside the UK. As the largest British based 3PL company, we have a clear opportunity to provide our customers and teams with an empowered environment. Decisions can be made in the right timeframe for us to deliver more successfully than the competition. Customers can meet and have strategic discussions with the decision makers in our business and together we can add transformational supply chain value.

From a practical perspective, Wincanton is also a large organisation with considerable scale in both customer relationships and numbers of people. There is an absolute requirement of continuously improving to be as lean and efficient as possible throughout our administration processes. There are a wide range of customer engagements that can make consistency in this area difficult. However, economies of scale are essential for us to be successful and we will focus our efforts on ensuring that we increase the harmonisation of our processes wherever possible.

The nature of many of our customer contracts means that it is also critical that our Operating Model can engage effectively with our partners to provide the data they need to run their own businesses. We will invest in upgrading our IT systems to deliver this and we will review our processes to ensure that they can seamlessly interface with our customers and our people.

New organisation structure

As CEO, I believe that one of my most important tasks is to ensure that we have an organisation structure that really supports our people to deliver for our customers and our shareholders and makes Wincanton the best place it can possibly be to come to enjoy work and be safe. It is also important that we are set up in a way that positions us to successfully grow in our chosen markets, a key task for the Group moving forward. Following a review of the business I have made changes to the Executive Management Team in pursuit of this goal.

To drive greater collaboration across our entire business unit structure, we will move to a single Chief Operating Officer ('COO') reporting line. Supplementing this team will be a Business Development Director taking responsibility for pulling together our growth focused resources into a single team. Furthermore, we will have a Group Operations Director who will lead the functions that deliver across our customer facing business units – Health and Safety; Transport Operations; Project Management; Implementation; Operations Excellence; and Sustainability.

The position of Strategy Director is also created, reporting to me, recognising the importance of the Group having a single focus and ensuring that our plans are programme managed through to successful delivery.

These changes will facilitate delivery of our future growth strategy.

COVID-19: Our agile and rapid response

COVID-19 has highlighted the importance of the services Wincanton provides to the nation both practically and economically. Our people have shown remarkable agility in their response to working in hugely challenging circumstances and have embraced the changes required, without ever compromising on the safety principles that are at the heart of the Wincanton Way.

The business remains robust and resilient with trading through the crisis reflecting the diversity of our customer base. We have seen the full range of market reactions, from record volumes in Retail Grocery in March 2020 to a complete shutdown in our two-person home delivery network during April. This diversity is a strength in a multi-paced economy, but we have taken substantial hits to our business in areas such as Construction that do negatively impact our financial position.

In response to this, we have put in place all the necessary measures for Wincanton to be in the best position to navigate the short term and to thrive in the longer run. Cash management has been prioritised with additional banking facilities secured; VAT and pension deficit payments delayed; and dividend payments suspended. In terms of our cost base, the variable elements have been fully leveraged with close management of subcontractor and agency resource. We have also limited our labour costs by utilising the Government's Coronavirus Job Retention Scheme to furlough employees and by implementing temporary action on executive and management compensation.

In taking these actions, we are demonstrating our clear intent to emerge from COVID-19 in a stronger position than our competition. This will allow us to maximise the growth opportunities that will be generated from the higher profile of the value of the outsourced physical and digital supply chain services we provide.

Our refocused strategic direction is even more relevant in a post COVID-19 UK economy, we will ensure that Wincanton plays our full part with **"Great people delivering sustainable supply chain value".**

James Wroath
Chief Executive Officer

FINANCIAL REVIEW

The Directors present the results of the business on an underlying basis, excluding non-underlying items, for operating profit, profit before tax and EPS, as they believe this better represents the performance of the business. The definition of non-underlying items and details of the items reported as non-underlying in the current and prior years are included in Note 3 to the accompanying financial statements below. IFRS 16 Leases was adopted with effect from 1 April 2019 - to aid comparison with the prior year, the alternative performance measures for the year ended 31 March 2020 set out below are also provided on an IAS 17 basis. These measures have been used by the Board for evaluating performance of the sectors during the year.

A reconciliation of these measures to their statutory equivalent is shown in the Alternative Performance Measures table at the end of this Financial Review.

Performance summary

	2020 IFRS 16[1]	**2020 IAS 17**[1]	2019 IAS 17[1]	Change
Revenue (£m)	**1,201.2**	**1,201.2**	1,141.5	5.2%
Underlying EBITDA (£m)[2]	**104.1**	**68.9**	66.7	3.3%
Underlying operating profit (£m)[3]	**61.0**	**57.3**	55.3	3.6%
Underlying operating margin (%)[3]	**5.1%**	**4.8%**	4.8%	0bps
Net financing costs (£m)	**(8.2)**	**(4.4)**	(6.0)	(26.7)%
Underlying profit before tax (£m)	**52.8**	**52.9**	49.3	7.3%
Non-underlying items (£m)[4]	**(9.0)**	**(9.0)**	(0.7)	
Profit before tax (£m)	**43.8**	**43.9**	48.6	(9.7)%
Income tax (£m)	**(5.3)**	**(5.8)**	(5.8)	
Profit after tax (£m)	**38.5**	**38.1**	42.8	(11.0)%
Underlying EPS (pence)	**36.1p**	**35.8p**	33.5p	6.9%
Basic EPS (pence)	**31.1p**	**30.8p**	34.5p	(10.7)%
Dividend per share	**3.9p**	**3.9p**	10.89p	
Closing net debt (£m)	**(10.1)**	**(10.1)**	(19.3)	

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. As a result, the discussion of results is based on an IAS 17 basis, unless otherwise stated. Information on the impact of adopting IFRS 16 is presented in Note 10 to the accompanying financial statements.

2 Underlying EBITDA refers to underlying operating profit before depreciation and amortisation and is reconciled in Note 2 to the accompanying financial statements.

3 Further information on Alternative Performance Measures (APMs), including definitions and a reconciliation of APMs to statutory measures are provided in the Alternative Performance Measures table at the end of this review.

4 The definition of non-underlying items and the details of items reported as non-underlying in the current and prior year are included in Note 3 to the accompanying financial statements.

Revenue in the year ended 31 March 2020 increased 5.2% to £1,201.2m (2019: £1,141.5m). Growth was particularly strong in Grocery due to a major new contract with Morrisons in the year and the full-year benefit of new contracts with the Co-op and Sainsbury's won towards the end of last year. Revenue growth was also helped by a combination of new business in Construction, and Other services, principally in Defence and Energy, and account growth across the business.

The increase in revenue was despite some market pressures driven by Brexit uncertainty, particularly around the end of 2019 which impacted volumes in both our Construction and Transport Services businesses. Transport Services was the only business to see a revenue decline in the year, partly driven by lower volumes and also due to the full-year effects of contracts exited during the prior year.

The Group's underlying operating profit margin was maintained at 4.8%, on an IAS17 basis, benefitting from increased operational efficiency and scale benefits in our Retail and Consumer sector which offset some adverse volume mix movements which reduced the margin in Industrial and Transport sector.

Retail & Consumer

	2020 IFRS 16[1]	**2020 IAS 17[1]**	2019 IAS 17[1]	Change
Revenue (£m)	**782.3**	**782.3**	708.9	10.4%
Underlying operating profit (£m)[2]	**39.0**	**36.4**	31.2	16.7%
Underlying margin (%)	**5.0%**	**4.7%**	4.4%	30bps

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. As a result, the discussion of results is based on an IAS 17 basis, unless otherwise stated. Information on the impact of adopting IFRS 16 is presented in Note 10 to the accompanying financial statements below.

2 Further information on Alternative Performance Measures (APMs), including definitions and a reconciliation of APMs to statutory measures are provided in the Alternative Performance Measures table at the end of this review.

Retail & Consumer reported revenue of £782.3m for the year, an increase of 10.4% on the previous year. Underlying operating profit margin on an IAS 17 basis increased due to scale efficiencies being realised across the business and, when combined with the top line growth, the enhanced margins resulted in a 16.7% increase in underlying operating profit for the year to £36.4m (2019: £31.2m).

The split of Retail & Consumer revenue by the industry sectors it serves is as follows:

	2020 £m	2019 £m	Change
Retail General Merchandise	**448.2**	423.8	5.8%
Retail Grocery	**227.8**	180.8	26.0%
Consumer Products	**106.3**	104.3	1.9%
	782.3	708.9	10.4%

Retail Grocery performed particularly strongly with a 26.0% increase in revenue to £227.8m (2019: £180.8m). The growth included the full year benefit from contracts won in the prior year, including Co-op and Sainsbury's, and a new five year contract won in the year with Morrisons. The Morrisons contract sees Wincanton provide transportation, planning and operational services for three Morrisons sites, and also includes the provision of vehicle maintenance services. Wincanton's ability to provide holistic services and innovative solutions to the Grocery sector was key in securing this contract.

Retail General Merchandise recorded solid growth of 5.8% to £448.2m (2019: £423.8m) driven by organic growth within our core customer base including Kingfisher, with whom we have a longstanding relationship, and new business with Jollyes and Roper Rhodes. Our continued growth within this area highlights our proven capabilities in the multichannel eFulfilment arena, where we excel in areas such as services to the Home & DIY marketplace, including our market-leading two person home delivery service proposition. During the year we won a home delivery contract with Wickes for kitchen and bathroom products and in the final quarter we won a three year contract with Sofa Club for a complete supply chain and eFulfilment solution, including its bespoke two person home delivery service.

Consumer Products achieved growth of 1.9% to £106.3m (2019: £104.3m) with the full year benefit of the new contract with The Weetabix Food Company secured last year being offset in part by some smaller contract losses.

Wincanton prides itself on customer service and the continual development of solutions to meet the requirements of both our customers and their end consumers – key customer renewals are an endorsement of the benefits our services deliver in practice. Key renewals in the year included a three year extension of dedicated transport and warehousing services for Sainsbury's in West London, extending our relationship to over twenty-five years; the extension of our bonded warehousing and transport services for Waitrose & Partners, continuing a partnership which has been in place for more than a decade; and the renewal of our warehousing and transportation contract with high-end furnishings specialist Williams Sonoma for another four years.

Industrial & Transport

	2020 IFRS 16[1]	**2020 IAS 17[1]**	2019 IAS 17	Change
Revenue (£m)	**418.9**	**418.9**	432.6	(3.2)%
Underlying operating profit (£m)[2]	**22.0**	**20.9**	24.1	(13.3)%
Underlying Margin (%)	**5.3%**	**5.0%**	5.6%	(60)bps

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. As a result, the discussion of results is based on an IAS 17 basis, unless otherwise stated. Information on the impact of adopting IFRS 16 is presented in Note 10 to the accompanying financial statements below.

2 Further information on Alternative Performance Measures (APMs), including definitions and a reconciliation of APMs to statutory measures are provided in the Alternative Performance Measures table at the end of this review.

Revenue fell in our Industrial & Transport sector by 3.2%, mainly due to prior year contract exits and lower activity levels in some of our transport network, partly attributable to the delay of projects amid the general election uncertainty in late 2019 and the early impact of COVID-19 on the containers business. These reductions were partly offset by new business revenue in our Energylink business and new contracts with Aggregate Industries and HMRC.

Underlying operating profit decreased to £20.9m (2019: £24.1m), impacted by the decline in volumes and lower utilisation levels. Underlying operating profit was also impacted by a downturn in our Pullman fleet management services business, notably due to an open book contract servicing a home delivery fleet which we chose to exit rather than transfer to a higher risk closed book arrangement, and some restructuring costs in connection with the rationalisation of the workshop network.

The split of Industrial & Transport revenue by the activities undertaken is as follows:

	2020 **£m**	2019 £m	Change
Transport Services	**150.6**	171.4	(12.1)%
Construction	**138.2**	136.7	1.1%
Other	**130.1**	124.5	4.5%
	418.9	432.6	(3.2)%

Our Transport Services activity includes general haulage, Containers and Pullman Fleet Services. Revenue declined by 12.1% in this area of the business to £150.6m (2019: £171.4m). Lost revenue included the full year effects of the exit from underperforming general haulage contracts during the prior year and some contract losses in Pullman**.** Our Containers business was the earliest area of our business to feel the effects of the COVID-19 pandemic due to the slowdown in Far East container traffic in early 2020. The revenue reduction decrease was offset in part by the Weetabix transport and DCS contract wins which became operational at the end of last year.

While underlying trading in the last quarter of this year was not significantly impacted by the economic effects of COVID-19, the revised forecasts for our containers and fleet maintenance businesses used in our year-end analysis indicated a significant downturn. As a result, certain assets used in these businesses have been impaired with this impairment being reported as a non-underlying cost at the year end.

Our Construction business recorded 1.1% revenue growth to £138.2m (2019: £136.7m) due to the expansion of our relationship with Aggregate Industries and the commencement of the EDF Energy contract at Hinkley Point more than offsetting prior period contract losses and subdued volumes due to Brexit-related uncertainty throughout the second half of the year.

Other services grew revenue by 4.5% to £130.1m (2019: £124.5m). This growth was due to the full year benefit of the contract win with HMRC, where we have been providing logistics services to support air and sea freight inspections as part of a five year agreement and new business in our Energylink fuel tanker network.

The Industrial & Transport business was also successful in renewing all major contracts up for renewal during the year. These included a further three year extension to our long standing partnership with Müller Milk, a three year extension to the warehouse and transport services agreement with Lucozade Ribena Suntory that will take this relationship beyond 25 years, and a two year extension of our transportation agreement with Monier, the roofing specialists.

Net financing costs

	2020 **IFRS 16[1]** **£m**	**2020** **IAS 17[1]** **£m**	2019 IAS 17[1] £m
Net interest payable	**3.9**	**3.9**	4.2
Interest payable on leases	**3.8**	**–**	–
Unwinding of discount on provisions	**0.5**	**0.5**	0.8
Interest on the net defined benefit pension liability	**–**	**–**	1.0
Net financing costs	**8.2**	**4.4**	6.0

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. As a result, the discussion of results is based on an IAS 17 basis, unless otherwise stated. Information on the impact of adopting IFRS 16 is presented in Note 10 to the accompanying financial statements below.

Net financing costs were £4.4m (2019: £6.0m), £1.6m lower year on year.

Interest payable was £3.9m (2019: £4.2m), a decrease of £0.3m due to more efficient use of the syndicated loan facility and interest rate swaps expiring early in the year.

Non-cash financing items totalled £0.5m (2019: £1.8m). Interest on the defined benefit pension charge in the period was £nil (2019: £1.0m) due to the elimination of the pension deficit and cash contributions paid into the Scheme during the year. The unwinding of discounts on provisions of £0.5m (2019: £0.8m) has decreased in line with the movement in insurance and property provisions during the year.

On an IFRS 16 basis, a financing charge of £3.8m has been recognised for the first time this year in respect of the interest on lease liabilities.

Non-underlying items

	2020 IFRS 16[1] £m	2020 IAS 17[1] £m	2019 IAS 17 £m
Net profit on disposal of freehold property	**2.3**	**2.3**	6.0
Professional fees in relation to M&A activities	**(2.0)**	**(2.0)**	–
COVID-19 related impairments	**(9.3)**	**(9.3)**	–
Pension Scheme - Guaranteed Minimum Pension (GMP)	**–**	**–**	(8.2)
Revision to property provisions previously recognised through exceptional items	**–**	**–**	1.5
Net non-underlying items[2]	**(9.0)**	**(9.0)**	(0.7)

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. As a result, the discussion of results is based on an IAS 17 basis, unless otherwise stated. Information on the impact of adopting IFRS 16 is presented in Note 10 to the accompanying financial statements below.

2 The definition of non-underlying items is included in Note 3 to the accompanying financial statements.

During the year we completed the disposal of two freehold properties receiving gross sales proceeds of £5.5m and incurring disposal costs of £0.8m. The combined carrying value of the properties was £2.4m, generating a net profit on disposal of £2.3m. In the prior year we completed the disposal of a freehold property receiving gross sales proceeds of £14.5m and incurring costs of disposal and transitioning operations to another site of £1.2m and £0.5m respectively. The carrying value of the property was £6.8m, which generated a net profit on disposal of £6.0m.

Professional fees associated with M&A activity have been recognised within non-underlying items. The principal activity was an extensive evaluation of a potential bid for Eddie Stobart Logistics plc.

Underlying trading in the year ended 31 March 2020 was not materially impacted by COVID-19 and underlying operating profit was in line with expectations. However, since the year end COVID-19 has significantly affected economic activity and disrupted the business operations of many of Wincanton's customers. In response to this, and in line with guidance from the Financial Reporting Council, the Group has reviewed all Cash Generating Units to determine whether any of the assets related to these operations are impaired. As a result of these reviews, non-current assets and inventories within Transport Services (related to the containers and fleet maintenance services businesses) and Construction in the Industrial & Transport segment have been impaired – a non-cash impairment charge of £9.3m has therefore been recognised as a non-underlying item in the income statement. Of the total charge, £8.0m of the impairment has been taken on non-current assets and £1.3m on inventory.

In the prior year, the High Court of Justice of England and Wales issued a judgement relating to Lloyds Banking Group requiring equality of treatment of historic pension benefits for men and women. This resulted in the recognition of a non-cash past service cost of £8.2m in the year.

Also in the prior year, the Group negotiated an exit from a long standing onerous property lease in Dublin on favourable terms. The full novation of this lease, partly offset by an increase in provision for another long-standing lease, resulted in a net exceptional credit of £1.5m.

Taxation

	2020 IFRS 16[1]	2020 IAS 17[1]	2019 IAS 17[1]
Underlying profit before tax (£m)[2]	**52.8**	**52.9**	49.3
Underlying tax (£m)	**(8.1)**	**(8.6)**	(7.8)
Non-underlying tax (£m)	**2.8**	**2.8**	2.0
Tax as reported (£m)	**(5.3)**	**(5.8)**	(5.8)
Effective tax rate on underlying profit before tax (%)	**15.3%**	**16.3%**	15.9%

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. As a result, the discussion of results is based on an IAS 17 basis, unless otherwise stated. Information on the impact of adopting IFRS 16 is presented in Note 10 to the accompanying financial statements below.

2 Further information on Alternative Performance Measures (APMs) including definitions and a reconciliation of APMs to statutory measures are provided in the Alternative Performance Measures table at the end of this review.

Underlying tax of £8.6m (2019: £7.8m) represents an effective tax rate of 16.3% (2019: 15.9%) on underlying profit before tax and is stated before net tax credits in respect of non-underlying items of £2.8m (2019: £2.0m). The capital gain for tax purposes on the non-underlying property disposal is nil and therefore no tax charge arises.

Underlying tax on an IFRS 16 basis of £8.1m represents an effective tax rate of 15.3%, the difference being primarily due to the impact of the rate change on the deferred tax asset recognised on transition to IFRS 16.

The effective tax rate is lower than the statutory rate of 19.0% due to adjustments arising from finalising prior year positions and recognising the rate change on the opening deferred tax assets. The non-underlying tax credit in the prior year of £2.0m arose principally on recognition of a deferred tax asset in relation to the exceptional GMP charge.

The total net deferred tax balance is a liability at year end of £13.8m (2019: £4.2m asset), with the change versus the prior year primarily due to the defined benefit pension deficit moving into an asset position.

Profit after tax and earnings per share

Underlying profit before tax for the year increased to £52.9m on an IAS 17 basis (2019: £49.3m) due to the growth in revenue while holding margins flat leading to an increase in underlying operating profit. This was combined with reduced net financing costs, principally due to the elimination of the pension deficit.

Underlying profit after tax for the year is £44.3m (2019: £41.5m) on an IAS 17 basis. The increase of £2.8m is due to the improved underlying profit before tax, offset in part by an increase in the effective tax rate to 16.3% (2019: 15.9%).

Profit after tax for the year on a statutory basis is £38.5m (2019: £42.8m), the reduction of £4.3m being primarily due to net non-underlying items of £(9.0)m, partly offset by the improvements in underlying profit after tax of £3.2m. This improvement includes the impact of IFRS 16 of £0.4m which is mainly due to the tax impact of £0.5m explained above. Non-underlying items including their related tax impact total £(6.2)m, an additional charge of £7.5m from the prior year (2019: £1.3m).

Underlying EPS, which excludes earnings from non-underlying items, increased by 6.9% to 35.8p (2019: 33.5p). Basic EPS decreased by 9.9% to 31.1p (2019: 34.5p).

The calculation of these EPS measures is set out in Note 6 to the accompanying financial statements.

Dividends

	2020 pence	2019 pence
Interim	**3.90**	3.60
Final (proposed)	**–**	7.29
Total	**3.90**	10.89

In setting the dividend the Board considers a range of factors, including the Group's strategy (including downside sensitivities), the current and projected level of distributable reserves and projected cash flows including cash payments to the pension scheme.

In light of the economic impacts of the COVID-19 pandemic, including the cost-efficiency and liquidity measures taken to safeguard the long term viability of the business, and in order to retain near term flexibility, the Board has determined that the final dividend for the year ended 31 March 2020, which would ordinarily be paid in July, should be suspended (2019: 7.29p per share). The Board recognises the importance of the dividend to our shareholders and will keep dividend payments under review as the year progresses with a view to return to payments as soon as appropriate.

Dividend payments of £13.8m (2019: £12.7m) in the year comprised the final dividend of 7.29p per share for the period ended 31 March 2019 and the 2020 interim dividend of 3.90p per share.

Financial position

The summary financial position of the Group is set out below:

	2020 IFRS 16[1] £m	**2020 IAS 17[1] £m**	2019 IAS 17 £m
Non-current assets	**226.6**	**113.8**	122.9
Net current liabilities (excl. net debt)	**(162.3)**	**(129.6)**	(133.2)
Non-current liabilities (excl. net debt/pension deficit)	**(133.9)**	**(43.0)**	(30.4)
Net debt	**(10.1)**	**(10.1)**	(19.3)
Pensions asset/(deficit) (excl deferred tax)	**94.4**	**94.4**	(7.1)
Net assets/(liabilities)	**14.7**	**25.5**	(67.1)

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. As a result, the discussion of results is based on an IAS 17 basis, unless otherwise stated. Information on the impact of adopting IFRS 16 is presented in Note 10 to the accompanying financial statements below.

The £92.6m movement from a net liabilities position to a net assets position prior to the transition to IFRS 16 is primarily due to the underlying profit after tax of £44.3m and the improvement in the pension position net of deferred tax of £68.2m, which have been partly offset by the non-underlying items net of tax of £(6.2)m. A significant part of the improvement in the pension position is due to market uncertainty and is likely to reverse when markets stabilise, this is explained in more detail in the Pension section below.

A reconciliation of the numbers to an IFRS 16 basis is presented in Note 10 to the accompanying financial statements.

Cash flows and net debt

The Group delivered a £9.2m reduction in net debt (2019: £10.2m inflow) in the year, with free cash flow before capital expenditure of £44.6m (2019: £52.9m) and a free cash flow of £40.8m (2019: £57.0m). Free cash flow is defined as the movement in net debt, before pension payments, dividends and the acquisition of own shares.

	2020 IFRS 16[1] £m	**2020 IAS 17[1] £m**	2019 IAS 17 £m
Underlying EBITDA[2]	**104.1**	**68.9**	66.7
Working capital	**(4.0)**	**(8.3)**	0.8
Tax	**(7.0)**	**(7.0)**	(1.5)
Net interest	**(7.8)**	**(4.0)**	(4.2)
Other items	**(5.0)**	**(5.0)**	(8.9)
Free cash flow before capital expenditure	**80.3**	**44.6**	52.9
Repayment of obligations under leases	**(35.7)**	**–**	–
Capital expenditure	**(9.3)**	**(9.3)**	(9.7)
Net proceeds from asset disposals	**5.5**	**5.5**	13.8
Free cash flow	**40.8**	**40.8**	57.0
Pension recovery payment	**(17.8)**	**(17.8)**	(32.3)
Dividends	**(13.8)**	**(13.8)**	(12.7)
Own shares acquired	**–**	**–**	(1.8)
Reduction in net debt	**9.2**	**9.2**	10.2

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. As a result, the discussion of results is based on an IAS 17 basis, unless otherwise stated. Information on the impact of adopting IFRS 16 is presented in Note 10 to the accompanying financial statements below.

2 Further information on Alternative Performance Measures (APMs) including definitions and a reconciliation of APMs to statutory measures are provided in the Alternative Performance Measures table at the end of this review.

The working capital outflow of £8.3m for the year (2019: £0.8m inflow) arose due to investments in mobilising new contracts and the timing of payment runs just before the year end.

The Group paid cash tax in the current year of £7.0m (2019: £1.5m) with the increase on the prior year driven by changes in HMRC rules for the timing of payments on account and tax benefits in the prior year from a £15.0m one-off contribution to the pension scheme. The cash tax payable continues to trend below the underlying charge primarily due to the impact of tax relief on the pension deficit recovery payments made in the year.

The amount of cash net interest paid, excluding fees, of £4.0m (2019: £4.2m) decreased marginally, reflecting lower fees being incurred from more efficient use of the syndicated loan facility and interest rate swaps expiring early in the year.

Other items of £5.0m are £3.9m lower than last year due to lower cash restructuring costs and lower property provision spend in the year.

Capital expenditure of £9.3m (2019: £9.7m) arose on continued investment in IT systems, including the enhancement of our transport management system and warehouse management system implementations.

Net proceeds from asset disposals comprise the disposal of two under-utilised freehold properties, which were disposed of for gross proceeds of £5.5m, with costs of disposal of £0.8m. In the prior year an under-utilised property was disposed of for gross proceeds of £14.5m, with costs of disposal and transition of £1.7m. Net proceeds from other asset disposals were £0.8m (2019: £1.0m).

The cash contribution to fund the pension deficit on a technical provisions basis of £17.8m comprises £18.5m of annual deficit contributions, less £0.7m of administrative expenses incurred by the Company. Contributions for the year ended 31 March 2021 were scheduled to be £18.2m, being the annual deficit contribution of £18.9m less the administrative costs incurred directly by the Company but, in response to the COVID-19 situation, agreement has been reached with the Scheme Trustee to defer £6.1m of these contributions into the following financial year, subject to the level of cash dividends paid in the year.

Equity dividends of £13.8m (2019: £12.7m) were paid in the year up 8.7% from the prior year.

The Group did not acquire any of its own shares during the year (2019: a cash outflow of £1.8m). The policy of purchasing own shares is for the purpose of the Employee Benefit Trust in respect of long term incentive plan commitments. The level of shares required to fulfil these obligations are reviewed periodically, with the assessment made during the year that the level of shares held in the Employee Benefit Trust was sufficient, and no further purchase was required.

Financing and covenants

The Group has a committed syndicated bank facility of £141m as at 31 March 2020 (2019: £141m) and the headroom between this facility and reported net debt at 31 March 2020 was £131m (2019: £122m). The Group also has operating overdrafts and a Receivables Purchase Facility with Santander UK plc which provide day to day flexibility, amounting to a further £8m and £30m respectively in uncommitted facilities. £15.5m of the Receivables Purchase Facility was utilised as at 31 March 2020.

Wincanton operates comfortably within its banking covenants, as summarised in the table below:

Covenant	Ratio	At 31 March 2020
Adjusted net debt: EBITDA	<2.75:1	**0.5**
Interest cover	>3.5:1	**19.3**
Fixed charge cover	>1.4:1	**3.2**

The Board has considered in detail the impact of the COVID-19 pandemic on the Group and, as described above, in May 2020 we extended our committed facilities by £40m for a period of 12 months. Details of the areas considered, scenarios tested and the impact on the Group's ability to meet its covenant requirements are provided within the going concern section of the Accounting Policies note (Note 1 to the accompanying financial statements).

Pensions

The Group operates a number of pension arrangements in the UK and Ireland.

Defined benefit arrangements

The Wincanton plc Pension Scheme (the Scheme) includes defined benefit sections which were closed to future accrual on 31 March 2014.

The membership data split by key categories is as follows:

	2020	2019
Deferred	**6,805**	7,102
Pensioners	**6,006**	5,887
	12,811	12,989

At 31 March 2020, the Group has reported an IAS 19 surplus of £94.4m (2019: deficit of £(7.1)m).

The movement from deficit to a significant surplus is primarily due to market uncertainty as a result of the COVID-19 pandemic and the impact of the hedging in the Scheme. The valuation of Scheme liabilities is calculated using a discount rate based on high quality corporate bond yields while Scheme assets are hedged against movements in gilt yields. Credit spreads on corporate bonds increased due to market uncertainty resulting in a reduction in the liabilities which was not matched with a corresponding fall in assets as at 31 March 2020. The difference is expected to reverse in the post year end period, as a result of which the size of the surplus is expected to be significantly reduced.

Other movements primarily relate to cash contributions of £18.9m in the year, including the agreed annual payment of £18.5m. The Company reached an agreement with the Trustee on the 2017 triennial valuation and recovery plan in the prior year. The net annual deficit contributions have been agreed at £17.3m per annum increasing by RPI over the three years to March 2021 and £24.3m per annum from April 2021 increasing by RPI to March 2027. These payments are deductible for UK corporation tax purposes in the year they are paid and therefore materially reduce the net cash impact of the contributions to the Group.

Since the year end we have agreed an amended Schedule of Contributions delaying £6.1m of contributions due in the year ended 31 March 2021 to the following year.

The Company has commenced discussions with the Trustee on the 2020 Triennial valuation and is hopeful to conclude these discussions before the end of the financial year.

The interest and inflation rate risks facing the Scheme are hedged and the Trustee has maintained the level of this hedge during the year to 100% of the Scheme's assets. The discount rate for calculating liabilities has reduced by 0.1% compared to the prior year and on the IAS 19 basis of measurement. At 31 March 2019, a 0.1% reduction in the rate would have increased liabilities by approximately £22.0m while the hedging in place meant assets would have increased by £24.0m Due to volatility in the financial markets caused by COVID-19 at 31 March 2020, a 0.1% reduction in the rate would increase the liabilities of the Scheme by approximately £18m while the hedging would cause the Scheme's assets, the valuation of which was less impacted by the volatility, would increase by approximately £24m. This difference in the hedging movements is expected to reduce as stability returns to the financial markets.

Over recent years, the Trustee has pursued a diversification of the investment portfolio as part of a de-risking strategy, and this programme continued in the year ended 31 March 2020. As at 31 March 2020 the Scheme's investments were split between 30% in return-seeking assets and 70% in defensive assets.

The Scheme currently holds unquoted assets valued at approximately £96.9m the latest valuations of which precede the negative impact of COVID-19 on the financial markets. We have therefore applied an estimated adjustment by reference to market indices to the valuations of these assets provided by the portfolio investment manager.

Defined contribution arrangements

The Group's defined contribution arrangements include the Retirement Savings Section, including the Auto Enrolment section, and the Pension Builder Plan in the UK and a separate similar local scheme in Ireland. Active membership of these schemes was 16,502 (2019: 15,661) in the year. The charge incurred for these arrangements totals £33.7m (2019: £24.6m).

Brexit

Although there remains uncertainty on the nature and timing of the UK's proposed withdrawal from the European Union (Brexit), our understanding of potential risks and impacts are regularly reviewed and assessed.

We have, for example, reviewed the potential impact of Brexit, including adverse economic consequences, on our existing contract base, workforce, bidding activities and supply chain.

We continue to believe that Wincanton will not be materially affected by the UK withdrawing from the European Union, which is currently scheduled to occur at the end of December 2020. This is based on the following key points:

- Our operations are generally delivered locally in-country and are not critically dependent on a cross-border supply chain or workforce. Wincanton's operations in Ireland are not a significant part of the Group and represent c.1% of Group revenue.
- As a British focused 3PL business there is potential for additional demand for our services under most Brexit scenarios, including demand for warehouse space and management, management of bonded goods and supply of container storage and transportation.
- Most of our existing contracts have provisions which allow for inflationary and other adjustments (e.g. fuel price movements, tariffs on imported vehicles) to be charged to our customers and approximately 60% of our contracts are open book contracts in which we do not bear the direct impact of increasing costs.
- Should the UK's exit from the EU at the end of 2020 result in a 'hard' Brexit without a transition period and/or an orderly withdrawal may cause regulatory and compliance uncertainty on some contracts that require performance under EU regulation, bodies and/or standards; however, we believe such uncertainties will be addressed under proposed new UK regulations following any withdrawal.
- We have reviewed our supply chain and are broadly comfortable with our key suppliers' ability to maintain the provision of goods and services on key contracts.

IFRS 16

IFRS 16 Leases was issued by the IASB in January 2016 and became effective for the Group for the year ended 31 March 2020. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The Group applied IFRS 16 on 1 April 2019 using the modified retrospective approach; the cumulative effect of initial adoption being recognised as an adjustment to the opening balance of retained earnings as at 1 April 2019 with no restatement of comparative information. The Group recognised right-of-use assets of £117.6m and lease liabilities of £137.4m on 1 April 2019, together with a deferred tax asset of £2.0m and a charge to reserves of £11.2m. There is no cash impact of adopting IFRS 16.

Further information on the impact of adopting IFRS 16 in the year is set out in Note 10 to the accompanying financial statements.

Alternative Performance Measures

Alternative performance measures (APMs) are used by the Board to assess the Group's performance and are applied consistently from one period to the next. They therefore provide additional useful information for shareholders on the underlying performance and position of the Group. Additionally, underlying profit before tax is used in determining annual bonus payments and underlying EPS is used as a key performance indicator for the Long Term Incentive Plan. These measures are not defined by IFRS and are not intended to be a substitute for IFRS measures.

The Group presents underlying EBITDA, operating profit, profit before tax and EPS which are calculated as the statutory measures stated before non-underlying items, including exceptional items, amortisation of acquired intangibles, related tax and exceptional tax items, where applicable. The definition of non-underlying items can be found in Note 3 to the accompanying financial statements. The table below reconciles the APMs to the statutory reported measures.

	2020					2019		
	Statutory IFRS 16	**Non-underlying Items[1]**	**Underlying IFRS 16**	**IFRS 16 Impact[2]**	**Underlying IAS 17**	Statutory IAS 17	Exceptional Items[1]	Underlying IAS 17
Revenue (£m)	**1,201.2**	**–**	**1,201.2**	**–**	**1,201.2**	1,141.5	–	1,141.5
EBITDA (£m)[3]	**103.1**	**1.0**	**104.1**	**(35.2)**	**68.9**	66.0	0.7	66.7
Operating profit (£m)	**52.0**	**9.0**	**61.0**	**(3.7)**	**57.3**	54.6	0.7	55.3
Operating margin (%)	***4.3***	**–**	***5.1***		***4.8***	4.8	–	4.8
Net financing costs (£m)	**(8.2)**	**–**	**(8.2)**	**3.8**	**(4.4)**	(6.0)	–	(6.0)
Profit before tax (£m)	**43.8**	**9.0**	**52.8**	**0.1**	**52.9**	48.6	0.7	49.3
Income tax (£m)	**(5.3)**	**(2.8)**	**(8.1)**	**(0.5)**	**(8.6)**	(5.8)	(2.0)	(7.8)
Profit after tax (£m)	**38.5**	**6.2**	**44.7**	**(0.4)**	**44.3**	42.8	(1.3)	41.5
Earnings per share[4]	**31.1p**		**36.1p**		**35.8p**	34.5p		33.5p
Dividend per share	**3.9p**		**3.9p**		**3.9p**	10.89p		10.89p
Net debt excluding lease liabilities (£m)[5]			**(10.1)**		**(10.1)**			(19.3)

1 Note 3 to the accompanying financial statements provides the definition of non-underlying items and details of the items reported as non-underlying in the current and prior year.

2 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. Consequently, the results for the year ended 31 March 2020 are not directly comparable with prior periods and therefore they have also been presented on an IAS 17 basis.

3 EBITDA refers to operating profit before depreciation, amortisation and impairment of non-current assets and is reconciled in Note 2 to the accompanying financial statements.

4 Note 6 to the accompanying financial statements provides further detail of underlying earnings per share.

5 Net debt is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities excluding lease liabilities. Note 8 to the accompanying financial statements provides a breakdown of net debt for the current and prior periods.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Note	**2020[1] £m**	2019 £m
Revenue	2	**1,201.2**	1,141.5
Underlying operating profit	3	**61.0**	55.3
Non-underlying items	3	**(9.0)**	(0.7)
Operating profit		**52.0**	54.6
Financing income	4	**–**	0.1
Financing cost	4	**(8.2)**	(6.1)
Net financing costs	4	**(8.2)**	(6.0)
Profit before tax		**43.8**	48.6
Income tax expense	5	**(5.3)**	(5.8)
Profit attributable to equity shareholders of Wincanton plc		**38.5**	42.8
Earnings per share			
– basic	6	**31.1p**	34.5p
– diluted	6	**30.8p**	34.2p

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in Note 10 to these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Note	**2020[1] £m**	2019 £m
Profit for the year		**38.5**	42.8
Other comprehensive income/(expense)			
Items which will not subsequently be reclassified to the income statement			
Remeasurements of defined benefit liability	9	**84.0**	20.3
Income tax relating to items that will not subsequently be reclassified to profit or loss	5	**(15.8)**	(3.5)
		68.2	16.8
Items which are or may subsequently be reclassified to the income statement			
Net foreign exchange gain on investment in foreign subsidiaries		**0.1**	–
Effective portion of changes in fair value of cash flow hedges		**–**	0.1
		0.1	0.1
Other comprehensive income for the year, net of income tax		**68.3**	16.9
Total comprehensive income attributable to equity shareholders of Wincanton plc		**106.8**	59.7

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in Note 10 to these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2020

	Note	2020[1] £m	2019 £m
Non-current assets			
Goodwill and intangible assets		**85.6**	84.0
Property, plant and equipment		**26.6**	34.5
Right-of-use assets[1]		**114.2**	–
Investments, including those equity accounted		**0.2**	0.2
Deferred tax assets		**–**	4.2
Employee benefits	9	**96.5**	–
		323.1	122.9
Current assets			
Inventories		**2.0**	3.7
Trade and other receivables		**135.0**	137.7
Assets classified as held for sale		**–**	2.4
Cash and cash equivalents	8	**60.9**	12.7
		197.9	156.5
Current liabilities			
Income tax payable		**(2.4)**	(6.1)
Borrowings and other financial liabilities	8	**–**	–
Lease liabilities[1]		**(36.6)**	–
Trade and other payables		**(248.1)**	(260.8)
Provisions		**(12.2)**	(10.1)
		(299.3)	(277.0)
Net current liabilities		**(101.4)**	(120.5)
Total assets less current liabilities		**221.7**	2.4
Non-current liabilities			
Borrowings and other financial liabilities	8	**(71.0)**	(32.0)
Lease liabilities[1]		**(97.8)**	–
Employee benefits		**(2.1)**	(7.1)
Provisions		**(24.8)**	(30.4)
Deferred tax liabilities		**(11.3)**	–
		(207.0)	(69.5)
Net assets/(liabilities)		**14.7**	(67.1)
Equity			
Issued share capital		**12.5**	12.5
Share premium		**12.9**	12.9
Merger reserve		**3.5**	3.5
Hedging reserve		**–**	–
Translation reserve		**(0.2)**	(0.3)
Retained earnings		**(14.0)**	(95.7)
Total equity/(deficit)		**14.7**	(67.1)

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in Note 10 to these financial statements.

These financial statements were approved by the Board of Directors on 16 June 2020 and were signed on their behalf by:

J Wroath
Chief Executive Officer

T Lawlor
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Issued share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings: Own shares £m	Retained earnings: Profit and loss £m	Total equity/ (deficit) £m
Balance at 1 April 2018	12.5	12.9	3.5	(0.1)	(0.3)	(2.0)	(139.0)	(112.5)
Profit for the year	–	–	–	–	–	–	42.8	42.8
Other comprehensive income	–	–	–	0.1	–	–	16.8	16.9
Total comprehensive income	–	–	–	0.1	–	–	59.6	59.7
Share based payment transactions	–	–	–	–	–	1.3	(1.5)	(0.2)
Current tax on share based payment transactions	–	–	–	–	–	–	0.1	0.1
Own shares acquired	–	–	–	–	–	(1.5)	–	(1.5)
Dividends paid to shareholders	–	–	–	–	–	–	(12.7)	(12.7)
Balance at 31 March 2019	12.5	12.9	3.5	–	(0.3)	(2.2)	(93.5)	(67.1)
Balance at 1 April 2019	12.5	12.9	3.5	–	(0.3)	(2.2)	(93.5)	(67.1)
IFRS 16 Restatement[1]	–	–	–	–	–	–	(11.2)	(11.2)
Revised balance as at 1 April 2019	**12.5**	**12.9**	**3.5**	**–**	**(0.3)**	**(2.2)**	**(104.7)**	**(78.3)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**38.5**	**38.5**
Other comprehensive income	**–**	**–**	**–**	**–**	**0.1**	**–**	**68.2**	**68.3**
Total comprehensive income	**–**	**–**	**–**	**–**	**0.1**	**–**	**106.7**	**106.8**
Share based payment transactions	**–**	**–**	**–**	**–**	**–**	**0.7**	**(1.0)**	**(0.3)**
Current tax on share based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(13.8)**	**(13.8)**
Balance at 31 March 2020	**12.5**	**12.9**	**3.5**	**–**	**(0.2)**	**(1.5)**	**(12.5)**	**14.7**

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in Note 10 to these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	2020[1] **£m**	2019 £m
Operating activities		
Profit before tax	**43.8**	48.6
Adjustments for		
– depreciation and amortisation	**43.1**	11.4
– interest expense on borrowings	**4.4**	6.0
– interest expense on leases[1]	**3.8**	–
– impairments	**9.3**	–
– profit on disposal of property, plant and equipment	**(2.3)**	(6.0)
– share based payment transactions	**(0.3)**	(0.2)
	101.8	59.8
Decrease in trade and other receivables	**5.8**	3.0
Decrease in inventories	**0.4**	0.7
Decrease in trade and other payables	**(11.2)**	(2.9)
Decrease in provisions	**(2.0)**	(11.2)
Increase in employee benefits before pension deficit payment	**0.3**	9.2
Income taxes paid	**(7.0)**	(1.5)
Cash generated before pension deficit payment	**88.1**	57.1
Pension deficit payment	**(17.8)**	(32.3)
Cash flows from operating activities	**70.3**	24.8
Investing activities		
Proceeds from sale of property, plant and equipment	**5.5**	13.8
Interest received	**–**	0.1
Trade investment	**–**	(0.1)
Additions of property, plant and equipment	**(5.9)**	(6.4)
Additions of computer software	**(3.4)**	(3.3)
Cash flows from investing activities	**(3.8)**	4.1
Financing activities		
Own shares acquired	**–**	(1.8)
Increase/(decrease) in borrowings	**39.0**	(15.0)
Payment of lease liabilities	**(35.7)**	–
Equity dividends paid	**(13.8)**	(12.7)
Interest paid on borrowings	**(4.0)**	(4.3)
Interest paid on lease liabilities	**(3.8)**	–
Cash flows from financing activities	**(18.3)**	(33.8)
Net increase/(decrease) in cash and cash equivalents	**48.2**	(4.9)
Cash and cash equivalents at beginning of the year	**12.7**	17.6
Cash and cash equivalents at end of the year	**60.9**	12.7
Represented by:		
– cash at bank and in hand	**56.0**	7.9
– restricted cash, being deposits held by the Group's insurance subsidiary	**4.9**	4.8
	60.9	12.7

In the final type setting of the RNS on 17 June 2020 an administrative error was made, posting an equal and opposite adjustment to movements on trade debtors and other receivables and provisions in the cash flow statement of £4.6m. This was corrected on 19 June 2020. The administrative error did not impact any of the key metrics or commentary in the RNS.

1 IFRS 16 was adopted on 1 April 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in Note 10 to these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The financial information set out in this preliminary announcement does not constitute Wincanton plc's statutory accounts for the years ended 31 March 2020 and 31 March 2019. Statutory accounts for the year ended 31 March 2020 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Auditor has reported on those accounts; their report was (i) unqualified, (ii) contains a material uncertainty in respect of going concern to which the Auditor drew attention by way of emphasis without modifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2019 have been delivered to the Registrar of Companies. The Auditor has reported on those accounts; their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement has been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB) and by the EU (Adopted IFRS).

Standards, amendments and interpretations effective or adopted in the year
IFRS 16 Leases became effective in the year and has had a material impact on the consolidated financial statements of the Group. The impact of adoption of this standard and the key changes to the accounting policies are disclosed below and in Note 10 to these financial statements.

IFRS 16 Leases was issued by the International Accounting Standards Board (IASB) in January 2016 and is effective for the Group for the year ended 31 March 2020. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. For lessees the distinction between operating leases and finance leases has been removed and replaced by a single lease accounting model. Under this model lessees recognise a right-of-use asset, representing the right to use the underlying asset, and a corresponding lease liability, representing the obligation to make lease payments for all leases except where the lease term is 12 months or less or the underlying asset is of a low value. In the Income statement operating lease rentals have been replaced with the amortisation of the right-of-use asset and lease finance costs.

The Group has applied the modified retrospective approach, where the cumulative effect of applying IFRS 16 is recognised in retained earnings with no restatement to prior years. The lease liabilities on transition were the present value of lease payments discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were valued at an amount equal to either the lease liability or the carrying amount as if IFRS 16 had been applied since the start of the lease, but using the discount rate at 1 April 2019 (the date of initial application), determined on a lease by lease basis. The Group took advantage of practical expedients to:

- apply IFRS 16 only to contracts previously identified as leases under IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease;
- exclude leases where the lease term is 12 months or less from the date of initial application and class such leases as short term leases;
- exclude low value assets;
- exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- use hindsight, such as in determining the lease term if the contract contains options to extend or terminate;
- apply a single discount rate to a portfolio of leases with similar characteristics; and
- rely on its assessment as to whether a lease is onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

The effect on the Group's results for the year to 31 March 2020 compared to those that would have been reported under IAS 17 are shown in Note 10 to these financial statements.

The covenant requirements for the Group's committed financing facilities are based on 'Frozen GAAP' and therefore are not impacted by the transition to IFRS 16.

Going concern
The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company and the Group have adequate resources to continue in operational existence for at least twelve months from the date of signing these accounts. The Group has reported a profit before tax of £43.8m for the year to 31 March 2020 (2019: £48.6m), has net current liabilities of £101.4m (2019: £120.5m) and net assets of £14.7m (2019: net liabilities of £67.1m).

The Group's committed facilities at 31 March 2020 comprise a syndicated Revolving Credit Facility (RCF) of £141.2m which matures in October 2023 – £71.0m was drawn down on the RCF at 31 March 2020 of which £50.0m was placed on deposit. On 5 May 2020 the Group secured a £40m extension to this facility which expires on 4 May 2021. The RCF requires the Group to comply with the following three financial covenants at 30 September and 31 March each financial year:

- Leverage ratio: Consolidated total net borrowings of no more than 2.75 times Consolidated EBITDA for the preceding 12 month period;
- Interest cover: Consolidated EBITDA for the preceding 12 month period is not less than 3.5 times higher than Consolidated net finance charges for the preceding 12 month period; and
- Fixed charge cover: Consolidated EBITDA plus Operating lease costs for the preceding 12 month period is not less than 1.4 times higher than Consolidated net finance charges plus Operating lease costs for the preceding 12 month period.

The financial covenant tests remain unchanged as a result of the £40m extension.

In addition, the Group also has an uncommitted £50m Receivable Purchase Facility, providing flexibility to manage net debt peaks down and an uncommitted overdraft facility of £7.5m.

In arriving at the conclusion on going concern, the Directors have given due consideration to whether the funding and liquidity resources above are sufficient to accommodate the principal risks and uncertainties faced by the Group.

The Directors have given particular consideration to the risk and uncertainty caused by the coronavirus outbreak as a potential material uncertainty. Cash flow and covenant compliance forecasts have been prepared comprising a base case and a severe but plausible downside to assess how the virus could impact the Group in the period to 30 September 2021.

The base case assumes that Group revenue will reduce by c£40m and profit before tax by c£10m compared to normal levels in the 3 months until the end of June 2020 due to the impacts of COVID-19 before gradually recovering throughout the rest of the financial year to 31 March 2021, with most Business Units achieving pre-COVID-19 revenue and profit before tax levels from April 2021. It also assumes the mitigations described in the Chief Financial Officer's Financial Review, such as delays in VAT payments, the agreed amended pension contributions, the cessation of all discretionary and non-business critical expenditure and the suspension of the dividend, remain in place to the extent they have been contractually agreed or are under management's control in the forecast period.

The severe but plausible downside case assumes a second virus-driven lockdown from October to December 2020, with Group revenue reduced by a further c£50m and profit before tax by a further c£10m compared to normal levels for the duration of the second lockdown period to the end of December 2020, gradually recovering through to 30 September 2021, with most Business Units achieving pre-COVID-19 revenue and profit before tax levels from October 2021. This scenario assumes a major cash shock such as a large customer going into administration and a deterioration in working capital performance compared to the base case with the application of further mitigating actions, including further deferrals of capital expenditure and the continued suspension of the dividend, to the extent they are under management's control.

In both scenarios, the Group has sufficient liquidity and adequate headroom in the committed facilities above to fund itself without the use of uncommitted facilities. In the severe downside case only, the Group exceeds the leverage ratio covenant described above at 31 March 2021. In the event the leverage ratio covenant is exceeded, the syndicate banks have the right to cancel the RCF and outstanding amounts under the RCF may become immediately payable. In this scenario the Board would expect to negotiate with the syndicate banks to temporarily amend the leverage ratio covenant so that it would not be breached.

In the context of this severe but plausible downside scenario, the absence as at the date of signing these accounts of amended loan documentation confirming the flexing of the leverage ratio covenant at 31 March 2021 gives rise to a material uncertainty, as defined in auditing and accounting standards, related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and in such circumstances, it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

Despite this, the Board is confident that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of signing these accounts, and therefore believe it remains appropriate to prepare the accounts on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2. Operating segments

Wincanton plc provides contract logistics services in the UK and Ireland. The Group manages its operations in two distinct operating segments; Retail & Consumer (including Retail General Merchandise, Retail Grocery and Consumer Products) and Industrial & Transport (including Transport Services, Construction and Other).

The results of the operating segments are regularly reviewed by the Executive Management Team (EMT) to allocate resources to these segments and to assess their performance. The Group evaluates the performance of the operating segments on the basis of revenue and underlying operating profit. Assets and liabilities are reviewed at a consolidated level only, therefore segmental information is not provided.

	Note	**Retail & Consumer 2020 £m**	**Industrial & Transport 2020 £m**	**Total 2020 £m**	Retail & Consumer 2019 £m	Industrial & Transport 2019 £m	Total 2019 £m
Revenue from external customers[1]		**782.3**	**418.9**	**1,201.2**	708.9	432.6	1,141.5
Underlying EBITDA[2]		**58.6**	**45.5**	**104.1**	36.9	29.8	66.7
Depreciation of property, plant and equipment		**(4.6)**	**(5.0)**	**(9.6)**	(4.5)	(5.0)	(9.5)

Depreciation of right-of-use assets		**(13.7)**	**(17.8)**	**(31.5)**	–	–	–
Amortisation of software intangibles		**(1.3)**	**(0.7)**	**(2.0)**	(1.2)	(0.7)	(1.9)
Underlying operating profit[2]		**39.0**	**22.0**	**61.0**	31.2	24.1	55.3
Non-underlying items	3			**(9.0)**			(0.7)
Operating profit				**52.0**			54.6
Net financing costs	4			**(8.2)**			(6.0)
Profit before tax				**43.8**			48.6
Total Group assets[3]				**521.0**			279.4
Additions to reportable segment non-current assets:							
– property, plant and equipment		**2.9**	**3.0**	**5.9**	3.6	2.8	6.4
– right-of-use assets		**15.8**	**18.0**	**33.8**	–	–	–
– computer software costs		**2.2**	**1.2**	**3.4**	2.0	1.3	3.3
Total Group liabilities				**(506.3)**			(346.5)

1 Included in segment revenue is £1,188.4m (2019: £1,129.0m) in respect of customers based in the UK.

2 Underlying EBITDA refers to underlying operating profit before depreciation and amortisation. Underlying operating profit is stated before non-underlying items.

3 Total Group assets include non-current assets of £323.1m (2019: £122.9m), of which £323.1m (2019: £122.9m) are held in the UK.

Revenue of £238.0m (2019: £213.1m) and £133.7m (2019: £131.9m) arose from sales to the Group's two largest single customers, being groups of companies under common control, and is reported within the Retail & Consumer segment above. No other single customer or group of customers under common control contributed 10% or more to the Group's revenue in either the current or prior year.

3. Non-underlying items

Non-underlying items

The Group separately identifies and discloses those items that in management's judgement need to be disclosed by virtue of their size, nature or incidence (termed 'non-underlying items'). Non-underlying items are used to derive the underlying results as presented in the accompanying consolidated income statement. Underlying results are consistent with the way that financial performance is measured by management and assists in providing an additional analysis of the reported trading results of the Group. Non-underlying items may not be comparable to similarly titled measures used by other companies. In determining whether an event or transaction is non-underlying, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as non-underlying items in the current and/or prior years include profits and losses on disposal of freehold properties, fees and charges related to potential M&A activities, retrospective regulatory matters and revisions to historic provisions that were originally recognised as non-underlying items. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as non-underlying items. We have also included the impacts of COVID-19 on various balance sheet items as at 31 March 2020 as non-underlying. The impact of COVID-19 on underlying trading in the year ended 31 March 2020 was immaterial and has not been recognised as a non-underlying item.

	2020 £m	2019 £m
Net profit on disposal of freehold property	**2.3**	6.0
Professional fees in relation to M&A activities	**(2.0)**	–
COVID-19 impairment charges	**(9.3)**	–
Pension Scheme - Guaranteed Minimum Pension ('GMP')	**–**	(8.2)
Revision to property provisions previously recognised as non-underlying	**–**	1.5
	(9.0)	(0.7)

During the year the Group completed the disposal of two freehold properties receiving gross sales proceeds of £5.5m and incurring disposal costs of £0.8m. The combined carrying value of the properties was £2.4m, generating a net profit on disposal of £2.3m. In the prior year we completed the disposal of a freehold property receiving gross sales proceeds of £14.5m and incurring costs of disposal and transitioning operations to another site of £1.2m and £0.5m respectively. The carrying value of the property was £6.8m, which generated a net profit on disposal of £6.0m.

M&A activities were undertaken during the year, including a takeover bid for a competitor, Eddie Stobart Logistics plc. The professional fees associated with these M&A activities have been recognised within non-underlying items.

As at 31 March 2020 we recognised one-off, non-cash impairment charges of £9.3m relating to the impact of COVID-19 on assets used in certain parts of the business. The impairment charge has arisen where the carrying amount of the assets is no longer expected to be fully recovered through the cash flows those assets generate due to the impact of COVID-19.

In the prior year, the High Court of Justice of England and Wales issued a judgement relating to Lloyds Banking Group requiring equality of treatment of historic pension benefits for men and women. This resulted in the recognition of a non-cash past service cost of £8.2m in the year.

Also in the prior year, the Group negotiated an exit from a long standing onerous property lease in Dublin on favourable terms. The full novation of this lease, partly offset by an increase in provision for another long standing lease, resulted in a net exceptional credit of £1.5m.

4. Net financing costs

Recognised in the income statement

	Note	**2020 £m**	2019 £m
Interest income		**–**	0.1
Interest expense		**(3.9)**	(4.3)
Interest on lease liabilities		**(3.8)**	–
Unwinding of discount on provisions		**(0.5)**	(0.8)
Interest on the net defined benefit pension	9	**–**	(1.0)
		(8.2)	(6.1)
Net financing costs		**(8.2)**	(6.0)

5. Income tax expense

Recognised in the income statement

	2020 £m	2019 £m
Current tax expense		
Current year	**5.1**	3.3
Adjustments for prior years	**(1.5)**	(1.3)
	3.6	2.0
Deferred tax expense		
Current year	**1.7**	3.6
Adjustments for prior years	**–**	0.2
	1.7	3.8
Total income tax expense	**5.3**	5.8

	2020 £m	2019 £m
Reconciliation of effective tax rate		
Profit before tax	**43.8**	48.6
Income tax using the UK corporation tax rate of 19% (2019: 19%)	**8.3**	9.2
Non-deductible expenditure	**0.3**	0.1
Non-underlying items in income statement	**(0.9)**	(2.0)
Change in UK corporation tax rate	**(0.9)**	(0.4)
Adjustments for prior years		
– current tax	**(1.5)**	(1.3)
– deferred tax	**–**	0.2
Total tax expense for the year	**5.3**	5.8

Recognised in other comprehensive income

	2020 £m	2019 £m

Items which will not subsequently be reclassified to the Income statement:		
Remeasurements of defined benefit pension liability	**15.8**	3.5
Total recognised in other comprehensive income	**15.8**	3.5

Recognised directly in equity

	2020 £m	2019 £m
Current tax on share based payment transactions	**(0.3)**	(0.1)
	(0.3)	(0.1)

The main UK Corporation tax rate remained at 19% (2019: 19%). The previously enacted reduction in the rate from 19% to 17% as from 1 April 2020 was reversed and the 19% was substantively enacted on 17 March 2020.

The Group maintains a provision against tax risks, which is included within income tax payable.

The total tax expense above includes tax on non-underlying items of £2.8m (2019: £2.0m).

6. Earnings per share

The basic earnings per share of 31.1p (2019: 34.5p) is calculated based on the profit attributable to the equity shareholders of Wincanton plc of £38.5m (2019: £42.8m) and the weighted average shares in issue, excluding those held within an Employee Benefit Trust, throughout the year as calculated below of 123.7m (2019: 124.0m). The diluted earnings per share calculation is based on there being 1.3m (2019: 1.3m) additional shares deemed to be issued at £nil consideration under the Company's share option schemes.

	2020 millions	2019 millions
Weighted average number of Ordinary Shares (basic)		
Issued Ordinary Shares at the beginning of the year[1]	**123.6**	123.7
Net effect of shares issued and purchased during the year	**0.1**	0.3
	123.7	124.0
Weighted average number of Ordinary Shares (diluted)		
Weighted average number of Ordinary Shares for the year (as above)	**123.7**	124.0
Effect of share options on issue	**1.3**	1.3
	125.0	125.3

1 The number of shares excludes 0.6m Ordinary Shares (2019: 0.8m) being the weighted average number of the Company's own shares held within an Employee Benefit Trust.

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

	2020 pence	2019 pence
Underlying earnings per share		
– basic	**36.1**	33.5
– diluted	**35.8**	33.1

Underlying earnings are determined as follows:

	Note	2020 £m	2019 £m
Profit for the year attributable to equity shareholders of Wincanton plc		**38.5**	42.8
Non-underlying items	3	**9.0**	0.7
Tax impact of above items and non-underlying tax items		**(2.8)**	(2.0)
Underlying earnings		**44.7**	41.5

7. Dividends

Dividends paid in the year comprise:

	2020 £m	2019 £m
Final dividend for the year ended 31 March 2019 of 7.29p per share (2018: 6.63p)	**9.0**	8.2
Interim dividend for the period ended 30 September 2019 of 3.90p per share (2018: 3.60p)	**4.8**	4.5
	13.8	12.7

In light of the economic impacts of the COVID-19 pandemic, including the cost-efficiency and liquidity measures taken to safeguard the long term viability of the business, the Board does not consider it appropriate to propose a final dividend for the year ended 31 March 2020 (2019: 7.29p per share).

The Employee Benefit Trust has waived the right to receive dividends in respect of the shares it holds.

8. Financial instruments

Analysis of changes in net debt

	1 April 2019 £m	Adoption of IFRS 16 £m	Cash flow £m	Non-cash movements £m	31 March 2020 £m
Bank loans and overdrafts	(32.0)	**–**	**(39.0)**	**–**	**(71.0)**
Other financial liabilities	–	**–**	**–**	**–**	**–**
Financial liabilities arising from financing activities	(32.0)	**–**	**(39.0)**	**–**	**(71.0)**
Cash and bank balances	12.7	**–**	**48.2**	**–**	**60.9**
Net debt excluding lease liabilities	(19.3)	**–**	**9.2**	**–**	**(10.1)**
Lease liabilities	–	**(137.4)**	**39.5**	**(36.5)**	**(134.4)**
Net debt including lease liabilities	(19.3)	**(137.4)**	**48.7**	**(36.5)**	**(144.5)**

9. Employee benefits

Pension schemes

Employees of Wincanton participated in funded pension arrangements in the UK and Ireland during the year ended 31 March 2020 details of which are given below.

The principal Wincanton Scheme in the UK (the Scheme) is a funded arrangement which has two defined benefit sections and two defined contribution sections, called the Wincanton Retirement Savings Section and the Wincanton Pension Builder Plan. The employees of Wincanton Ireland Limited are eligible to participate in a separate defined contribution scheme. Assets of these pension arrangements are held in separate Trustee administered funds independent of Wincanton. The weighted average duration of the funded defined benefit obligation is approximately 18 years.

In previous years, a small number of employees, who were subject to the statutory earnings cap on pensionable earnings prior to 6 April 2006, were entitled to participate in an unfunded unapproved arrangement in addition to accruing benefits from the Scheme. There have been no active members of this arrangement throughout current or comparative years.

The defined benefit sections of the Scheme were closed to future accrual on 31 March 2014. This means that no future service benefit will accrue but pensions built up to the date of closure have been preserved.

Triennial valuation

The latest formal valuation of the Scheme was carried out as at 31 March 2017 by the Scheme actuary, Hymans Robertson, and was agreed with the Trustee in August 2018. The annual deficit funding contributions were agreed at £18.0m per annum from 1 April 2018 increasing by RPI over the three years to March 2021, followed by £25.0m per annum from April 2021 to March 2027, increasing annually in line with the Retail Prices Index. In addition, the Group made a one-off contribution of £15.0m in August 2018. The agreement is also subject to other provisions agreed with the Trustee being:

- Additional contributions become payable if distributions to shareholders (dividends and share buy-backs) grow year on year in excess of 10%. The matching will only be in relation to the distribution amounts above the threshold and are calculated at 50% of the excess or 100% of any distribution growth above 15%.
- Additional contribution payments become payable in the event of severe adverse Scheme investment performance where the actual deficit in the Scheme exceeds an agreed threshold above the expected deficit at the end of two consecutive six-month reporting periods.

- A one-off payment to the Scheme of £6.0m in any year if both the underlying profit after tax is lower than the level of profit after tax reported in the 2017/18 financial year and the dividend payout ratio increases to over 40% of profit after tax.
- In the event of disposals of businesses within the Group, an amount will be paid to the Scheme equal to 50% of the combined net proceeds for the first £30.0m of the proceeds in any financial year.

As with the previous agreement, it has been agreed that certain administration expenses would be paid directly by the Group and deducted from the deficit funding contributions. The expenses, which amount to £0.7m (2019: £0.7m) are not included in the contributions below.

The agreement constitutes a minimum funding requirement (MFR) under IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Group has recognised a surplus in the Scheme as at 31 March 2020 and has not recognised any liabilities in relation to the MFR, as under the Scheme rules the Group has an unconditional right to a refund of the surplus.

Discussions with regards to the 2020 Triennial valuation have commenced and are expected to be concluded before the end of the financial year.

Contributions
The deficit funding contribution in the year, net of the above expenses was £17.8m, (2019: £32.3m including a £15m one-off payment). In addition, other administration costs of the Scheme were borne directly by the Group and a contribution made towards administration costs incurred, totalling £1.1m.

In the year commencing 1 April 2020, the Group was expecting to make deficit funding contributions of £18.2m being the annual deficit contributions of £18.9m less certain administration expenses mentioned above. In May 2020, due to the impact of COVID-19, the Group has agreed an amended Schedule of Contributions with the Trustee delaying £6.1m of contributions until 2021/22 subject to the level of cash dividends paid in the year. In addition, other administration costs of the Scheme will be borne directly by the Group, these are expected to total £0.7m.

Risks
The defined benefit sections of the Scheme expose the Group to various risks: longevity risk (members living longer than expected), inflation and interest rate risk (higher or lower than expected), and market (investment) risk (lower returns than expected). The Trustee and Group have taken steps to mitigate these risks through the use of:

- hedging instruments within the investment portfolio; and
- diversification of the investment portfolio.

The Group is not exposed to any unusual, entity specific or scheme specific risks.

Net defined benefit asset/(liability)
The assets and liabilities of the defined benefit sections of the Group are calculated in accordance with IAS 19 Employee Benefits (Revised) and are set out in the tables below.

The calculations under IAS 19 are based on actuarial assumptions which are the best estimates chosen from a range of possible assumptions about the long term future which, unless by chance, will not necessarily be borne out in practice. The fair value of the assets, which are not intended to be realised in the short term, may be subject to significant change before they are realised, and the present value of the liabilities are derived from cash flow projections over long periods and are thus inherently uncertain.

	2020 £m	2019 £m
Present value of unfunded defined benefit obligations	**(2.1)**	(2.5)
Present value of funded defined benefit obligations	**(1,061.0)**	(1,151.2)
Fair value of Scheme assets	**1,157.5**	1,146.6
Net defined benefit asset/(liability)	**94.4**	(7.1)

The movement in the above net defined benefit asset/(liability) in the year was primarily the result of the impact of market uncertainty as a result of COVID-19. Scheme liabilities are calculated using a discount rate based on high quality corporate bond yields while Scheme assets are hedged against movements in gilt yields. Credit spreads on corporate bonds increased due to market uncertainty resulting in a reduction in the liabilities which was not matched with a corresponding fall in assets as at 31 March 2020.The net defined benefit asset, after taking into account the related deferred tax liability, is £76.5m (2019: liability of £(5.9)m).

Movements in the present value of the net defined benefit liability

31 March 2020	Assets £m	Obligations £m	Net (liability)/asset £m	Unfunded arrangements £m	Total net (liability)/asset £m
Opening position	**1,146.6**	**(1,151.2)**	**(4.6)**	**(2.5)**	**(7.1)**
Included in Income statement:					
Administration costs	**(1.7)**	**–**	**(1.7)**	**–**	**(1.7)**
Interest on the net defined benefit liability	**27.2**	**(27.1)**	**0.1**	**(0.1)**	**–**
Cash:					
Employer contributions	**18.9**	**–**	**18.9**	**–**	**18.9**
Benefits paid	**(41.9)**	**41.9**	**–**	**0.3**	**0.3**
Included in Other comprehensive income:					
Changes in financial assumptions	**–**	**72.2**	**72.2**	**0.2**	**72.4**
Changes in demographic assumptions	**–**	**(3.4)**	**(3.4)**	**–**	**(3.4)**
Experience	**–**	**6.6**	**6.6**	**–**	**6.6**
Return on assets excluding amounts included in net financing costs	**8.4**	**–**	**8.4**	**–**	**8.4**
Closing defined benefit asset	**1,157.5**	**(1,061.0)**	**96.5**	**(2.1)**	**94.4**

31 March 2019	Note	Assets £m	Obligations £m	Net liability £m	Unfunded arrangements £m	Total net liability £m
Opening position		1,075.9	(1,123.1)	(47.2)	(2.3)	(49.5)
Included in Income statement:						
Administration costs		(1.9)	–	(1.9)	–	(1.9)
Past service cost	3	–	(8.2)	(8.2)	–	(8.2)
Interest on the net defined benefit liability		28.0	(28.9)	(0.9)	(0.1)	(1.0)
Cash:						
Employer contributions		33.2	–	33.2	–	33.2
Benefits paid		(36.2)	36.2	–	–	–
Included in Other comprehensive income:						
Changes in financial assumptions		–	(58.7)	(58.7)	(0.1)	(58.8)
Changes in demographic assumptions		–	25.0	25.0	–	25.0
Experience		–	6.5	6.5	–	6.5
Return on assets excluding amounts included in net financing costs		47.6	–	47.6	–	47.6
Closing defined benefit liability		1,146.6	(1,151.2)	(4.6)	(2.5)	(7.1)

The amounts recognised in the income statement comprise administration costs, past service costs, and interest on the net defined benefit asset/(liability). These charges are included in the following lines in the Income statement:

	Note	**2020 £m**	2019 £m
Within underlying operating profit:			
Administrative expenses		**(1.7)**	(1.9)
Within non-underlying items:			
Past service costs		**–**	(8.2)
Within finance costs:			
Interest on the net defined benefit asset/(liability)	4	**–**	(1.0)
Recognised in Income statement		**(1.7)**	(11.1)

The market value of the Scheme assets held at the end of the year were as follows:

	2020 £m	2019 £m
Equities and synthetic equities	**131.8**	143.3
Property and other growth assets/(liabilities)	**0.8**	7.1
Corporate bonds	**304.1**	302.9
Secured finance	**90.3**	86.6
Senior real debt	**28.0**	30.9
Senior private debt and private debt	**96.9**	87.7
Index-linked gilts (LDI portfolio collateral)	**596.8**	593.4
Notional exposure for synthetic equities/LDI hedging arrangements	**(101.2)**	(111.8)
Other, including cash	**10.0**	6.5
	1,157.5	1,146.6

All equities, LDI portfolio collateral, corporate bonds and funds have quoted prices in active markets. The senior real estate and private debt along with the property assets are illiquid, unquoted assets and trade on a less regular basis.

Senior private debt and private debt includes unquoted investment funds which were initially measured at £101.2m using the most recent Net Asset Valuations (NAV), adjusted for cash movements between the latest valuation date and 31 March 2020. As these initial valuations precede the negative impact of the COVID-19 pandemic on the financial markets, the Group has determined the fair value based on the latest observable prices (the latest NAV), updated with reference to movements in comparable, observable benchmarked market indices to the reporting date and adjusted to reflect the difference in liquidity between the assets and the benchmarked indices. The benchmark indices selected were the S&P Leveraged Loan indices (US and EUR) and the Bank of America High Yield indices (US$ and Euro) as these were deemed the most comparable to the underlying investment. The movements on the indices have been reduced by 50% reflecting the Group's estimate for liquidity. The overall impact of this adjustment, net of the liquidity adjustment, has been to reduce the initial NAV of these assets by £5.2m to £96.9m.

The calculation of this adjustment contains additional uncertainty over that of a formal valuation. Whilst intended to capture material market driven asset valuation movements in the period to 31 March 2020, the calculation of this estimated adjustment contains additional uncertainty over that of the formal valuation process for these assets. An increase/(decrease) of 10bps in either the liquidity adjustment applied or other movement in the indices would (reduce)/increase the valuation by £1.7m.

Property investments of £4.2m are based on an open market value from an independent valuer. In light of the negative impact of COVID-19, the independent valuers have included a material uncertainty clause in respect of the valuations. The Directors still consider these to be the best estimate of the property investment. A 10% increase/(decrease) in the valuation would increase/(reduce) the asset valuation by £0.4m.

The synthetic equities provide exposure to the UK, North America, Europe, Asia-Pacific and Japan. The LDI portfolio currently hedges 100% of the defined benefit scheme's inflation rate risk and interest rate risk (relative to Scheme assets) through holding a combination of index-linked gilts, interest rate and inflation swaps, gilt total return swaps, gilt repos and cash. The Scheme does not directly hold any financial instruments issued by the Company.

Actuarial assumptions
The principal actuarial assumptions for the Scheme and for the UK unfunded arrangement at the balance sheet date were as follows:

	2020 %	2019 %
Discount rate	**2.30**	2.40
Price inflation rate – RPI	**2.75**	3.45
Price inflation rate – CPI	**1.85**	2.45
Rate of increase of pensions in deferment	**1.85**	2.45
Rate of increase of pensions in payment[1]	**1.60-2.70**	1.90-3.30

1 A range of assumed rates exist due to the application of annual caps and floors to certain elements of service.

In September 2019, the Chancellor of the Exchequer highlighted the UK Statistics Authority's proposals to change RPI to align with CPIH (Consumer Pricing Index, including housing costs). The Chancellor commented that any change would not be made before 2025 and possibly not until 2030. At the March 2020 budget, the Chancellor launched a public consultation on these proposals which is due to close in August 2020. To provide an indication of the differential between RPI and CPIH, broadly CPIH increases are expected to average around 1% p.a. below RPI in the long-term (about the same as CPI), so this change could have a significant impact on many pension schemes. A reduction in RPI will result in a reduction in Scheme liabilities although this will be partly offset by the Scheme holding inflation-linked assets.

The assumptions used for mortality rates for members of these arrangements at the expected retirement age of 65 years are as follows:

	2020 Years	2019 Years
Male aged 65 today	**20.7**	20.6
Male aged 45 today	**22.4**	22.6
Female aged 65 today	**22.8**	22.3
Female aged 45 today	**25.3**	25.2

Sensitivity table
The sensitivity of the present value of the Scheme obligations to changes in the key actuarial assumptions are set out in the following table. The illustrations consider the result of only a single assumption changing with the others assumed unchanged and includes the impact of the interest rate and inflation rate hedging. In reality it is more likely that more than one assumption would change and potentially the results would offset each other, for example, a fall in interest rates will increase the Scheme obligations, but may also trigger an offsetting increase in market value of certain Scheme assets.

	Change in assumption	(Increase)/decrease in liability £m	Increase/(decrease) in assets £m
Discount rate	**+0.5%**	**89.0**	**(115.0)**
Credit spread	**-0.25%**	**(51.0)**	**7.0**
Price inflation – RPI	**+0.25%**	**(36.0)**	**48.0**
Mortality rate	**+ 1 year**	**(43.0)**	**–**

Movement since the year end
At 31 May 2020 the discount rate has reduced to 1.5%, a reduction of 80 basis points, this is primarily due to a fall in the credit spreads which were higher than usual at 31 March 2020 due to the uncertainty in the markets caused by COVID-19. As a result, the surplus in the Scheme on an IAS 19 basis has reduced by approximately 60%.

Defined contribution schemes
The total expense relating to the Group's defined contribution schemes in the current year was £33.7m (2019: £24.6m).

10. Adoption of new accounting standards

In the current year, the Group has adopted and applied IFRS 16 Leases issued by the International Accounting Standards Board relevant to the operations of the Group.

The impact of the adoption of this new standard on the Group's financial statements is explained below.

IFRS 16 Leases
Under IFRS 16, there is a single lease accounting model in which lessees recognise a right-of-use asset, representing the right to use the underlying asset, and a corresponding lease liability, representing the obligation to make lease payments for

all leases except where the lease term is 12 months or less or the underlying asset is of a low value. In the Income statement operating lease rentals have been replaced with the amortisation of the right-of-use asset and lease finance costs.

Adoption method
During the year, the Group adopted IFRS 16 Leases using the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. The details of the current and prior years' accounting policies are disclosed separately below.

Details of the practical expedients taken are included in Note 1 to these consolidated financial statements.

Accounting Policies
Policy applicable from 1 April 2019

For contracts entered into on or after 1 April 2019, the Group assesses at inception whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessment includes whether the contract: involves the use of an identified asset; has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract period; and has the right to direct the use of the asset.

The Group as a lessee
At the commencement of a lease, the Group recognises a right-of-use asset along with a corresponding lease liability. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the rate implicit in the lease, or where this is not available, the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods following an option to terminate the lease if the lessee is reasonably certain not to exercise that option based on operational needs and contractual terms. Subsequently, the lease liability is measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability and reducing it by the lease payments. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, estimated asset retirement obligations, lease incentives received and initial direct costs. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The Group has elected to apply exemptions for short term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the income statement on a straight-line basis over the term of the lease. Right-of-use assets are presented within non-current assets on the face of the balance sheet, and lease liabilities are shown separately on the balance sheet in current liabilities and non-current liabilities depending on the length of the lease term.

Policy applicable prior to 1 April 2019
Lease payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

The Group as a lessor
The Group acts as an intermediate lessor of property assets and equipment. When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The Group accounts for finance leases as finance lease receivables, using the effective interest rate method.

	Note	31 March 2019 as previously reported £m	IFRS 16 adjustments £m	1 April 2019 as adjusted £m
Consolidated Balance Sheet				
Non-current assets				
Goodwill and Intangible assets		84.0	–	84.0
Property, plant and equipment		34.5	–	34.5
Right-of-use assets	a	–	117.6	117.6
Investments including those equity accounted		0.2	–	0.2
Deferred tax assets	b	4.2	2.0	6.2
		122.9	119.6	242.5
Current assets				
Inventories		3.7	–	3.7
Trade and other receivables	c	137.7	3.1	140.8
Assets classified as held for sale		2.4	–	2.4
Cash and cash equivalents		12.7	–	12.7
		156.5	3.1	159.6
Current liabilities				
Income tax payable		(6.1)	–	(6.1)
Lease liabilities	d	–	(31.5)	(31.5)
Trade and other payables	c	(260.8)	1.5	(259.3)
Provisions	c	(10.1)	0.7	(9.4)
		(277.0)	(29.3)	(306.3)
Net current liabilities		(120.5)	(26.2)	(146.7)
Total assets less current liabilities		2.4	93.4	95.8
Non-current liabilities				
Borrowings and other financial liabilities		(32.0)	–	(32.0)
Lease liabilities	d	–	(105.9)	(105.9)
Employee benefits		(7.1)	–	(7.1)
Provisions	c	(30.4)	1.3	(29.1)
		(69.5)	(104.6)	(174.1)
Net liabilities		(67.1)	(11.2)	(78.3)
Equity				
Issued share capital		12.5	–	12.5
Share premium		12.9	–	12.9
Merger reserve		3.5	–	3.5
Translation reserve		(0.3)	–	(0.3)
Retained earnings	e	**(95.7)**	**(11.2)**	**(106.9)**
Total equity deficit		**(67.1)**	**(11.2)**	**(78.3)**

Notes to IFRS 16 restatement:

a. Right-of-use assets: valued at an amount equal to the carrying amount as if IFRS 16 had been applied since the start of the lease but using the discount rate at 1 April 2019 (the date of initial application), apart from a small number of property leases where the amounts involved were immaterial or insufficient historical information was available. For these leases the right-of-use assets were valued at an amount equal to the lease liability. Where applicable, the asset value has been adjusted by the amount of onerous lease provision held immediately prior to restatement.

b. Deferred tax asset: under IAS 12, the net liability recognised on transition to IFRS 16 creates a temporary difference from that which will be deducted for tax purposes, therefore a deferred tax asset is recognised.

c. Reclassification of balance sheet items: lease incentive accruals and onerous lease provisions have been reclassified to right-of-use assets on adoption. Rent prepayments and accruals are no longer required as they form part of the lease liability. Lease receivable recognised where the Group is a lessor.

d. Lease liabilities: measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate of 3.09%.

e. Retained deficit: for the majority of leases the Group has calculated the right-of-use asset as though IFRS 16 had been applied since the start of the lease and depreciated, resulting in a charge to retained earnings as the right-of-use asset is lower than the finance lease liability recognised.

The reconciliation between operating lease commitments previously reported in the financial statements for the year ended 31 March 2019 discounted at the Group's incremental borrowing rate and the lease liabilities recognised in the balance sheet on initial application of IFRS 16 is shown below.

	£m
Operating lease commitment disclosed as at 31 March 2019	**201.8**
Discounted using the lessee's incremental borrowing rate at 1 April 2019	**(66.7)**
Recognition exemption for:	
Short term leases[1]	**(4.3)**
Lease termination options[2]	**7.8**
Other reconciling items (net)	**(1.2)**
Lease liabilities recognised at 1 April 2019	**137.4**

[1]The Group has applied the practical expedient to exclude leases where the lease term is 12 months or less from the date of initial application and class such leases as short term leases.

[2]Operating lease commitments disclosed as at 31 March 2019 only included the non-cancellable period of a lease agreement. Under IFRS 16 the lease term also includes periods following an option to extend or terminate the lease if the Group is reasonably certain the lease will continue beyond the option date.

The following table summarises the quantitative impact of adopting IFRS 16 on the Group's financial statements for the year to 31 March 2020:

	As reported IFRS 16 £m	**IFRS 16 adjustments £m**	**Amounts before adoption of IFRS16 £m**
Income Statement			
Revenue	1,201.2	**–**	**1,201.2**
Underlying operating profit	61.0	**(3.7)**	**57.3**
Non-underlying items	(9.0)	**–**	**(9.0)**
Operating profit	52.0	**(3.7)**	**48.3**
Financing cost	(8.2)	**3.8**	**(4.4)**
Net Financing costs	(8.2)	**3.8**	**(4.4)**
Profit before tax	43.8	**0.1**	**43.9**
Income tax expense	(5.3)	**(0.5)**	**(5.8)**
Profit after tax	38.5	**(0.4)**	**38.1**

Consolidated Balance Sheet

Non-current assets			
Goodwill and Intangible assets	85.6	**–**	**85.6**
Property, plant and equipment	26.6	**1.4**	**28.0**
Right-of-use assets	114.2	**(114.2)**	**–**
Investments including those equity accounted	0.2	**–**	**0.2**
Employee benefits	96.5	**–**	**96.5**
	323.1	**(112.8)**	**210.3**
Current assets:			
Inventories	2.0	**–**	**2.0**
Trade and other receivables	135.0	**0.3**	**135.3**
Cash and cash equivalents	60.9	**–**	**60.9**
	197.9	**0.3**	**198.2**
Current liabilities			
Income tax payable	(2.4)	**–**	**(2.4)**
Lease liabilities	(36.6)	**36.5**	**(0.1)**
Trade and other payables	(248.1)	**(1.3)**	**(249.4)**
Provisions	(12.2)	**(2.8)**	**(15.0)**
	(299.3)	**32.4**	**(266.9)**
Net current liabilities	(101.4)	**32.7**	**(68.7)**
Total assets less current liabilities	221.7	**(80.1)**	**141.6**
Non-current liabilities			
Borrowings and other financial liabilities	(71.0)	**–**	**(71.0)**
Lease liabilities	(97.8)	**96.5**	**(1.3)**
Employee benefits	(2.1)	**–**	**(2.1)**
Provisions	(24.8)	**(3.1)**	**(27.9)**
Deferred tax liabilities	(11.3)	**(2.5)**	**(13.8)**
	(207.0)	**90.9**	**(116.1)**
Net assets	14.7	**10.8**	**25.5**

Equity			
Issued share capital	12.5	**–**	**12.5**
Share premium	12.9	**–**	**12.9**
Merger reserve	3.5	**–**	**3.5**
Translation reserve	(0.2)	**–**	**(0.2)**
Retained earnings	(14.0)	**10.8**	**(3.2)**
Total equity	14.7	**10.8**	**25.5**

As a result of adopting IFRS 16, operating lease rental costs have been replaced by depreciation of right-of-use assets and interest on lease liabilities. This has resulted in an increase in underlying operating profit of £3.7m compared to that reported on the previous IAS 17 basis. Net financing costs have increased by £3.8m leaving underlying profit before tax £0.1m lower under IFRS 16 compared to on an IAS 17 basis. The income tax charge is £0.5m higher under IFRS 16 due to the impact of the change in the deferred tax rate on the opening transition adjustment.

Cash flow statement	As reported IFRS 16 £m	**IFRS 16 adjustments £m**	**Amounts before adoption of IFRS16 £m**
Operating activities			
Profit before tax	43.8	**0.1**	**43.9**
Adjustments for			
– depreciation and amortisation	43.1	**(31.5)**	**11.6**
– interest expense on borrowings	4.4	**–**	**4.4**
– interest expense on leases	3.8	**(3.8)**	**–**
– impairments	9.3	**–**	**9.3**
– profit on disposal of property, plant and equipment	(2.3)	**–**	**(2.3)**
– share based payment transactions	(0.3)	**–**	**(0.3)**
	101.8	**(35.2)**	**66.6**
Decrease in trade and other receivables	5.8	**(3.4)**	**2.4**
Decrease in inventories	0.4	**–**	**0.4**
Decrease in trade and other payables	(11.2)	**(0.2)**	**(11.4)**
Decrease in provisions	(2.0)	**(0.7)**	**(2.7)**
Increase in employee benefits before pension deficit payment	0.3	**–**	**0.3**
Income taxes paid	(7.0)	**–**	**(7.0)**
Cash generated before pension deficit payment	88.1	**(39.5)**	**48.6**
Pension deficit payment	(17.8)	**–**	**(17.8)**
Cash flows from operating activities	70.3	**(39.5)**	**30.8**
Investing activities			
Proceeds from sale of property, plant and equipment	5.5	**–**	**5.5**
Additions of property, plant and equipment	(5.9)	**–**	**(5.9)**
Additions of computer software	(3.4)	**–**	**(3.4)**
Cash flows from investing activities	(3.8)	**–**	**(3.8)**
Financing activities			
Increase in borrowings	39.0	**–**	**39.0**
Payment of finance lease liabilities	(35.7)	**35.7**	**–**
Equity dividends paid	(13.8)	**–**	**(13.8)**
Interest paid on borrowings	(4.0)	**–**	**(4.0)**
Interest paid on lease liabilities	(3.8)	**3.8**	**–**
Cash flows from financing activities	(18.3)	**39.5**	**21.2**
Net increase/(decrease) in cash and cash equivalents	48.2	**–**	**48.2**
Cash and cash equivalents at beginning of period	12.7	**–**	**12.7**
Cash and cash equivalents at end of the period	60.9	**–**	**60.9**
Represented by:			
– cash at bank and in hand	56.0	**–**	**56.0**
– restricted cash, being deposits held by the Group's insurance subsidiary	4.9	**–**	**4.9**

In the final type setting of the RNS on 17 June 2020 an administrative error was made, posting an equal and opposite adjustment to movements on trade debtors and other receivables and provisions in the cash flow statement of £4.6m. This was corrected on 19 June 2020. The administrative error did not impact any of the key metrics or commentary in the RNS.

.

Although IFRS 16 has no impact on the Group's total cash flow, outflows from financing activities increase while the cash inflows from operating activities have increased as rental costs previously recognised solely as cash outflows from operations are now apportioned between finance charges and a reduction of the lease liability.