Wincanton

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Wincanton plc

Preliminary announcement of results for the financial year ended 31 March 2021

Wincanton delivers against strategy with continued positive momentum

Wincanton plc ('Wincanton' or the 'Group'), a leading supply chain partner for UK business, today announces its preliminary results for the year ended 31 March 2021.

Key Financial Measures

	2021	2020	Change
Revenue (£m)	**1,221.9**	1,201.2	1.7%
Underlying EBITDA (£m)[1]	**95.2**	104.1	(8.5)%
Underlying profit before tax (£m)[1]	**47.2**	52.8	(10.6)%
Underlying basic EPS[1]	**32.0p**	36.1p	(11.4)%
Free cash flow (£m)[2]	**43.8**	40.8	7.4%
Net cash / (debt) (£m)[3]	**11.9**	(10.1)	
Dividend per share	**10.35p**	3.90p	
Statutory results			
Profit before tax (£m)	**48.4**	43.8	10.5%
Basic EPS (p)	**33.3p**	31.1p	7.1%

Financial Highlights

- Revenue increased 1.7% to £1,222m:
  - Full year growth of 5.6% from continuing businesses, 12.7% in the second half
  - Strong growth across all sectors after initial pandemic impact
- Underlying profit before tax of £47.2m (2020: £52.8m):
  - Rapid recovery following initial pandemic disruption
  - Surge in eCommerce activity, unprecedented retail volumes, upturn in construction activity
- Stronger balance sheet:
  - Net cash position of £11.9m (2020: net debt of £10.1m)
  - Pension triennial valuation agreed, reducing risk and contributions, £48.2m net surplus at year end
- HMRC withdraw excise duty and VAT assessments, following internal reviews
- Recommended final dividend of 7.5p, following interim dividend of 2.85p

Continued Progress Against Strategy

- Reorganised business structure and disposed of non-core businesses to focus on growth at greater pace
- First "darkstore" Customer Fulfilment Centre delivered and operational, partnering with Waitrose & Partners
- New eFulfilment centres in Rockingham and Nuneaton, extending service propositions
- Significant new wins awarded by Dobbies, Heineken, Wickes, HMRC and DHSC
- New ESG strategy launched with commitments to reach net-zero by 2040, home deliveries to be net-zero by April 2022

James Wroath, Chief Executive Officer, said:

"Wincanton has made significant progress in a challenging year, showing flexibility, agility and resilience for our customers across our business. These results clearly show the benefits of the breadth of our offer and the commitment of our people who stepped up to meet the challenges we faced. We have grown revenues strongly since the early impact of the pandemic, fuelled by particularly good performance in Digital & eFulfilment and new wins in the public sector. We continue to invest to ensure we can deliver on the opportunities ahead in these markets. While profitability was impacted by the unprecedented disruption caused by Covid-19 in the first half it was significantly ahead of pre-pandemic levels in the second. We have taken this strong momentum into the new financial year and current trading is encouraging."

"We have also made positive progress against the strategy set out last year. We completed the reorganisation of the business, which provides us with a clearer focus on growth markets and ensures we are well placed to respond to the changing dynamics in our markets that have been accelerated by the Covid-19 pandemic. Furthermore, today we set out our new ESG strategy which sets us on a path to net-zero by 2040 with a clear plan to decarbonise our supply chain services and operations."

"Looking ahead, we remain confident that we are well placed to make further progress, though we are mindful of the competitive environment and short term uncertainties as the country moves out of lockdown. We have in place the right strategy and the right people and believe our wide range of supply chain services and capabilities will continue to enable growth across a broad set of sectors."

For further enquiries please contact:

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Analyst presentation and conference call:

A presentation for analysts will be held at 11.00am today and will be available to view at: { HYPERLINK "https://webcasting.brrmedia.co.uk/broadcast/608290190386285386cca86d" }

The presentation will be followed immediately by a Q&A conference call for analysts with James Wroath and Tim Lawlor.

Notes

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

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

[3] Net cash/(debt) is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities excluding lease liabilities Note 9 to the accompanying financial statements provides a breakdown of net cash/(debt) for the current and prior periods.

Group Performance Overview

2020/21 was a successful year for the Wincanton Group in the face of the many challenges of Covid-19 and our people responded with agility and huge levels of commitment to deliver for our customers.

Significant progress was made in the delivery of our strategic plan. As announced at the end of last year, we reorganised the business into four sectors to simplify our operations and align our management structure with our markets. We also streamlined the Group with the disposal of our Containers and Pullman Fleet Services business units. This allows us to focus on those markets where we believe we can grow profitably and where we can deliver true sustainable value through the power of our supply chain expertise.

The breadth of industry sectors that we operate in ensured our business remained resilient despite a difficult first quarter. Volumes in construction were initially hit heavily by the suspension of activity in the house building market. This was also temporarily the case for our two-person 'white glove' home delivery service whilst we adjusted to the new Government guidelines. Since Q1, construction has gradually recovered and only our energy business has seen persistent Covid-19 related impacts.

Financial performance for the year ending 31 March 2021 was therefore robust despite Covid-19, with revenue increasing 1.7%. Excluding the Containers and Pullman Fleet Services businesses, underlying revenue growth was over 5%, driven by buoyant retail performance positively impacting three of our four sectors. Several key new contract wins earlier in the year were implemented in time to deliver revenue in the second half.

Our full year underlying profit before tax reduced by 10.6%, due to the impacts of Covid-19 in the first quarter. However, second half profit performance was strong and the tight control of cash, coupled with the cash management actions taken in the first quarter, resulted in our cash position remaining healthy throughout the year. We were able to repay all amounts deferred in the first quarter, including VAT and pension contributions and were able to repay our furlough money to the Government. Year end net cash was £11.9m, an improvement of £22.0m compared to the prior year.

As we previously reported, sizeable excise duty and VAT assessments were raised against us by HMRC. These are disclosed as a contingent liability in our accounts as at 31 March 2021. We have always remained confident in our legal position and are pleased to report that HMRC withdrew their assessments on 18 May 2021.

The service performance of our operations was again generally excellent, underlining Wincanton's reputation for delivering quality on a large scale in close collaboration with our customers. This has been a year like no other, with sometimes wildly fluctuating volumes and challenges with increased absence resulting from both infections and isolations. 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 experienced.

Sector Performance

Following the reorganisation of the Group, Wincanton is now able to better focus on the key growth opportunities within its four sectors:

Grocery & Consumer

Our Grocery & Consumer team worked tirelessly throughout the year in challenging circumstances, delivering for customers as they sought to manage the erratic nature of consumer demand. Prior year new business wins with Morrisons and Co-op flowed through to further support volume growth in the sector, yielding full year revenue growth of 4.9%. Additional new business was awarded by Morrisons this year as our partnership strengthened and we secured a major renewal of all our Asda contracts for a further 2 years. In the consumer market we expanded our relatively small relationship with Heineken into a much larger transport engagement.

General Merchandise

The General Merchandise sector delivered a high level of volume growth throughout the year. The various lockdowns created well documented surges in consumer demand for DIY projects benefitting several of our major customers and leading us to mobilise an additional warehouse for the Screwfix network. Overall growth year-on-year was over 11%, even with a slow Q1 where stores were partially closed. A new transport contract was secured with Kelkay, strengthening our reputation in homes and gardens retail.

Digital & eFulfilment

Our new Digital & eFulfilment sector had an exceptional year. Volumes from existing customers were very strong, again benefitting from the Covid-19 impact of people spending more on their homes. Our two-person 'white glove' home delivery network performed superbly, distributing sofas, wardrobes and many other items of furniture to houses across the nation. Major new business was secured with Waitrose & Partners to provide a home delivery Customer Fulfilment Centre (CFC) in London and for Dobbies to support their entire supply chain. Further home delivery contracts were also secured with Homebase and Wickes.

We have opened a new warehouse in Nuneaton focused entirely on this sector, extending our relationship with Loaf and Neal's Yard Remedies as well as adding new customers into the location. The success of this initiative has led us to make a further larger investment with a new eCommerce facility in Rockingham. This building has state-of-the-art automation to drive market leading fulfilment volume capability. We are already working here with B&Q on their 'Click & Collect' service and the facility has attracted two new customers - Snug and Saint-Gobain. The investment in these two facilities represents clear evidence of the Group's strategic focus on the high-growth eCommerce market.

Public & Industrial

Our Public & Industrial sector had an exciting year after a difficult first quarter. Second half volumes for our critical mechanical offload fleet (MOL) were strong as the housing market experienced an unexpected Covid-19 uplift. Our defence business performed consistently throughout the year. Elsewhere, we extended our services with Alstom, through the creation of a logistics facility for the refurbishment of Alstom's high-speed passenger train fleet. Our energy business had a challenging year as volumes fluctuated throughout the pandemic. We did however secure a renewal with Philips 66 in this sector.

Most notable was our successful pursuit of new opportunities within the public sector. Business was won and implemented with HMRC (inland border clearance centres), Department of Health and Social Care (DHSC) (storage, handling and distribution of Covid-19 testing kits) and Department for Transport (DfT) (Covid-19 driver testing). We continue to see a pipeline of opportunities emerging from our framework agreement with the Crown Commercial Service.

Current Trading and Outlook

We have been able to carry strong momentum into the new financial year and current trading is encouraging. Retail volumes have remained strong and our construction and public sector businesses continue to perform well.

We remain highly confident that we are well placed to make further progress, though we are mindful of the competitive environment and short term uncertainties as the country moves out of lockdown. We have in place the right strategy and the right people and believe our wide range of supply chain services and capabilities will enable growth ahead of historic levels across our four sectors.

Our ESG Strategy

Today we set out our plan to deliver long term sustainable solutions across each of our business sectors and to lead the way in responsible supply chain management.

The Group has undertaken a considerable amount of work during the year to review and update our ESG commitments and strategy centred around three key pillars:

- Environmental - building the road to net-zero by 2040: a commitment to being the leading third party logistics provider of net-zero solutions for fleet, property and waste
- Social – celebrating diversity, fostering a safe, empowering and inclusive workplace and supporting the communities in which we operate
- Governance – ensuring direction and control of our business through effective management, culture, systems and processes

Environmental

Our new strategy makes explicit environmental commitments both for the long term – net-zero carbon emissions by 2040 – and for the near term, with our home delivery business reaching carbon neutrality by the end of next year. Progress is already being made with our carbon intensity ratio decreasing again year-on-year to 270 tonnes of carbon dioxide equivalent (tCO2e) per £m revenue (2020: 290).

Wincanton's strategy for improving our impact on the environment contains five core commitments:

Net-zero emissions by 2040: Three 'net-zero roadmaps' have been developed which set out how the Group will achieve its target to be net-zero by 2040 across transport, property and waste. The top priorities are being net-zero on 'to home' operations by April 2022, investing in an all-electric company car fleet by 2026 and offsetting residual carbon emissions through Wincanton Woodland. We are already taking strides to meet these commitments having become the first premium home delivery service in the UK to offer net-zero home delivery service. As a result, customers, including M&S, Loaf, The White Company and Snug, are already using our enhanced vehicle technology, electrification and carbon offsetting to create carbon-neutral final mile deliveries.

Eliminate waste: By 2025, through a waste elimination programme, we will double recycling rates from residual waste and ensure all plastic packaging will contain a minimum 30% of recycled product. By 2030, we aim to eliminate all single-use plastics, removing up to 300 tonnes of waste.

Offering net-zero propositions to all customers: The Group has committed to providing net-zero deliveries on home delivery operations throughout our transport network by April 2022. As part of this, we are working on offering diesel alternative fuel options, such as Hydrotreated Vegetable Oil (HVO) or biomethane fuel options, that will reduce transport emissions by 70 – 85%.

Innovation and collaboration: We are working with industry partners to tackle some of the big issues within the logistics sector, including how to eliminate red diesel use for refrigeration by 2030 and launching a circular packaging programme.

Wincanton Woodland: A woodland planting scheme provides Wincanton's customers the opportunity to offset their own carbon emission through a certified and recognised programme.

Social

We have a strong internal people strategy focused on health, safety and wellbeing; learning and development; diversity and inclusion; and employee engagement. Externally, our sites have a passion for supporting their local community through fundraising activity. Our graduate group, the Wincantoneers, led the way this year, raising £29,000 for the Prince's Trust and receiving the 'Shoot for the Stars Award' by the organisers for their fantastic efforts. We use initiatives such as a funding match to further encourage involvement in social engagement.

Governance

Our Code of Conduct, is now embedded across the business, underpinning our Group strategy through a solid corporate governance structure and robust risk, controls and compliance programme. This forms part of our onboarding processes for all new joiners as well as being a consistent part of our engagement communications to all employees.

Safety

Safety remains a clear priority within our business and the teams dealt exceptionally well with the unique challenges to our ways of working presented by Covid-19. Safety has been paramount as we played our vital role in keeping the country moving. Once again, a clear year-on-year improvement has been made in our, already strong, safety performance. The Lost Time Incident Frequency Rate performance indicator improved again from 0.41 last year to 0.32 this year, a further 22% year-on-year reduction in an already rapidly improving trend.

We have also been using our advanced vehicle telematics to focus further on our Collision per Million Kilometres (CMK) measure and have delivered an improvement of 44% versus last year. Notwithstanding the benefit of reduced traffic in the year, we consider this to be an impressive achievement.

We received external recognition with the Wincanton IKEA team winning the Safety Award at the annual SHD Logistics Awards. The award celebrates the best health and safety practice across the supply chain and logistics industries. The Wincanton and IKEA partnership was recognised for its commitment to continuous improvement and establishing a 'zero accident target culture'. We are very proud of this achievement delivered through a mixture of training, awareness and adaptations to daily procedures to make safe behaviours habitual.

Colleague Engagement

Engagement with our colleagues has been more important than ever through the pandemic. As well as our normal bi-annual engagement surveys, three additional pulse surveys were run with a focus on safety, wellbeing, line manager support and communication. Despite the challenges, overall engagement has remained relatively stable at 67% group-wide, reflecting good levels of continued commitment to the business. Areas of strength remain in safety, team working, autonomy and line management support.

Good progress has been made over the past twelve months on our inclusion agenda. The CEO chairs our Diversity & Inclusion Steering Group and several of our senior leaders chair our new networks including Ethnicity, LGBT+ and Disability. Clear steps have been made on addressing the gender balance of our senior leadership population. The Executive Management Team has increased to 38% female and our Senior Management Group has increased from 20% to 32% female representation. The opportunity to do more to improve in other groups is real and will create significant benefit for the business. We have a clear focus to drive further progress over the coming year, led from the top.

Finally, in this most challenging of years, we have also ensured that wellbeing has been a key priority in our discussions launching an overarching strategy governed by a Wellbeing Steering Group.

Strategy

"Great people delivering sustainable supply chain value"

Covid-19 has further strengthened the conviction we have in this purpose, with supply chains across the country coming under much closer scrutiny and requiring expert advice, implementation and operations delivery.

Consumer habits have changed rapidly, and we believe many of these shifts will be permanent. Consequently, short lead time eFulfilment capability is essential for customers in our retail markets. The nation's scrutiny of our public sector supply chains is also much increased with people wanting to understand why some areas have faltered in the pandemic and how this will be improved in the future. Finally, we believe that investment in major infrastructure will be used as a key stimulus for the country's recovery from the economic impact of Covid-19.

Taking all this into consideration, we are deliberate in our choice of markets and focused on developing an operating model with products and services that will continue our success.

Our Markets

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

In addition to our new four sector organisation we have strengthened our focus on the markets where we believe we can be most successful. We want to grow in all markets where we choose to compete, but we see some as having enhanced opportunity. We have therefore segmented markets into 'foundation' and 'strategic growth' categories.

Our Grocery & Consumer and General Merchandise sectors contain foundation markets for the Group. The former covers food retailers and the latter non-food, with both reaching into the supply chains of the manufacturers and consumer products businesses that supply them. Non-food is a broad category and to a large degree we are agnostic about the products we work with; however, we clearly have a prominent market position in DIY thanks to our long standing relationship with B&Q and Screwfix. Existing and target customers in these markets are constantly reviewing their supply chains, we are ensuring that we continue to work in close collaboration with both, bringing our expertise to add value to solutions and maximise opportunities for the Group.

Digital & eFulfilment is an area where market shifts mean that we see significant strategic growth opportunities. We are building on our reputation as a strong provider to eCommerce retailers especially in the home goods; garden products; and health and beauty markets. Our focus is on bringing value to customers who need high volume eFulfilment and to those that require home deliveries with an emphasis on service. We continue to attract furniture retailers such as Loaf and Snug to complement existing customers like M&S and IKEA. Our new contract with Dobbies is expanding us further into the homes and garden market. We are also combining both our substantial experience with grocers and home delivery to offer dark stores for the grocery eCommerce market. The opening of our Waitrose & Partners facility makes us the first outsourced provider of this service for a supermarket in the UK.

Finally, in our Public & Industrial sector we see a mixture of foundation and strategic growth markets. We have a long standing track record of success in the construction market focused on building materials. Our bulk tanking operations servicing customers in the fuel, food services and water markets are well established, as is our commitment to defence industry suppliers. We are leveraging this broad experience into two strategic growth markets. Firstly, with the public sector where we are now working with the DHSC, and the DfT, in addition to our existing relationship with HMRC. Secondly, we are targeting the major infrastructure market, taking our growing relationship with EDF and Hinkley Point and looking to expand into other projects such as Smart Motorways and HS2 that have a high demand for supply chain services.

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

Developing products and services to drive value for customers in our target markets is a critical part of our strategy. We are taking a leading position in the industry creating innovative supply chain solutions in partnership with new and existing customers.

Supported by our Wincanton W^2 innovation programme we are investing in both technology and automation. This is particularly relevant for our Digital & eFulfilment sector where we are also building capacity. Our eFulfilment solutions are designed to offer smaller customers rapidly implemented, attractive supply chain solutions to create or enhance their online offer.

We have acquired a new site in Rockingham, Northamptonshire with state-of-the-art automation capability. This creates an end-to-end proposition that we can offer to customers with immediate effect, facilitating high volume next-day parcel fulfilment with the ability to deliver even with late cut-off times. This kind of technology was previously only available on a dedicated basis to very large customers who could justify major standalone capital investment.

We have also invested in our Nuneaton eFulfilment centre, working with Neal's Yard Remedies on a solution that uses autonomous robots (or co-bots) to assist our people in individually picking and packing parcel consignments. The increased efficiency, accuracy and speed of this solution will appeal to many new and existing customers across the sectors in which we operate.

Coupled with the increasing focus on automation, we have also developed a cloud-based Warehouse Management System (WMS). This new WMS is based on the latest version of the industry-leading Manhattan WMS platform and is designed specifically for flexible deployment in any site in a matter of days. This allows Wincanton to dramatically reduce our implementation timescales and our customers' lead-time to market.

Technology products and services are not only for our retail customers though. In the major infrastructure market of our Public & Industrial sector, we have designed a Materials Management System (MMS) for EDF to manage the supply chain of inbound materials. This innovative technology solution will have widespread applicability in the market. The same also applies for the Yard Management System (YMS) implemented for our Inland Border Clearance Centres that can be used wherever large numbers of vehicles need to be effectively controlled.

Finally, and importantly, we are leveraging one of Wincanton's key strengths in health and safety to position ourselves in key markets. Two examples illustrate the power of digital applications to enhance our offer. Firstly, we have developed a package of training courses that can be offered in 'Virtual Reality', creating an immersive experience that improves learning outcomes and overcomes issues with social distancing. Secondly, we have worked with Soter Analytics (a graduate of the Wincanton 'W^2' innovation labs programme) to offer an app-enabled safety tool that utilises artificial intelligence to analyse manual handling behaviours and provide feedback to individuals on improving their techniques, reducing accidents and improving productivity.

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

We will continue to drive our people agenda, recognising that our colleagues are at the heart of everything we do. We are ensuring that Wincanton attracts and retains the best people through an engagement and inclusion agenda that is the best in the industry.

We are focusing on future talent by maintaining a rolling graduate programme with at least 40 placements across the business. We also have an apprenticeship scheme with over 350 participants augmented now by the creation of 200 “Kickstart” opportunities. Excitingly, we are also launching a Driver Academy designed to ‘grow our own’ drivers through a fast track licence acquisition programme. We already have over 100 people signed up for the scheme and see this as an excellent customer proposition in an area where the labour pool is increasingly constrained.

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

Our clearly defined four sector approach, and the disposal of the Containers and Pullman Fleet Services businesses, have streamlined the Wincanton operating model.

The business now has a much greater ‘Group’ focus with functions such as transport; health and safety; sustainability; implementation; and continuous improvement under one Group operations remit. This enables consistency of delivery for our customers and maximises opportunities to create synergistic value. This has been especially critical in the past Covid-19 impacted year but the benefits of a more coordinated approach will also deliver value as our operating environment normalises.

We are again investing in technology to improve our operating model with the implementation of the first phase of a new Cloud-based finance and HR system planned for later in 2021. Our new Group-wide Transport Management System (TMS) has commenced roll-out and will be fully implemented across all transport operations in the new financial year. Both these investments allow us to better leverage our economies of scale and create additional value for our customers.

Financial Review

Despite challenging market conditions due to the widespread impact of Covid-19, Wincanton's overall financial performance was strong. Revenues increased by £20.7m and further strengthening of the Balance Sheet was achieved as the Group closed with a net cash position of £11.9m (2020: net debt of £10.1m).

The key financial aspects are outlined below with the results presented on an underlying basis, excluding non-underlying items, in order to provide a better understanding of the underlying performance. 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 and reconciliations to statutory numbers are set out in the Adjusted Performance Measures at the end of this review.

Financial Performance Summary

	2021 £m	2020 £m	Change
Revenue	**1,221.9**	1,201.2	1.7%
Underlying EBITDA [1]	**95.2**	104.1	(8.5)%
Underlying EBITDA margin (%)[1]	**7.8%**	8.7%	(90)bps
Net financing costs	**(4.6)**	(8.2)	43.9%
Underlying profit before tax [1]	**47.2**	52.8	(10.6)%
Underlying profit before tax margin (%)[1]	**3.9%**	4.4%	(50)bps
Non-underlying items [2]	**1.2**	(9.0)	
Profit before tax	**48.4**	43.8	10.5%
Income tax	**(7.1)**	(5.3)	
Profit after tax	**41.3**	38.5	7.3%
Underlying EPS	**32.0p**	36.1p	(11.4)%
Basic EPS	**33.3p**	31.1p	7.1%
Closing net cash/ (debt) (£m)	**11.9**	(10.1)	22.0
Dividend per share	**10.35p**	3.90p	

1 Further information on APMs, including definitions and a reconciliation of APMs to statutory measures, are provided at the end of this review.

2 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 2021 increased by 1.7% to £1,221.9m, despite the Covid-19 pandemic and the disposal of the Containers and Pullman Fleet Services businesses during Q3. Growth was particularly strong within Digital & eFulfilment due to the take on of new business activity, together with strong retail sales in General Merchandise and the grocery market, as retailers benefitted from volume surges linked to the Covid-19 pandemic. The increase in revenue was also despite the energy and construction markets being adversely impacted by the pandemic, particularly during Q1, with market recovery and strong public sector growth improving the Public & Industrial performance.

The Group's underlying profit before tax declined to £47.2m (-10.6%) due to the impact from Covid-19, particularly in our construction and energy businesses during H1. We saw a sustained recovery commence as the first lockdown lifted and profits in the second half were well ahead of pre-pandemic levels. The Group achieved an underlying profit before tax margin of 3.9%, a decrease of 50bps from 4.4% in 2020 with the reduction in margin due to the disproportionate impact of the pandemic on our higher-margin closed book businesses in H1. Margins in the second half were at a similar level to prior year with the positive margin impact of the high eFulfilment growth offset by the margin dilutive impact of the high growth in lower margin open book retail contracts.

The strong recovery in H2 resulted in revenue growth across all four sectors for the second half and underlying profit before tax increased to £28.1m (2020: £26.6m) with the improvement from H1 driven by a combination of market recovery, surging demand for eCommerce and products for the home, new business and the disposal of our non-core businesses:

- Market recovery has been most notable in our construction business where levels of demand for our specialised fleet operations have been boosted by high activity levels in housebuilding and with little weather disruption experienced this winter. Only our energy business was notably affected by the second and third lockdowns due to the impact of the reduction in road transport on our fuel tanker utilisation. Underlying profit is after recognising impairment charges of approximately £2m during the year in our fuels business.
- Following the shutdown of our home delivery network for a few weeks in April and May, volumes quickly returned and remained buoyant through the year. Our network was able to meet this boom in demand with improved productivity and achieved good levels of operational efficiency. It is unclear how long the surge in spending on the home will continue but we expect the shift to eCommerce to endure and the high growth of this area of our business to continue.
- The Group has delivered strong and profitable business growth throughout the year, with new contracts going live in all sectors, and most notably within Digital & eFulfilment and Public & Industrial. Details of new business are provided in the Sector Performance section above.

- Both disposed businesses, Containers and Pullman Fleet Services, made small losses in the first half of the year and the disposal of these businesses benefitted the Group's profit run rate.

Underlying EPS decreased by 11.4% to 32.0p per share (2020: 36.1p per share) reflecting the reduction in profits.

The uplift in dividend per share to 10.35p reflects a return to pre-Covid-19 dividend levels, with the 2020 figure impacted by the suspension of the final dividend award as a cash protection measure as we faced into the Covid-19 pandemic.

Covid-19 Impact and Response

Wincanton was quick to adopt a number of operational and financial initiatives to minimise the impact of Covid-19 on the business where possible. Management renegotiated new terms with suppliers and ceased all discretionary spend. In order to safeguard jobs during the period of Covid-19, Wincanton received grants under the Government's Coronavirus Job Retention Scheme (CJRS) in respect of furloughed employees. In addition, Wincanton took advantage of the HMRC deferred payment provisions relating to VAT and entered into discussions with its pension trustee to defer pension contributions. However, following the stabilisation of the business and the return to growth, all deferred payments and £5.8m of Government support from which it benefitted under the CJRS were repaid in the second half of the year.

Sector Revenue

	Revenue		
	2021 **£m**	2020 **£m**	Change %
Digital & eFulfilment	**144.4**	115.3	25.2%
Grocery & Consumer	**447.0**	426.3	4.9%
General Merchandise	**334.3**	299.1	11.8%
Public & Industrial	**245.6**	268.2	(8.4)%
Ongoing operations	**1,171.3**	1,108.9	5.6%
Containers and Pullman Fleet Services	**50.6**	92.3	(45.2)%
Total	**1,221.9**	1,201.2	1.7%

Revenue growth for the period was 1.7%, despite the disposal of our non-core Containers and Pullman Fleet Services businesses early in the third quarter. Excluding these operations, revenue growth was 5.6% higher than prior year.

The highest growth rate, of over 25%, was in the Digital & eFulfilment sector. This sector benefitted from the growth in online activity and 'white glove' home delivery from our dedicated eCommerce sites and the commencement of new contracts, including Dobbies and the Waitrose & Partners CFC. The Digital & eFulfilment growth excludes £5.0m of billed revenue in relation to start-up activities which has been deferred over the life of the contract in accordance with IFRS15 *Revenue from Contracts with Customers*.

The various lockdowns through the year resulted in surges in consumer demand within our Grocery & Consumer and General Merchandise sectors which, coupled with contract expansion and new business revenue, such as with Kelkay in General Merchandise and Heineken in Grocery & Consumer, delivered encouraging growth for the period.

The Public & Industrial sector had a challenging first half of the year in the construction and energy markets due to the impact of Covid-19, with first half revenue 22% down on the prior year but returned to growth in the second half of the year. The 6% second half growth benefitted from the return of construction volumes and the start-up of new public sector business, most notably with HMRC (Inland Border Clearance Centres), DHSC (Covid-19 testing kits) and DfT (Covid-19 driver testing).

The disproportionate impact of the pandemic on closed book operations, together with the disposal of the closed book Containers and Pullman Fleet Services businesses, led to an increase in the share of Group revenue derived from open book contracts to 69% (2020: 64%).

Net Financing Costs

	2021 **£m**	**2020** **£m**	Change £m
Interest income	**0.1**	**-**	0.1
Interest on the net defined benefit pension asset	**2.3**	**-**	2.3
Interest expense	**(2.8)**	**(3.9)**	1.1
Unwinding of discount on provisions	**(0.4)**	**(0.5)**	0.1
Interest on lease liabilities	**(3.8)**	**(3.8)**	-
Net financing costs	**(4.6)**	**(8.2)**	3.6

Net financing costs were £4.6m (2020: £8.2m), £3.6m lower year on year. A large proportion of this reduction relates to non-cash interest income of £2.3m (2020: £nil) on the defined benefit pension surplus. This pension interest income benefitted from a short term spike in the surplus position reported at 31 March 2020 which arose from pandemic-related market volatility at that time. Non-cash pension interest income is expected to reduce in FY22 in line with the reduction in the net pension surplus.

Bank interest payable on loans of £2.8m (2020: £3.9m) has reduced due to the Group maintaining a net cash position for much of the year, reducing the need to utilise the Group's revolving credit facility. Interest payable also includes commitment fees and arrangement fees (£1.5m) (2020: £0.8m).

Non-Underlying Items

	2021 £m	**2020 £m**	Change £m
Gain on disposal of businesses	**0.4**	**-**	0.4
Net profit on disposal of assets	**0.8**	**-**	0.8
Net profit on disposal of freehold property	**0.5**	**2.3**	(1.8)
Write back of accrued professional fees in relation to M&A activities	**0.2**	**(2.0)**	2.2
Pension Scheme – Guaranteed Minimum Pension (GMP)	**(0.7)**	**-**	(0.7)
Covid-19 related impairments	**-**	**(9.3)**	9.3
Total non-underlying items[1]	**1.2**	**(9.0)**	10.2

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

During H2, the Group disposed of Containers and Pullman Fleet Services, with the cash consideration, net of transaction costs and other costs associated with the disposal, resulting in a net profit on disposal of £0.4m. Containers was disposed of on 3 October 2020 for a total consideration of £1.7m. On 5 November 2020, the Group disposed of Pullman Fleet Services for a cash consideration of £0.7m, of which £0.5m has been received in the year. The remaining £0.2m will be received in May 2021.

The Group also disposed of a number of specialist vehicles during the year that were not required for ongoing operations, resulting in a net gain on sale of £0.8m.

Costs of M&A activities, including a takeover bid for a competitor Eddie Stobart Logistics plc, of £2.0m were incurred in the prior year. Final costs incurred were £0.2m lower than anticipated and have therefore been released in the current year.

Also in the prior year, the non-underlying costs comprised of a profit of £2.3m from the disposal of two freehold properties, with the final position achieved being £0.5m favourable, resulting in a further gain in the current year, and a Covid-19 related non-cash impairment charge of £9.3m.

The Group's pension Scheme accrued a Guaranteed Minimum Pension (GMP), but amounts differed for men and women. Recent updated court judgements now require the Scheme to recognise additional past service costs relating to past transfers. The increase required is £0.7m and treated as non-underlying which is consistent with the amount recognised in 2018.

Taxation

	2021 £m	**2020 £m**	Change £m
Underlying profit before tax [1]	**47.2**	**52.8**	(5.6)
Underlying tax	**(7.5)**	**(8.1)**	0.6
Non-underlying tax	**0.4**	**2.8**	(2.4)
Tax as reported	**(7.1)**	**(5.3)**	(1.8)
Effective tax rate on underlying profit before tax	**15.9%**	**15.3%**	60bps

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

Underlying tax of £7.5m (2020: £8.1m) represents an underlying effective tax rate (ETR) of 15.9% (2020: 15.3%) on underlying profit before tax and is stated before net tax credits of £0.4m in respect of non-underlying items (2020: £2.8m).

The non-underlying tax credits are due to the majority of income in respect of the disposal of Pullman Fleet Services being covered by Group exemptions and therefore not being taxable, and the income in respect of the disposal of the Containers business being offset by the cost of the fixed assets disposed, therefore reducing the taxable profits substantially.

The ETR is lower than the statutory rate of 19.0% due to adjustments arising from finalising prior year positions. The non-underlying tax credit in the prior year of £2.8m arose in respect of the nil capital gain for tax purposes of the property disposal. With effect from FY22, the ETR is expected to move towards the current statutory tax rate of 19.0% (excluding any one-off adjustments arising from the proposed increase in the Corporation Tax rate). It was announced in the Budget on 3 March 2021 that the corporation tax rate will increase to 25% from 1 April 2023. This rate has not been substantively enacted and therefore has not yet been incorporated into the Group's deferred tax balances.

Wincanton has sought a Research and Development Expenditure Credit with the cash benefit being offset against the Group's tax payable. A claim for FY19 and FY20 was submitted in the current financial year and a net benefit of £0.8m is reported in operating profit.

Profit After Tax and Earnings Per Share

Underlying profit before tax for the year decreased to £47.2m (2020: £52.8m) due to the impact of Covid-19 on operating activities, as detailed above. This was partially offset by reduced net financing costs, principally due to interest income on the defined benefit pension surplus as well as lower bank interest payable due to the Group's net cash position for much of the year.

Underlying profit after tax for the year is £39.7m (2020: £44.7m). The decrease is due to the drop in underlying profit before tax as well as a marginal increase in the underlying tax rate from 15.3% to 15.9%.

Profit after tax for the year on a statutory basis increased to £41.3m (2020: £38.5m) due to the positive overall movement in non-underlying items more than offsetting the reduction in underlying profit after tax.

Underlying EPS, which excludes earnings from non-underlying items, decreased by 11.4% to 32.0p (2020: 36.1p). Basic EPS increased by 7.1% to 33.3p (2020: 31.1p).

The calculation of these EPS measures is set out in Note 7 to the accompanying financial statements.

Dividend

	2021 pence	2020 pence
Interim	**2.85**	3.90
Final (proposed)	**7.50**	–
Total	**10.35**	3.90

In setting the dividend the Board considers a range of factors, including the Group's strategy and its ability to grow, its commitments to all stakeholders, the current and projected level of distributable reserves and projected cash flows, including cash payments to the pension scheme and deferred payment arrangements.

Following the suspension of the final dividend in respect of the year ended 31 March 2020 in response to Covid-19 uncertainty, the Group declared an interim dividend of 2.85p (2020: 3.90p) during the year ended 31 March 2021, that was paid on 22 January 2021. This reflected the Board's confidence in the improved Group performance and the importance of dividends to shareholders.

The Board is proposing a final dividend of 7.50p (2020: nil), reflecting a return to the Group's established dividend policy, with payout broadly following movements in underlying earnings. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 July 2021 and if approved by shareholders, will be paid on 6 August 2021 to shareholders on the register on 9 July 2021. The estimated amount is £9.3m and in accordance with Adopted IFRS has not been included as a liability in these statements.

Dividend payments of £3.5m (2020: £13.8m) in the year comprised the 2021 interim dividend.

Financial Position

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

	2021 £m	**2020[1] £m**	Change £m
Non-current assets (excl. pension asset)	**237.3**	221.9	15.4
Net current liabilities (excl. net debt)	**(158.0)**	(161.1)	3.1
Non-current liabilities (excl. net debt/pension deficit)	**(138.9)**	(130.4)	(8.5)
Net cash/(debt)	**11.9**	(10.1)	22.0
Net pensions asset (excl. deferred tax)	**48.2**	94.4	(46.2)
Net assets	**0.5**	14.7	(14.2)

[1] The comparatives have been restated due to a prior year adjustment as explained in Note 1 to the accompanying financial statements.

The £14.2m reduction in net assets is primarily due to the anticipated unwind in the pension position due to the temporary benefit as a result of Covid-19 related market uncertainty at 31 March 2020, largely offset by the profit after tax of £41.3m. The pension movement is explained in more detail in the Pension section below.

Cash Flows and Net Debt

Net cash at 31 March 2021 was £11.9m (2020: net debt of £10.1m), reflecting a net cash inflow of £22.0m over the intervening 12 months. Free cash flow of £43.8m was generated (2020: £40.8m) whereby free cash flow is defined as the movement in net debt, before pension payments, dividends and the acquisition of own shares.

	2021 £m	2020 £m	Change £m
Underlying EBITDA[1]	**95.2**	104.1	(8.9)
Working capital	**3.0**	(4.0)	7.0
Tax	**(5.7)**	(7.0)	1.3
Net interest	**(6.3)**	(7.8)	1.5
Other items	**-**	(5.0)	5.0
Repayment of obligations under leases	**(35.1)**	(35.7)	0.6
Capital expenditure	**(11.8)**	(9.3)	(2.5)
Proceeds from asset disposals	**4.5**	5.5	(1.0)
Free cash flow	**43.8**	40.8	3.0
Pension recovery payment	**(18.3)**	(17.8)	(0.5)
Dividends	**(3.5)**	(13.8)	10.3
Reduction in net debt	**22.0**	9.2	12.8

1 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 inflow for the year arose as a result of investment in growth, offset by cash management actions taken during the year, including the renegotiation of certain supplier payment terms, the deferral of bonus payments and capital investment paid for in advance. Temporary working capital benefits during the year included the deferral of £43.9m of VAT payments and £6.1m of pension contributions from the first quarter, both of which have been paid during H2.

The Group paid cash tax in the year of £5.7m, with the cash tax payable relating to FY21 continuing 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 reduction in cash tax is due to the additional payment made in the prior year arising from the change in timing of tax payments and the tax benefit received due to R&D expenditure claims.

The amount of cash net interest paid during the year excluding fees, of £6.3m, has decreased in the period due to the improved cash position through the year leading to a reduced requirement to draw down on the Group's revolving credit facility.

Capital expenditure of £11.8m (2020: £9.3m), increased versus prior year driven by investment in business growth in H2, particularly IT systems, our Customer Fulfilment Centre and investment in contract start-ups. IT systems investments include the enhancement of our transport management system, which went live in early 2021 and the upgrade of our finance and HR systems, the first phase of which is due to go live in the first half of FY22. A similar level of capital expenditure is expected in FY22, although this is subject to the nature and timing of new business activity.

Net proceeds from asset disposals of £4.5m primarily relates to the disposal of sundry vehicles during the period. In the prior year, the net proceeds of £5.5m relate to the disposal of two under-utilised freehold properties.

Equity dividends of £3.5m (2020: £13.8m) were paid in the year, down 74.6% from the prior year with the final FY20 dividend, which ordinarily would have been paid in H1 (2020: £9.0m), suspended as a consequence of the uncertainty caused by Covid-19. The interim cash dividend paid in the second half was £3.5m (2020: £4.8m). The recommended FY21 final dividend, will result in a cash outflow of £9.3m in H1 FY22.

The cash contributions to fund the pension deficit in the current year to 31 March 2021 were £18.9m (31 March 2020: £18.5m) together with interest on the contributions deferred of £0.1m, less administration costs of £0.7m. Under the newly agreed pension arrangements following the 31 March 2020 triennial valuation, net payments in the next financial year will be £18.5m.

Financing and Covenants

The Group's committed facilities at the year end were £177.7m (2020: £141.2m), including a £36.5m extension to the facility which expired in May 2021, while the main facility expires in October 2023. The extension of £40m, secured in May 2020, was reduced marginally in January 2021 by £3.5m which was equivalent to the amount of interim dividend paid. The headroom in these committed facilities compared to net cash of £11.9m at 31 March 2021 was £189.6m (2020: £131m). The Group also has a Receivables Purchase Facility and operating overdrafts which provide day to day flexibility, amounting to a further capacity of £50m and £7.5m respectively in uncommitted facilities. At 31 March 2021, utilisation of the Group's non-recourse Receivables Purchase Facility was £7.1m (2020: £5.2m).

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

Covenant	Ratio	At 31 March 2021	At 31 March 2020

Leverage ratio	<2.75:1	0.3	0.5
Interest cover	>3.5:1	29.2	21.7
Fixed charge cover	>1.4:1	2.8	3.1

The calculation of these covenants and reconciliations to reported numbers are included in Note 13 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 Group has reported an IAS 19 net asset of £48.2m (£39.1m net of deferred tax) at 31 March 2021 (2020: £94.4m).

£m	**31 March 2021**	**30 September 2020**	**At 31 March 2020**
Assets	**1,211.9**	1,284.5	1,157.5
Liabilities	**(1,163.7)**	(1,260.2)	(1,063.1)
Pension net asset	**48.2**	24.3	94.4
Discount rate (%)	**2.0%**	1.55	2.3

The movement in the net asset since 31 March 2020 is due to the unwinding throughout the year of market uncertainty caused in the spring of 2020 by the Covid-19 pandemic. 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. This difference has reversed post 31 March 2020 as expected, significantly reducing the size of the net asset during the year to 31 March 2021.

Other movements primarily relate to net cash contributions of £18.2m in the year as agreed with the Trustee of the Scheme and set out below. This cash contribution also includes the repayment of £6.1m of deferred contributions from H1 FY21.

In September 2020, the Group reached an agreement with the Trustee of the Scheme on the 2020 triennial valuation and recovery plan. The key elements are set out below:

- The annual deficit funding contributions have been agreed at £18.9m per annum from 1 April 2020 increasing by RPI over the four years to March 2024, followed by £22.0m per annum from April 2024, increasing by RPI to March 2027, based on the ongoing provision of a Letter of Credit equivalent to £3m p.a.. The Group will continue to pay certain administration costs directly and, in line with the Schedule of contributions, these will be deducted from the deficit funding contributions.
- Annual cash contributions for the period from April 2021 to March 2027 are c.£6m per annum lower than those agreed in the 2017 valuation due to positive investment returns and longevity experience since the 2017 valuation was agreed.
- Additional protection has been provided to the Scheme in the form of a letter of credit of £3.0m per annum in the event of severe adverse Scheme experience and Group default. A further £3.0m will be provided in March 2024.

The estimated actuarial deficit at 31 March 2021 has reduced to £67.0m. As at 31 March 2021 the Scheme's investment was split between 20% in return-seeking assets and 80% in defensive assets.

The interest and inflation rate risks facing the Scheme are hedged and, as set out above, the Trustee has increased the level of this hedge during the year to 109% and 106% of the Scheme's assets respectively. The discount rate for calculating liabilities has reduced by 0.3% compared to the prior year. At 31 March 2021, a 0.1% reduction in the rate would increase liabilities by approximately £19.0m while the hedging in place means assets would increase by £22.0m.

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 16,275 (2020: 16,502) at the end of the year. The charge incurred for these arrangements totals £34.0m (2020: £33.6m).

Contingent Liability

During the year, the Group was notified by HMRC of claims for excise duty and related VAT in connection with irregularities during the export process of a group of former customers' excise goods. Due to the nature of the excise regime Wincanton operates in, HMRC considered Wincanton to be jointly and severally liable for Excise duty and VAT arising as a result of these irregularities.

Wincanton appealed the claims as it was confident in its legal position having received clear, expert advice. At the Balance Sheet date, as a result of the strength of the legal advice, no liability was recognised in respect of these claims, noting that the total value of the claims was approximately £50m before interest and legal costs.

Following the completion of HMRC's internal governance process on 18 May 2021, the Group received confirmation that all the assessments have been withdrawn.

Going Concern

Based on the Group's cashflows forecasts and projections, the Board are satisfied that the Group has adequate resources and will be able to operate within the level of its bank facilities for the foreseeable future. On this basis, the financial statements have been prepared on a going concern basis.

In determining whether the financial statements can be prepared on a going concern basis, the Board considered the Group's business activities, together with the factors likely to affect its future development, performance and position.

The Board considered in detail the future impact on the Group of a possible downturn in financial and trading performance together with unplanned working capital outflows. The Board has considered a base case and a severe but plausible downside case. In both scenarios, the Group has adequate headroom in existing bank facilities to meet its liabilities as they fall due and it complies with the financial covenants under its committed borrowing facilities throughout the forecast period. Further details are provided in the Basis of Preparation section in Note 1 Accounting Policies in 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.

		2021			2020	
	Statutory £m	Non-underlying Items[1] £m	**Underlying** £m	Statutory £m	Non-underlying Items[1] £m	Underlying £m
Revenue	**1,221.9**	-	1,221.9	1,201.2	-	1,201.2
EBITDA [2]	**98.0**	(2.8)	95.2	103.1	1.0	104.1
EBITDA margin (%)	***8.0%***	-	*7.8%*	*8.6%*	-	*8.7%*
Depreciation, amortisation and impairments	**(45.0)**	1.6	(43.4)	(51.1)	8.0	(43.1)
Operating profit	**53.0**	(1.2)	51.8	52.0	9.0	61.0
Net financing costs	**(4.6)**	-	(4.6)	(8.2)	-	(8.2)
Profit before tax	**48.4**	(1.2)	47.2	43.8	9.0	52.8
Income tax	**(7.1)**	(0.4)	(7.5)	(5.3)	(2.8)	(8.1)
Profit after tax	**41.3**	(1.6)	39.7	38.5	6.2	44.7
Earnings per share[3]	**33.3p**		32.0p	31.1p		36.1p
Dividend per share	**10.35p**		10.35p	3.90p		3.90p
Net cash / (debt) excluding lease liabilities[4]	**11.9**		11.9	(10.1)		(10.1)

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 EBITDA refers to operating profit before depreciation, amortisation and impairment of non-current assets.

3 Note 7 to the accompanying financial statements provides further detail of underlying earnings per share.

4 Net debt is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities excluding lease liabilities. Note 9 to the accompanying financial statements provides a breakdown of net debt for the current and prior periods.

Cautionary Statement

This announcement has been prepared to provide the Company's shareholders with a fair review of the business of the Group and a description of the principal risks and uncertainties facing it. It may not be relied upon by anyone, including the Company's shareholders, for any other purpose. This announcement contains forward-looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in countries and markets in which the Group operates and risk factors associated with the Group’s broad industry sectors. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements. Forward-looking statements in this Announcement include, but are not limited to, statements about the Group's future financial and operational performance, management's ability to successfully execute the new strategy, and the ability of the Group and its industry sectors generally to respond to the effects and aftermath of the Covid-19 pandemic. No assurance can be given that the forward-looking statements in this announcement will be realised. Statements about the Directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Group's control. Actual results could differ materially from the Group's current expectations. It is believed that the expectations set out in these forward-looking statements are reasonable but they may be affected by a wide range of variables which could cause actual results or trends to differ materially.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Note	**2021** Underlying £m	**2021** Non-underlying £m	**2021** Total £m	2020[1] Underlying £m	2020[1] Non-underlying £m	2020[1] Total £m
Revenue		**1,221.9**	**–**	**1,221.9**	1,201.2	–	1,201.2
Net operating (costs)/income		**(1,170.2)**	**1.2**	**(1,169.0)**	(1,140.2)	(9.0)	(1,149.2)
Share of results of joint venture		**0.1**	**–**	**0.1**	–	–	–
Operating profit		**51.8**	**1.2**	**53.0**	61.0	(9.0)	52.0
Financing income	5	**2.4**	**–**	**2.4**	–	–	–
Financing cost	5	**(7.0)**	**–**	**(7.0)**	(8.2)	–	(8.2)
Profit/(loss) before tax		**47.2**	**1.2**	**48.4**	52.8	(9.0)	43.8
Income tax expense	6	**(7.5)**	**0.4**	**(7.1)**	(8.1)	2.8	(5.3)
Profit/(loss) attributable to equity shareholders of Wincanton plc		**39.7**	**1.6**	**41.3**	44.7	(6.2)	38.5
Earnings per share							
– basic	7	**32.0p**		**33.3p**	36.1p		31.1p
– diluted	7	**31.7p**		**32.9p**	35.8p		30.8p

1 The Consolidated Income Statement for the comparative year has been re-presented in a columnar format separating out the non-underlying items from underlying. The definition of non-underlying is included in Note 3 to these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Note	**2021** £m	**2020** £m
Profit for the year		**41.3**	38.5
Other comprehensive (loss)/income			
Items which will not subsequently be reclassified to the Income Statement			
Remeasurements of net defined benefit asset	12	**(65.3)**	84.0
Deferred tax relating to items that will not subsequently be reclassified to profit or loss	6	**12.4**	(15.8)
		(52.9)	68.2
Items which are or may subsequently be reclassified to the Income Statement			
Net foreign exchange (loss)/gain on investment in foreign subsidiaries		**(0.2)**	0.1
Other comprehensive (loss)/income for the year, net of income tax		**(53.1)**	68.3
Total comprehensive (loss)/income attributable to equity shareholders of Wincanton plc		**(11.8)**	106.8

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2021

	Note	2021 £m	2020 Restated[1] £m
Non-current assets			
Goodwill and intangible assets		**86.8**	85.6
Property, plant, equipment and vehicles		**21.0**	26.6
Right-of-use assets		**129.3**	109.5
Investments, including those equity accounted		**0.2**	0.2
Employee benefits	12	**50.8**	96.5
		288.1	318.4
Current assets			
Inventories		**1.4**	2.0
Trade and other receivables		**190.2**	135.0
Income tax receivable		**0.6**	–
Cash at bank and in hand	9	**30.6**	79.0
		222.8	216.0
Assets classified as held for sale		**0.9**	–
		223.7	216.0
Current liabilities			
Income tax payable		**–**	(2.4)
Borrowings and other financial liabilities	9	**(9.7)**	(18.1)
Lease liabilities		**(32.3)**	(35.4)
Trade and other payables		**(303.7)**	(248.1)
Provisions	10	**(15.1)**	(12.2)
		(360.8)	(316.2)
Net current liabilities		**(137.1)**	(100.2)
Total assets less current liabilities		**151.0**	218.2
Non-current liabilities			
Borrowings and other financial liabilities	9	**(9.0)**	(71.0)
Lease liabilities		**(113.4)**	(94.3)
Provisions	10	**(23.9)**	(24.8)
Deferred tax liabilities		**(1.6)**	(11.3)
Employee benefits	12	**(2.6)**	(2.1)
		(150.5)	(203.5)
Net assets		**0.5**	14.7
Equity			
Issued share capital		**12.5**	12.5
Share premium		**12.9**	12.9
Merger reserve		**3.5**	3.5
Translation reserve		**(0.4)**	(0.2)
Own shares		**(1.0)**	(1.5)
Retained losses		**(27.0)**	(12.5)
Total equity		**0.5**	14.7

[1] The comparatives have been restated due to prior year adjustments as explained in Note 1.

These financial statements were approved by the Board of Directors on 19 May 2021 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 2021

	Issued share capital £m	Share premium £m	Merger reserve £m	Translation reserve £m	Own shares £m	Retained (losses)/ earnings £m	Total equity/ (deficit) £m
Balance 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
Balance as at 1 April 2020	**12.5**	**12.9**	**3.5**	**(0.2)**	**(1.5)**	**(12.5)**	**14.7**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**41.3**	**41.3**
Other comprehensive income	**–**	**–**	**–**	**(0.2)**	**–**	**(52.9)**	**(53.1)**
Total comprehensive income	**–**	**–**	**–**	**(0.2)**	**–**	**(11.6)**	**(11.8)**
Share based payment transactions	**–**	**–**	**–**	**–**	**0.5**	**0.1**	**0.6**
Deferred tax on share based payment transactions	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**(3.5)**	**(3.5)**
Balance at 31 March 2021	**12.5**	**12.9**	**3.5**	**(0.4)**	**(1.0)**	**(27.0)**	**0.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 £m	2020 Restated[1] £m
Operating activities		
Profit before tax	**48.4**	43.8
Adjustments for		
– depreciation and amortisation	**41.1**	43.1
– research and development expenditure credit	**(1.0)**	–
– net financing costs	**4.6**	8.2
– impairments	**2.3**	9.3
– profit on disposal of property, plant, equipment and vehicles	**(0.7)**	(2.3)
– profit on disposal of businesses	**(0.4)**	–
– share of results of joint venture	**(0.1)**	–
– write down of trade investment	**0.1**	–
– share based payment transactions	**0.6**	(0.3)
	94.9	101.8
(Increase)/decrease in trade and other receivables	**(64.8)**	5.8
Decrease in inventories	**0.6**	0.4
Increase/(decrease) in trade and other payables	**66.5**	(11.2)
Decrease in provisions	**(0.3)**	(2.0)
Increase in employee benefits before pension deficit payment	**1.5**	0.3
Income taxes paid	**(5.7)**	(7.0)
Cash generated before pension deficit payment	**92.7**	88.1
Pension deficit payment	**(18.3)**	(17.8)
Cash flows from operating activities	**74.4**	70.3
Investing activities		
Proceeds from sale of property, plant and equipment	**4.5**	5.5
Net cash outflow from disposal of businesses	**(0.2)**	–
Interest received	**0.1**	–
Additions of property, plant and equipment	**(8.2)**	(5.9)
Additions of computer software	**(3.6)**	(3.4)
Cash flows from investing activities	**(7.4)**	(3.8)
Financing activities		
(Decrease)/increase in borrowings	**(62.0)**	39.0
Payment of lease liabilities	**(35.1)**	(35.7)
Equity dividends paid	**(3.5)**	(13.8)
Interest paid on borrowings	**(2.6)**	(4.0)
Interest paid on lease liabilities	**(3.8)**	(3.8)
Cash flows from financing activities	**(107.0)**	(18.3)
Net (decrease)/increase in cash and cash equivalents	**(40.0)**	48.2
Cash and cash equivalents at beginning of the year	**67.0**	18.8
Cash and cash equivalents at end of the year	**27.0**	67.0
Represented by:		
– cash at bank and in hand (excluding restricted cash)	**28.8**	74.1
– bank overdrafts[2]	**(3.6)**	(12.0)
– restricted cash, being deposits held by the Group's insurance subsidiary	**1.8**	4.9
	27.0	67.0

[1] The comparatives have been restated due to prior year adjustments as explained in Note 1.

[2] £6.1m of bank overdrafts are excluded from cash and cash equivalents.

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 2021 and 31 March 2020. Statutory accounts for the year ended 31 March 2021 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 unqualified, did not draw attention by way of emphasis, and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2020 have been delivered to the Registrar of Companies. The Auditor has reported on those accounts; their report was unqualified, did draw attention by way of emphasis to going concern, and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The financial information contained in this results announcement has been prepared on the basis of the accounting policies set out in the statutory financial statements for the year ended 31 March 2021. Whilst the financial information included in this announcement has been computed in accordance with the recognition and measurement requirements of IFRS in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, this announcement does not itself contain sufficient disclosures to comply with IFRS.

Standards, amendments and interpretations effective or adopted in the year
The following standards and amendments became effective in the year or were available for early adoption but did not have a material impact on the consolidated financial statements:

- Amendments to references to the Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform;
- Amendments to IFRS 3 Business Combinations; and
- Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions.

Prior year restatements
As part of the transition to new auditors, the Group has reviewed certain accounting judgements, policies and disclosures in preparing these financial statements, resulting in two errors being corrected by prior year restatements.

The first error arose as a result of a number of leases being recognised twice on the implementation of IFRS 16 in the financial statements as at 31 March 2020. The impact is to decrease right-of-use assets by £4.7m and decrease lease liabilities by £4.7m, with the latter split as a reduction of £1.2m in current lease liabilities and a reduction of £3.5m in non-current lease liabilities. There is no impact to the Income Statement for the year ended 31 March 2020. Earnings per share for the year ended 31 March 2020 are unaffected as a result of this correction.

The second error is a presentational error in connection with cash and overdraft balances. The Group has previously presented net, cash and overdraft balances that did not meet the criteria for offset. The impact is to increase cash by £18.1m (2019: £13.4m) and increase short term borrowings by £18.1m (2019: £13.4m) at 31 March 2020, with £12.0m (2019: £7.3m) of the short term borrowings meeting the criteria of cash and cash equivalents. There is no impact to the Income Statement or earnings per share for the year ended 31 March 2020. The opening and closing cash balances within the prior year Statement of Cash Flows have also been restated to reflect the above adjustment. A short term borrowing balance of £6.1m is not now classed as a cash and cash equivalent. Accordingly, this has resulted in an increase in cash and cash equivalents at 31 March 2020 of £6.1m (2019: £6.1m).

A full balance sheet as at March 2019 has not been presented in accordance with IAS 1 *Presentation of Financial Statements* given the limited number of line items affected.

Going concern
The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. In adopting the going concern basis, the Directors have considered Wincanton's business activities, together with factors likely to affect its future development and performance, as well as Wincanton's principal risks and uncertainties.

The adoption of the going concern basis is based on an expectation that the Group will have adequate resources to continue in operational existence for at least twelve months from the signing of the financial statements. The Group has reported a profit before tax of £48.4m for the twelve months ended 31 March 2021 (2020: £43.8m), has net current liabilities of £137.1m (2020: £100.2m) and net assets of £0.5m (2020: £14.7m).

The Group's committed facilities at 31 March 2021 comprise a syndicated Revolving Credit Facility (RCF) of £141.2m, which matures in October 2023, and an extension to this facility which expired on 4 May 2021. The RCF requires the Group to comply with three financial covenants at 30 September and 31 March each financial year which are set out in Note 13 to these financial statements.

In addition, the Group also has an uncommitted Receivable Purchase Facility of up to £50m, 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 reviewed the financial forecasts across a range of scenarios including performing a reverse stress test. Wincanton has modelled a base case based on revenue and profit run rates at the end of March 2021, that form the basis of the FY21/22 budget and 3 year plan.

The severe but plausible downside case assumes a deterioration in trading performance, with Group revenue and profit before tax reduced across both FY21/22 and FY22/23 by similar amounts to that experienced during FY20/21, as a consequence of the impact of the Covid-19 pandemic. This scenario also assumes a major cash outflow based on a large customer going into administration and a deterioration in working capital performance compared to the base case, as well as a further material unplanned cash outflow linked to the claim from HMRC which has been disclosed as a contingent liability in these financial statements (see note 11). These downsides would be offset by the application of further mitigating actions to the extent they are under management's control, including deferrals of capital and other discretionary expenditure.

In both scenarios, the Group has sufficient liquidity and adequate headroom in the committed facilities set out above to meet its liabilities as they fall due without the use of uncommitted facilities throughout the forecast period. In addition, in both scenarios the Group complies with the financial covenants under the RCF at 30 September and 31 March throughout the forecast period.

On the basis of the assessment, it is appropriate for the Directors to conclude that there is no material uncertainty regarding going concern. This is based on an expectation that the Company and the Group have adequate resources to continue in operational existence for twelve months from the date of signing the annual accounts.

2. Operating segments

Wincanton plc provides contract logistics services in the UK and Ireland. The management structure was reorganised with effect from 1 April 2020 as a result of the review of strategy, as referred to in the Chief Executive Officers' statement last year. The purpose of the reorganisation was the rationalisation and streamlining of the existing business, including the introduction of a matrix management system with customer-facing business units being supported by entity-wide functions such as sales, transport operations, project management and training.

Before 1 April 2020, operations had previously been organised into two sectors, Retail & Consumer ('R&C') and Industrial & Transport ('I&T'), each with its own Managing Director – under the legacy structure each sector was identified as an operating and reportable segment for the purposes of IFRS 8. Following the reorganisation, the business has been structured as one operating segment with one segment manager who reports to the Chief Executive Officer (CEO). The CEO is a member of the Executive Management Team and of the Board and is the Chief Operating Decision Maker. The results of the business are presented to the Board and the performance of the business is assessed on the basis of the Group's performance as a whole.

3. 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 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.

	2021 £m	2020 £m
Gain on disposal of businesses	**0.4**	–
Net profit on disposal of assets	**0.8**	**–**
Net profit on disposal of freehold property	**0.5**	2.3
Write back of accrued professional fees in relation to M&A activities	**0.2**	(2.0)
Pension Scheme - Guaranteed Minimum Pension (GMP)	**(0.7)**	–
Covid-19 impairment charges	–	(9.3)
	1.2	(9.0)

a) Gain on disposal of businesses
On 3 October 2020 the Group disposed of its Containers business for a cash consideration of £1.3m and contingent consideration based on volumes associated with one contract. The fair value of the contingent consideration is £0.4m of which

£0.3m has been determined and proceeds received. The remaining £0.1m has been recognised as a financial asset at fair value through profit or loss.

On 5 November 2020 the Group disposed of its Pullman Fleet Services business for a cash consideration of £0.7m, of which £0.5m has been received in the year, the remaining £0.2m will be received in May 2021.

The profit on disposal of both businesses is shown below:

	£m
Cash consideration	**2.1**
Fair value of consideration not yet received	**0.3**
Total consideration	**2.4**
Net liabilities transferred on sale	**2.8**
	5.2
Transaction costs and other costs associated with the disposal	**(4.8)**
Net profit on disposal	**0.4**

The carrying amounts of the assets and liabilities at the date of the disposals were:

	£m
Property, plant, equipment and vehicles	**0.3**
Right-of-use assets	**1.4**
Inventories	**0.1**
Working capital (after seller contribution)	**0.3**
Property provisions	**(0.5)**
Lease liabilities	**(4.4)**
Net liabilities transferred on sale	**(2.8)**

Other costs associated with the disposal include warranty and indemnity provisions provided, the cost of providing transitional services and the impairment of a right-of-use asset previously used by the Pullman Fleet Services business.

The cash flow associated with the transaction is as follows:

	£m
Cash consideration	**2.1**
Disposal and other costs paid	**(2.3)**
Cash outflow per Cash Flow Statement	**(0.2)**

b) Net profit on disposal of assets
During the year the Group has disposed of a number of specialist vehicles that were not required for ongoing operations and which were classified as assets held for sale. A profit on disposal of £0.8m has been recognised in the year.

c) Net profit on disposal of freehold properties
In the prior year the Group completed the disposal of two freehold properties generating a net profit on disposal of £2.3m. Amounts held in respect of expected disposal and transition costs of £0.5m have been released in the current year.

d) Professional fees in relation to M&A activities
Costs of M&A activities, including a takeover bid for a competitor, Eddie Stobart Logistics plc of £2.0m were incurred in the prior year. Final costs incurred were £0.2m lower than anticipated and the balances have therefore been released in the current year.

e) Pension Scheme - Guaranteed Minimum Pension (GMP)
In November 2020, the High Court of Justice of England and Wales issued a judgment relating to a follow up case to the ruling provided in October 2018 on Lloyds Banking Group requiring equality of treatment of historic pension benefits for men and women. The judgement issued in November 2020 covers equalisation of benefits in relation to transfers out which were not covered by the original judgement. We have recognised a past service cost of £0.7m as an estimate of the impact of equalising this benefit. We are continuing to work with the Trustee on the details of implementing this judgement.

f) Covid-19 impairment charges
In the prior year a one-off, non-cash impairment charge of £9.3m relating to the impact of Covid-19 on assets used in certain parts of the business was recognised. The impairment charge arose where the carrying amount of the assets was not expected to be fully recovered through the cash flows those assets generated due to the impact of Covid-19.

4. Government grants and other support

The UK Government made available a range of financial support to help companies affected by Covid-19, including the Coronavirus Job Retention Scheme (CJRS). During the year to 31 March 2021 the Group has received £12.8m in Government grants from the CJRS (furlough). The scheme has been utilised as it was intended in order to avoid redundancies in areas of the business that have been significantly impacted by the pandemic. However, following the strong performance through the second half of the year the Group has repaid £5.8m of the support received. The Group has elected to recognise the grant as a credit against the related staff costs and not as an item of other income.

The Group has also submitted a claim under the Research and Development Expenditure Credit scheme for expenditure incurred on qualifying research and development. The credit due to the Group is equal to 13.0% of qualifying expenditure (2020: 12.0%) and is given as an offset against corporation tax liabilities. During the year, the Group has recognised a credit of £1.0m, £0.8m net of fees, in other income in respect of claims for the years ended 31 March 2019 and 31 March 2020.

5. Net financing costs

Recognised in the Income Statement

	Note	**2021 £m**	2020 £m
Interest income		**0.1**	–
Interest on the net defined benefit pension	12	**2.3**	–
		2.4	–
Interest expense		**(2.8)**	(3.9)
Interest on lease liabilities		**(3.8)**	(3.8)
Unwinding of discount on provisions		**(0.4)**	(0.5)
		(7.0)	(8.2)
Net financing costs		**(4.6)**	(8.2)

6. Income tax expense

Recognised in the Income Statement

	2021 £m	2020 £m
Current tax expense		
Current year	**5.0**	5.1
Adjustments for prior years	**(1.1)**	(1.5)
	3.9	3.6
Deferred tax expense		
Current year	**3.6**	1.7
Adjustments for prior years	**(0.4)**	–
	3.2	1.7
Total income tax expense	**7.1**	5.3

	2021 £m	2020 £m
Reconciliation of effective tax rate		
Profit before tax	**48.4**	43.8
Income tax using the UK corporation tax rate of 19% (2019: 19%)	**9.2**	8.3
Non-deductible expenditure	**0.2**	0.3
Prior year research and development tax credits	**(0.2)**	–
Non-taxable income included in non-underlying items	**(0.6)**	(0.9)
Change in UK corporation tax rate	**–**	(0.9)
Adjustments for prior years		
– current tax	**(1.1)**	(1.5)
– deferred tax	**(0.4)**	–
Total tax expense for the year	**7.1**	5.3

Recognised in Other Comprehensive Income

	2021 £m	2020 £m
Items which will not subsequently be reclassified to the Income Statement:		
Remeasurements of defined benefit pension liability	**(12.4)**	15.8

Total recognised in Other Comprehensive Income	**(12.4)**	15.8

Recognised directly in equity

	2021 £m	2020 £m
Current tax on share based payment transactions	**–**	(0.3)
Deferred tax on share based payment transactions	**(0.5)**	–
	(0.5)	(0.3)

The main UK Corporation tax rate remained at 19% (2020: 19%). It was announced in the Budget on 3 March 2021 that the corporation tax rate will increase to 25% from 1 April 2023. This rate has not been substantively enacted and therefore has not been incorporated into the deferred tax balance at 31 March 2021.

The total tax expense above includes tax on non-underlying items of £0.4m (2020: £2.8m).

7. Earnings per share

The basic earnings per share of 33.3p (2020: 31.1p) is calculated based on the profit attributable to the equity shareholders of Wincanton plc of £41.3m (2020: £38.5m) and the weighted average shares in issue, excluding those held within an Employee Benefit Trust, throughout the year as calculated below of 124.0m (2020: 123.7m). The diluted earnings per share calculation is based on there being 1.4m (2020: 1.3m) additional shares deemed to be issued at £nil consideration under the Company's share option schemes.

	2021 millions	2020 millions
Weighted average number of Ordinary Shares (basic)		
Issued Ordinary Shares at the beginning of the year[1]	**123.9**	123.6
Net effect of shares issued and purchased during the year	**0.1**	0.1
	124.0	123.7
Weighted average number of Ordinary Shares (diluted)		
Weighted average number of Ordinary Shares for the year (as above)	**124.0**	123.7
Effect of share options in issue	**1.4**	1.3
	125.4	125.0

1 The number of shares excludes 0.4m Ordinary Shares (2020: 0.6m) 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:

	2021 pence	2020 pence
Underlying earnings per share		
– basic	**32.0**	36.1
– diluted	**31.7**	35.8

Underlying earnings are determined as follows:

	Note	**2021 £m**	2020 £m
Profit for the year attributable to equity shareholders of Wincanton plc		**41.3**	38.5
Non-underlying items	3	**(1.2)**	9.0
Tax impact of non-underlying items		**(0.4)**	(2.8)
Underlying earnings		**39.7**	44.7

Underlying earnings and underlying earnings per share include the results of the Containers and Pullman Fleet Services businesses, which were sold in October and November 2020 respectively.

8. Dividend

Dividends paid in the year comprise:

	2021 £m	2020 £m
Final dividend for the year ended 31 March 2020 of 0p per share (2019: 7.29p)	**–**	9.0
Interim dividend for the period ended 30 September 2020 of 2.85p per share (2019: 3.90p)	**3.5**	4.8
	3.5	13.8

The Directors are proposing a final dividend of 7.5p per share for the year ended 31 March 2021 (2020: nil) which, if approved by shareholders, will be paid on 6 August 2021 to shareholders on the register on 9 July 2021, an estimated total of £9.3m. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 July 2021 and in accordance with accounting standards has not been included as a liability in these financial statements.

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 did not consider it appropriate to propose a final dividend for the year ended 31 March 2020.

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

9. Financial instruments

Analysis of changes in net debt

	31 March 2020 Restated[1] £m	**Cash flow £m**	**Non-cash movements £m**	**31 March 2021 £m**
Bank loans and overdrafts	(77.1)	**62.0**	**–**	**(15.1)**
Financial liabilities arising from financing activities	(77.1)	**62.0**	**–**	**(15.1)**
Cash at bank and in hand	79.0	**(48.4)**	**–**	**30.6**
Bank overdrafts classed as cash equivalents	(12.0)	**8.4**		**(3.6)**
Net debt excluding lease liabilities	(10.1)	**22.0**	**–**	**11.9**
Lease liabilities	(129.7)	**38.8**	**(54.8)**	**(145.7)**
Net debt including lease liabilities	(139.8)	**60.8**	**(54.8)**	**(133.8)**

[1] The comparatives have been restated due to prior year adjustments as explained in Note 1.

10. Provisions

	Insurance £m	**Property £m**	**Other provisions £m**	**Total £m**
At 1 April 2020	**23.4**	**10.4**	**3.2**	**37.0**
Provisions made during the year	**10.6**	**2.1**	**5.2**	**17.9**
Provisions used during the year	**(6.4)**	**(1.3)**	**(2.9)**	**(10.6)**
Provisions released during the year	**(3.3)**	**(1.4)**	**(0.5)**	**(5.2)**
Disposed	**–**	**(0.5)**	**–**	**(0.5)**
Unwinding of discount	**0.3**	**0.1**	**–**	**0.4**
At 31 March 2021	**24.6**	**9.4**	**5.0**	**39.0**
Current	**8.4**	**1.7**	**5.0**	**15.1**
Non-current	**16.2**	**7.7**	**–**	**23.9**
	24.6	**9.4**	**5.0**	**39.0**

The Group owns 100% of the share capital of an insurance company which insures certain risks of the Group. The insurance provisions in the above table are held in respect of outstanding insurance claims, the majority of which are expected to be paid within one to seven years. Provisions are released when the obligation no longer exists or there is a reduction in management's estimate of the liability. The discount unwinding arises primarily on the employers' liability policy which is discounted over a period of seven years at a rate based on the Group's assessment of a risk free rate. The Group provides standby letters of credit to the fronting insurer for employers' liability and motor third party claims totalling £18.6m (2020: £18.5m).

The property provisions are determined on a site by site basis and comprise primarily provisions for dilapidations. Dilapidation provisions comprise dilapidation estimates made in the normal course of business. Provisions are released when the obligation no longer exists or there is a reduction in the estimate. There remains a small level of onerous lease provisions relating to short term leases which are utilised over the relevant lease term, with the majority expected to be utilised over the next year. The dilapidations provisions are expected to be utilised at the end of the lease term. Estimated costs have been discounted at a rate based on the Group's assessment of a risk free rate, with any estimated income being discounted at a rate reflecting an appropriate level of risk.

Other provisions include the estimated costs of the warranties and indemnities provided on disposal of businesses, restructuring costs and the provision for sundry claims and settlements where the outcome is uncertain.

11. Contingent liability

During the year, the Group was notified by HMRC of claims for Excise duty and related VAT in connection with irregularities during the export process of a group of former customers' excise goods. Due to the nature of the excise regime Wincanton operates in, HMRC considered Wincanton to be jointly and severally liable for Excise duty and VAT arising as a result of these irregularities.

Wincanton appealed the claims as it was confident in its legal position having received clear, expert advice. At the Balance Sheet date, as a result of the strength of the legal advice, no liability was recognised in respect of these claims, noting that the total value of the claims was approximately £50m before interest and legal costs.

On 18 May 2021, the Group received confirmation that following the completion of HMRC's internal governance process the assessments have been withdrawn.

12. Employee benefits

Triennial valuation
The latest formal valuation of the Scheme was carried out as at 31 March 2020 by the Scheme actuary, Hymans Robertson, and was agreed with the Trustee in September 2020. The annual deficit funding contributions were agreed at £18.9m per annum from 1 April 2020 increasing in line with the Retail Prices Index over the four years to March 2024, followed by £25.0m per annum from April 2024 increasing annually in line with the Retail Prices Index to March 2027. Additional protection has been provided to the Scheme in the form of a letter of credit of £3.0m increasing by £3.0m each year to a balance of £9.0m by the year ended 31 March 2023. At 31 March 2021 the letters of credit provided total £6.0m. The annual deficit funding contributions payable from April 2024 will be reduced by £3.0m if a further letter of credit or similar is provided.

The agreement is also subject to other provisions agreed with the Trustee, being:

- 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.
- 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%.
- 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.

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 (2020: £0.7m) are not included in the contributions below.

In April 2020 the Group agreed an amended Schedule of Contributions delaying £6.1m of contributions due in the half year to 30 September 2020 until the earlier of 30 September 2021 or the payment of a dividend. Following the Board's declaration of an interim dividend for the period ended 30 September 2020, the £6.1m of deferred contributions was paid in December 2020.

Contributions
The deficit funding contribution in the year, net of the above expenses was £18.3m, (2020: £17.8m). In addition, other administration costs of the Scheme were borne directly by the Group totalling £0.8m (2020: £1.1m).

In the year commencing 1 April 2021, the Group is expecting to make deficit funding contributions of £18.5m being the annual deficit contributions of £19.2m less certain administration expenses mentioned above. In addition, other administration costs of the Scheme will be borne directly by the Group, these are expected to total £0.7m.

Net defined benefit asset
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.

	2021 £m	2020 £m
Present value of unfunded defined benefit obligations	**(2.6)**	(2.1)
Present value of funded defined benefit obligations	**(1,161.1)**	(1,061.0)
Fair value of Scheme assets	**1,211.9**	1,157.5
Net defined benefit asset	**48.2**	94.4

The movement in the above net defined benefit asset in the year was primarily the result of the reversal of the impact of market uncertainty in March 2020 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 in March 2020 due to market uncertainty and have returned to normal levels as at 31 March 2021 resulting in an increase in the liabilities which has not been matched with a corresponding increase in assets as at 31 March 2021.

The net defined benefit asset, after taking into account the related deferred tax liability, is £39.1m (2020: £76.5m). Deferred tax is recognised at 19% as the Group expects the surplus to reduce over time, via a reduction in annual deficit funding contributions rather than as a refund of the surplus on winding up.

Movements in the present value of the net defined benefit liability

31 March 2021	**Assets £m**	**Obligations £m**	**Net asset £m**	**Unfunded arrangements £m**	**Total net asset £m**
Opening position	**1,157.5**	**(1,061.0)**	**96.5**	**(2.1)**	**94.4**
Included in the Income Statement:					
Past service costs	**–**	**(0.7)**	**(0.7)**	**–**	**(0.7)**
Administration costs	**(1.6)**	**–**	**(1.6)**	**–**	**(1.6)**
Interest on the net defined benefit asset	**26.3**	**(23.9)**	**2.4**	**(0.1)**	**2.3**
Cash:					
Employer contributions	**19.1**	**–**	**19.1**	**–**	**19.1**
Benefits paid	**(40.7)**	**40.7**	**–**	**–**	**–**
Included in Other Comprehensive Income:					
Changes in financial assumptions	**–**	**(149.2)**	**(149.2)**	**(0.4)**	**(149.6)**
Changes in demographic assumptions	**–**	**(11.6)**	**(11.6)**	**–**	**(11.6)**
Experience adjustments	**–**	**44.6**	**44.6**	**–**	**44.6**
Return on assets excluding amounts included in net financing costs	**51.3**	**–**	**51.3**	**–**	**51.3**
Closing defined benefit asset	**1,211.9**	**(1,161.1)**	**50.8**	**(2.6)**	**48.2**

Actuarial assumptions

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

	2021 %	2020 %
Discount rate	**2.00**	2.30
Price inflation rate – RPI	**3.40**	2.75
Price inflation rate – CPI	**2.80**	1.85
Rate of increase of pensions in deferment[1]	**2.50-2.80**	1.85
Rate of increase of pensions in payment[1]	**2.05-3.30**	1.60-2.70

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

On 25 November 2020, the Government and UK Statistics Authority's published their joint consultation response on RPI reform, confirming their intention to align RPI calculation to that already in use for the calculation of CPIH (including housing) with effect from 2030. As a result, the Group has reduced the post 2030 gap between RPI and CPI to nil, effectively assuming RPI will be aligned with CPI post 2030, resulting in a single weighted average RPI-CPI gap of 0.60% p.a. at 31 March 2021 (2020: 0.90%).

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

	2021 Years	2020 Years
Male aged 65 today	**20.7**	20.7
Male aged 45 today	**22.0**	22.4
Female aged 65 today	**23.0**	22.8
Female aged 45 today	**25.5**	25.3

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	**+0.25%**	**47.0**	**(56.0)**
Credit spread	**+0.25%**	**47.0**	**(11.0)**
Price inflation – RPI	**+0.25%**	**(33.0)**	**37.0**
Mortality rate	**+ 1 year**	**(52.0)**	**–**

Defined contribution schemes
The total expense relating to the Group's defined contribution schemes in the current year was £34.0m (2020: £33.6m).

13. Financial Covenants

The Group's committed facilities at 31 March 2021 comprise a syndicated Revolving Credit Facility (RCF) of £141.2m, which matures in October 2023, and a £36.5m extension to this facility which expired on 4 May 2021. The RCF requires the Group to comply with three financial covenants at 30 September and 31 March each financial year and the Group operates comfortably within these covenants:

Covenant	**Calculation**	**Ratio**	**2021**	2020
Leverage ratio	Consolidated net borrowings(A)/Consolidated EBITDA (B)	<2.75:1	**0.3**	0.5
Interest cover	Consolidated EBITDA (B)/Consolidated net finance charges (C)	>3.5:1	**29.2**	21.7
Fixed charge cover	Consolidated EBITDA (B) plus operating lease costs (D) /Consolidated net finance charges (C) plus operating lease costs (D)	>1.4:1	**2.8**	3.1

A reconciliation of these terms to the reported amounts is as follows:

	At 31 March 2021	**At 31 March 2020**
Reported net (cash)/debt	**(11.9)**	10.1
Finance lease liability under IAS 17	**1.3**	1.4
Cash held by captive insurer	**6.8**	5.6
Guarantees provided	**22.9**	17.3
Consolidated net borrowings for covenant reporting (A)	**19.1**	34.4

	At 31 March 2021	**At 31 March 2020**
Underlying operating profit	**51.8**	61.0
Depreciation, amortisation and impairments	**43.4**	43.1
Underlying EBITDA	**95.2**	104.1

Adjustment to frozen GAAP (IFRS 16 to IAS 17)	**(37.8)**	(35.2)
Share based payment charges	**0.9**	0.4
Consolidated EBITDA for covenant reporting (B)	**58.3**	69.3

	At 31 March 2021	At 31 March 2020
Net interest payable	**4.6**	8.2
Adjustment to frozen GAAP (remove IFRS 16 interest)	**(3.7)**	(3.8)
Less RPF interest	**(0.3)**	(0.4)
Less arrangement fees	**(0.5)**	(0.3)
Add back interest on net defined benefit asset	**2.3**	-
Add back discount unwinding	**(0.4)**	(0.5)
Consolidated net finance charges for covenant reporting (C)	**2.0**	3.2

	At 31 March 2021	At 31 March 2020
Operating lease costs for covenant reporting (D)	**29.6**	28.1