For immediate release 5 November 2020

WINCANTON plc

Half Year Results for the six months to 30 September 2020 (unaudited)

Strong growth in Digital & eFulfilment contributes to resilient first half performance
Profitability impacted by COVID-19 disruption

Wincanton plc ("Wincanton" or "the Group"), the largest British third-party logistics company, today announces its half year results for the six months ended 30 September 2020.

Key financial measures

	H1 2020	H1 2019	Change
Revenue (£m)	**578.7**	592.9	-2.4%
Underlying EBITDA (£m) [1,2]	**43.2**	50.9	-15.1%
Underlying profit before tax (£m)[2]	**19.1**	26.2	-27.1%
Underlying basic EPS (p)[2]	**12.9**	17.8	-27.5%
Dividend per share – interim (p)	**2.85**	3.90	-26.9%
Free cash flow (£m) [3]	**76.4**	22.4	
Net cash/(debt) (£m)[4]	**63.3**	(14.8)	
Statutory results			
Profit before tax (£m)	**19.1**	28.5	-33.0%
Basic EPS (p)	**12.9**	19.7	-34.5%

Financial highlights

- First half performance underpinned by Digital & eFulfilment growth (+15.7%) from increased demand for online retail
- Underlying profit before tax of £19.1m (2019: £26.2m) delivered in face of unprecedented disruption caused by COVID-19
- Strong improvement in cash to deliver net cash of £63.3m (2019: net debt of £(14.8m), driven by good working capital management and deferral of VAT, corporation tax and pension payments
- Agreement on 2020 pension triennial reached with trustees, significantly reducing pension risk and negating need for planned £6m increase in contributions
- Good momentum into H2 – results for FY20/21 expected to be materially ahead of current market expectations assuming no further severe impacts from COVID-19
- Dividend payments resumed following COVID-19-related suspension earlier in the year, with an interim dividend of 2.85p (2019: 3.90p) to be paid in January 2021

Positive progress against strategy

- Strategy announced in Spring 2020: "great people delivering sustainable supply chain value"
- Opened dedicated eFulfilment centre in Nuneaton with Loaf as foundation customer and capacity to sell in the market
- Growing eCommerce through notable wins with Waitrose, Wickes and The White Company in H1
- High potential to expand public sector activity through Inland Border Facility support and framework agreement with Crown Commercial Services
- Renewals and extensions with existing key customers including Asda, Morrisons and Screwfix
- Simplified organisation under a single COO
- Disposal of Pullman fleet services business expected, following recent sale of containers operations, underlining focus on higher growth markets

James Wroath, Wincanton Chief Executive Officer commented:

"Wincanton has demonstrated agility, innovation and commitment to meet the critical supply chain needs of customers and consumers throughout the country. I am proud of how our team has responded to the challenge that COVID-19 has brought to our markets. The current environment strengthens our conviction that we are following the right strategy. The steps we have taken to refocus the Group on growth markets, including disposing of our Pullman fleet services and our containers business, will underpin our ongoing performance.

"I am greatly encouraged by the new contracts we have secured so far this year to become a key partner for some of Britain's biggest brands and public bodies, and we continue to see a healthy pipeline of new opportunities coming to market. Performance has been resilient in the first half, we expect the good momentum with which we end the period to continue and consequently expect results for current year to be materially ahead of market expectations."

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A virtual meeting/conference call for analysts will be held today, Thursday 5 November 2020, commencing at 10.30am. Wincanton's Half Year Results 2020 are available at www.wincanton.co.uk

An audio webcast of the analysts' meeting will be available from 12 noon today:
https://webcasting.brrmedia.co.uk/broadcast/5f8ed8b5c4d0076f2b942cc1

Notes

[1] Underlying EBITDA refers to underlying operating profit before depreciation and amortisation and is reconciled in the section on Alternative Performance Measures (APMs) below.
[2] The section on APMs below provides further information on these measures, including definitions and a reconciliation of APMs to statutory measures.
[3] Free cash flow is defined as net cash inflow/(outflow) before the movement in debt, pension payments, dividends and the acquisition of own shares.
[4] Net cash/(debt) is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities excluding lease liabilities. Note 12 to the consolidated half year financial statements provides a breakdown of net cash/(debt) for the current and prior periods.

Half Year Review
for the six months to 30 September 2020

Summary

The Group has performed strongly in the first six months, delivering an encouraging performance despite the disruption and uncertainty caused by COVID-19 during the period. Recovery in those core markets most affected by the pandemic has been supported by performance within Digital & eFulfilment, which grew revenues strongly (+15.7% versus prior year), taking advantage of increased demands for online retail. This momentum is expected to continue to benefit the Group as it moves through the second half of the year.

Revenue was £578.7m (2019: £592.9m), slightly down on the prior year as a result of the impact of COVID-19 lockdown measures, primarily in the early months of the year. The construction, energy and container markets were particularly affected, as was our home delivery network due to a requirement to shut down completely for a short period. These adverse effects have been largely offset by the strength of online performance within Digital & eFulfilment, by buoyant grocer sales through the lockdown and improving General Merchandise activity throughout H1. We are well positioned to take advantage of growth opportunities, as demonstrated by our success converting pipeline opportunities in the period such as the customer fulfilment centre (CFC) in west London for Waitrose and a dedicated eFulfilment centre in Nuneaton. The extension of our relationship with HMRC through Inland Border Facility support and the signing of framework agreements with Crown Commercial Services (CCS) provide evidence of our increasing role within the public sector. We will continue to drive expansion in our identified strategic growth markets.

Underlying profit before tax decreased by 27.1% to £19.1m (2019: £26.2m) and the Group's underlying profit before tax margin is 3.3% (2019: 4.4%). The driver of the profit decrease was the impact of COVID-19 on our closed book operations, with the reduction in margin due to the mix of revenue movements in the period:

- The unprecedented scale of the COVID-19 lockdown and the speed with which it was imposed created a temporary but significant drop in demand on our construction, energy and container businesses and our home delivery network;
- Construction activity across the UK stopped almost completely for 6 weeks and the subsequent recovery has been gradual;
- Within energy, the reduction in vehicle numbers on the road severely impacted retail fuel sales;
- Container volumes were materially impacted by reduced consumer demand;
- Two-man home deliveries were suspended, although some one-man delivery activity continued; and
- The relative profit impact of the lost revenue in Public & Industrial and Specialist Services exceeded the profit earned on the revenue growth in other sectors resulting in a lower margin for the Group.

Recovery in construction and energy has been sustained but gradual and we have chosen to exit the containers market. Following the shutdown of our home delivery network for a few weeks in April and May, volumes quickly returned and remain buoyant. The profit impact of COVID-19 has therefore been partly mitigated and a solid foundation created on which positive sales and profit momentum from June onwards has been built.

Underlying EPS decreased by 27.5% to 12.9p per share (2019: 17.8p per share) reflecting the reduction in profits.

Net cash at the end of H1 was £63.3m (30 September 2019: net debt of £14.8m, 31 March 2020: net debt of £10.1m). The net cash inflow since 31 March 2020 of £73.4m was the result of cash protection measures taken by management during H1, including the deferral of VAT, corporation tax and pension recovery payments in Q1 and the suspension of the FY19/20 final dividend. The remaining positive movement in cash reflects the removal of non-essential capital expenditure and strong disciplines around cash collection. Customers have continued to pay promptly throughout the period, a recognition of the important role Wincanton plays in its customers' supply chains.

In September, the Group reached an agreement with the Trustee of the Wincanton plc Pension Scheme (the Scheme) on the 2020 triennial valuation and recovery plan. The annual deficit funding contributions have been agreed at £18.9m per annum from April 2021, with annual cash contributions for the period through to March 2027 being 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.

Dividend

The Board is declaring an interim dividend of 2.85p per Ordinary Share (2019: 3.90p per share) following the temporary suspension of dividend payments earlier in the year. This reflects the Board's confidence in the

Group's performance and the importance of dividends to its shareholders. The Group is therefore returning to its established dividend policy with dividend payouts broadly following movements in underlying earnings.

Board

On 31 July 2020 it was announced that Paul Dean, Non-executive Director and Chair of the Wincanton plc Audit Committee would step down from the end of February 2021. It was also announced that Anthony Bickerstaff would be appointed as a Non-executive Director with effect from 1 September 2020. As well as being appointed to the company's Audit and Nomination Committees, Anthony will take over as Chair of the Audit Committee on Paul Dean's departure. Anthony is Chief Financial Officer of Costain Group plc, the FTSE All-Share smart infrastructure solutions company, a position he holds until 30 November 2020. Before joining Costain, he held senior management and financial positions in Taylor Woodrow.

Key priorities and outlook

The importance of the strategy we announced at the start of this year has been underlined by the ongoing pandemic. The dedication of our people and the strength of the Wincanton business model have led to an improving performance trend and we expect this to continue into the second half of the year. New business wins and the gradual recovery of the construction and energy businesses that were hardest hit in the earliest stages of COVID-19, provide further reasons for confidence.

We have opened a dedicated eFulfilment centre in Nuneaton and notable contract wins with Waitrose, Wickes and The White Company are already evidence of our expanding role in the eCommerce marketplace. In the public sector, the Group has secured framework agreements with Crown Commercial Services (CCS) to ensure that we can bid for future Government work directly. In addition, we are in final stage discussions with HMRC over a major extension to our existing contract that would lead to us managing Inland Border Facilities at the end of the Brexit transition period. Our relationship with EDF Energy on the Hinkley Point C nuclear power plant project has also continued to grow and is enabling us to build potential relationships across a number of UK infrastructure projects.

Meanwhile, we continue to offer key services and support to long term customers in our primary markets in Grocery & Consumer and General Merchandise. Recent contract renewals and additional business with key customers including Screwfix, Asda, and Morrisons is evidence that the Group's existing business relationships are in good health. We also have a good pipeline of further opportunities across these sectors from our strengthened business development team. We have good momentum going into H2, and the results for FY20/21 are expected to be materially ahead of current market expectations assuming no further severe impacts from COVID-19.

As a result of the Group's strategy of focusing on its core markets which offer the greatest potential for growth, the Group completed the disposal of its containers operations in October and expects to complete the disposal of Pullman fleet maintenance services in November. The containers operations were sold for consideration of approximately £1.5m, with net liabilities of approximately £1.0m, primarily in respect of leased fleet, transferring to the buyer. The Group expects to receive a nominal consideration for the sale of Pullman and net liabilities, primarily in respect of leased fleet and property, will transfer to the buyer. After fees and provision for costs of transition and separation, the Group expects to report a small non-underlying gain on the disposals. The disposals will reduce the Group's annual revenue by approximately £90m but lead to a small benefit to underlying profit before tax.

We are mindful that COVID-19 continues to impact the wider economy and we have put in place operational measures to allow the effective continuity of business in the current environment. We believe the measures we have in place will also allow us to continue to operate through the second national lockdown. In the face of the uncertainty created by the pandemic, we actively monitor how it is affecting our businesses, our markets and our people so we can respond to challenges as they arise in as effective and timely a manner as possible. The Group does not expect to utilise the recently announced extension to the Coronavirus Job Retention Scheme.

Overall, the Group will maintain focus on the delivery of our strategy, which is particularly relevant as the UK economy continues to respond to the impacts of COVID-19 and ensure that we play our full part through "Great people delivering sustainable supply chain value".

Trading

Following the review of the Group's strategy announced earlier this year, Wincanton reorganised its operations into four customer-facing business units and one specialist services business under a single Chief Operations Officer. This unified operating model will drive further collaboration across the entire structure providing an agile platform to underpin continued growth in our focus markets.

The four customer-facing business units and the specialist services business cover the following areas:

- Digital & eFulfilment: Technology focused sector to support the growing eCommerce market
- Grocery & Consumer: Food focused sector creating logical connections in one of the UK's most critical supply chains
- General Merchandise: Retail focused sector to meet the evolving needs of major multi-channel customers
- Public & Industrial: Sector focused on customers in Construction, Infrastructure, Defence, Energy and the Public Sector
- Specialist Services: Specialist sector for container transportation and fleet maintenance services, which we expect to exit in H2.

	H1 2020[1] £m	H1 2019 £m	Change
Digital & eFulfilment revenue	**65.0**	56.2	15.7%
Grocery & Consumer revenue	**215.4**	206.5	4.3%
General Merchandise revenue	**149.6**	145.9	2.5%
Public & Industrial revenue	**106.6**	137.2	-22.3%
Specialist Services revenue	**42.1**	47.1	-10.6%
Total Revenue (£m)	**578.7**	592.9	-2.4%
Underlying EBITDA (£m)	**43.2**	50.9	-15.1%
Underlying EBITDA margin (%)	**7.5%**	8.6%	-12.9%
Underlying profit before tax (£m)	**19.1**	26.2	-27.1%
Underlying profit before tax margin (%)	**3.3%**	4.4%	-25.3%

[1]For HY1 2020 underlying profit before tax is equal to the statutory measure.

Digital & eFulfilment delivered strong growth despite the shutdown of our home delivery network for a few weeks in April and May. We also saw steady growth in both Grocery & Consumer and General Merchandise. These positive impacts were offset in overall revenue terms by the negative impact of COVID-19 on the Public & Industrial business, primarily in construction and energy operations, and in Specialist Services. This change in revenue mix had a disproportionate profit impact on the Group, due to the closed book commercial mechanisms operated in the affected markets. We acted swiftly to right-size capacity where required and continue to drive operational efficiency alongside the underlying market recovery. The Group has seen good profit growth in Digital & eFulfilment from both new contract growth and increases in underlying volumes throughout H1.

The Group continues to take advantage of the shift in consumer purchasing habits to online, with Digital & eFulfilment revenues growing 15.7% against prior year. In addition to start-up activity for the new Waitrose CFC, high activity levels through the home delivery network for Ikea and M&S as well as growth in the Wickes and Homebase contracts were the key drivers of the year on year uplift.

Buoyant end-customer sales and new business operations combined to deliver another strong half for our Grocery & Consumer and General Merchandise businesses. We successfully commenced operations with Morrisons across several new locations, growing our business with a key customer in our primary markets. Our teams also rose to the challenge of high-demand levels throughout lockdown in the Spring, maintaining service levels to keep shelves stocked for the UK grocers. General Merchandise sales in H1 were driven by strong online activity across the division, supported by the opening of a new site for Screwfix.

The downturn in Public & Industrial (P&I) revenue was the result of the impact of the COVID-19 lockdown. Our energy business saw a dramatic drop off in activity with the reduction in vehicle numbers on the road severely impacting retail fuel sales, sometimes by as much as 80%. Similarly, our construction networks were heavily impacted by the industry-wide closure of many building sites and builders' merchants at the start of the year. Both businesses continue to track behind prior year and while we have seen a gradual recovery in demand in the second quarter we have recognised an impairment of certain vehicles servicing the energy market in the first half of the year. The return in demand has coincided with an increase in subcontractor costs as a result of capacity coming out of the market. This increase is impacting the pace of the return to pre-COVID margin levels in these parts of the business.

The downsides in P&I were partially offset by continued strong performance in the infrastructure part of our business, primarily through our growing relationship with EDF at the Hinkley Point C nuclear site. Furthermore, P&I is set to benefit from opportunities emerging from HMRC and the CCS framework agreement that will generate a good pipeline of prospects in the public sector.

The impact from the pandemic also significantly affected Specialist Services, with new business gains in both containers and fleet maintenance services more than offset by a subdued containers market throughout much of the first quarter.

Net financing costs

	2020 **£m**	2019 £m
Interest income	**0.1**	0.1
Interest on the net defined benefit pension asset	**1.1**	-
Bank interest payable on loans	**(1.4)**	(2.0)
Unwinding of discount on provisions	**(0.3)**	(0.3)
Interest on lease liabilities	**(1.8)**	(1.9)
Net financing costs	**(2.3)**	(4.1)

Net financing costs were £2.3m (2019: £4.1m), £1.8m lower compared to the prior period.

Bank interest payable on loans of £1.4m (2019: £2.0m) was lower than the prior year due to the Group being in a net cash position for much of the period which reduced the need to utilise the Group's revolving credit facility.

Of the non-cash financing items, interest of £1.1m (2019: £nil) on the defined benefit pension asset in the period arose due to the significant pension net surplus position reported at 31 March 2020 (see 'Pensions' section below).

Financing charges of £1.8m in respect of the interest on lease liabilities were in line with the prior period (2019: £1.9m).

Non-underlying items

	2020 **£m**	2019 £m
Net profit on freehold property disposal	**-**	2.3

There were no non-underlying items in the 6 months to 30 September 2020. In the prior year we completed the disposal of two freehold properties, receiving gross sales proceeds of £5.5m and recognising costs of disposal and transitioning operations to another site of £0.8m. The carrying value of the properties was £2.4m generating a net profit on the disposal and transition of £2.3m.

Taxation

	2020 **£m**	2019 £m
Underlying profit before tax	**19.1**	26.2
Underlying tax	**3.1**	4.2
Tax on non-underlying items	**-**	-
Tax as reported	**3.1**	4.2
Effective tax rate on underlying profit before tax (%)	**16.1%**	16.2%

Underlying tax of £3.1m (2019: £4.2m) represents an underlying effective tax rate (ETR) of 16.1% (2019: 16.2%) on underlying profit before tax. The underlying ETR applied at the half year is an estimate of the expected full year rate. With effect from FY21/22, the ETR is expected to move towards the statutory tax rate of 19.0%.

Corporation tax paid in respect of the period was £nil (2019: £4.9m). The decrease is due to the uncertainty over the taxable profits for the year and therefore the payments on account being deferred to the second half of the year.

The total net deferred tax asset reduced to £1.2m (2019: £3.1m) primarily as a result of the reduction in the pension asset and the deferred tax liability thereon.

Profit after tax and EPS

Profit after tax for the period was £16.0m (2019: £24.3m) which translates to a basic EPS of 12.9p (2019: 19.7p). The decrease compared to the prior period is due to the impact of the COVID-19 pandemic on specific areas of the business.

Underlying EPS, which excludes from earnings non-underlying items where relevant, decreased to 12.9p (2019: 17.8p), again due to the impact of COVID-19.

The calculation of these EPS measures is set out in Note 8.

Dividends

The Group's policy is for dividend growth to broadly match the growth in underlying earnings.

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

The Board has declared an interim dividend of 2.85p (2019: 3.90p) per share relating to the six-month period ended 30 September 2020, payable on 22 January 2021. This reflects the Board's confidence in the Group's performance and the importance of dividends to its shareholders. The Group is therefore returning to its established dividend policy with dividend payouts broadly following movements in underlying earnings.

The Group did not pay a final dividend in the six-month period relating to the year ended 31 March 2020 (2019: 7.29p) due to the temporary suspension in response to the COVID-19 uncertainty.

Financial position

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

	30 September 2020 £m	30 September 2019 £m	31 March 2020 £m
Non-current assets (excl. employee benefits)	**204.7**	225.5	226.6
Net current liabilities (excl. net debt)	**(213.9)**	(159.3)	(162.3)
Non-current liabilities (excl. net debt/pension deficit)	**(106.8)**	(116.9)	(133.9)
Net cash/(debt) (excl. lease liabilities)	**63.3**	(14.8)	(10.1)
Pension net asset (excl. deferred tax)	**24.3**	8.1	94.4
Net (liabilities)/assets	**(28.4)**	(57.4)	14.7

The increase in net liabilities since the year ended 31 March 2020 of £43.1m is primarily due to the profit after tax of £16.0m being offset by a reduction in the pension net asset and corresponding deferred tax movement of £(59.7)m.

The movement in the pension net asset is primarily due to employer contributions paid into the Scheme less net actuarial movements on pension assets and liabilities.

Included within the net current liabilities above are assets and liabilities classified as held for sale of £5.8m and £(3.1)m respectively.

Net debt and cash flows

Net cash at 30 September 2020 was £63.3m (2019: net debt of £(14.8)m, 31 March 2020: net debt of £(10.1)m), reflecting a net cash inflow of £78.1m over the intervening 12 months and £73.4m since 31 March 2020.

The Group's cash flows for the six months to 30 September 2020 are summarised in the following table:

	30 September 2020 £m	30 September 2019 £m	31 March 2020 £m
Underlying EBITDA	**43.2**	50.9	104.1
Working capital	**54.1**	(2.5)	(4.0)
Tax	**-**	(4.9)	(7.0)
Net interest	**(3.1)**	(4.1)	(7.8)
Other items	**0.8**	(1.5)	(5.0)
Free cash flow before capital expenditure	**95.0**	**37.9**	**80.3**
Repayment of obligations under leases	**(16.2)**	(15.8)	(35.7)
Capital expenditure	**(2.8)**	(4.7)	(9.3)
Net proceeds from asset disposals	**0.4**	5.0	5.5
Free cash flow	**76.4**	22.4	40.8
Pension payments	**(3.0)**	(8.9)	(17.8)
Dividends	**-**	(9.0)	(13.8)
Net cash flow	**73.4**	4.5	9.2

The Group generated a £73.4m net cash inflow in the period (2019: £4.5m) with a free cash inflow of £76.4m (2019: £22.4m). Included in the net cash inflow is the effect of approximately £55m of payment deferrals including £43.9m of VAT payments, £6.1m of pension contributions and £3.1m of corporation tax – these timing differences are expected to reverse in H2 FY20/21 and in FY21/22.

There has been a working capital inflow in the period of £54.1m (2019: outflow of £2.5m) mainly due to the deferral of £43.9m of VAT payments in the first quarter, but also due to continued strong disciplines around billing and cash collection throughout the period. The Group paid £nil corporation tax in the period (2019: £4.9m), with payments on account of £3.1m being deferred until the second half of the year. We expect to pay deferred VAT amounts in full in the second half subject to any material unplanned adverse cash movements in the period.

The amount of cash interest paid, excluding fees, of £3.1m (2019: £4.1m) has decreased in the period due to the improved cash position leading to a reduced requirement to draw down on the Group's revolving credit facility.

Other items of £0.8m (2019: £(1.5)m) comprise both cash and non-cash items and relate primarily to net movements on provisions and share-based payment charges in the period.

Capital expenditure of £2.8m (2019: £4.7m) principally consists of investments in IT systems, including the enhancement of our transport management system. The reduction versus prior year is due to the controls put in place restricting non-essential capital expenditure. We expect capital expenditure to increase in the second half due to continued investments in systems, including the upgrade of our finance and HR systems, and new contract start-ups.

Net proceeds from asset disposals of £0.4m relate to the disposal of sundry vehicles. In the prior period, the net proceeds of £5.0m related primarily to the disposal of two under-utilised freehold properties and the transition of the related operations to other sites (gross proceeds of £5.5m less costs of disposal and transitioning operations to another site of £0.8m).

Cash contributions to fund the pension deficit in the current year to 31 March 2021 will be £18.9m, less administration costs of £0.7m to be paid directly by the Group (31 March 2020: £18.4m) of which £3.0m was paid in H1 following an agreement with the pension trustees to defer £6.1m of contributions as a cash protection measure against COVID-19 impacts. These deferred contributions will be paid in December 2020. Under the newly agreed pension arrangements following the 31 March 2020 triennial valuation, payments in the next financial year are expected to remain at £18.9m.

The final FY19/20 dividend, which ordinarily would have been paid in H1 (2019: £9.0m) was suspended earlier in the year as a consequence of the uncertainty caused by COVID-19. The interim cash dividend payment in the second half is expected to be £3.5m.

Financing and covenants

The Group's committed facilities at the period end were £181.2m (2019: £141.2m), including a £40m extension to the facility which expires in May 2021. The headroom in these committed facilities compared to net cash of £63.3m at 30 September 2020 was £244.5m (2019: £126.4m). The Group also has a Receivables Purchase Facility with Santander UK plc and operating overdrafts which provide day to day flexibility and amount to a further £50m and £7.5m respectively in uncommitted facilities. At 30 September 2020, utilisation of the Group's non-recourse Receivables Purchase Facility was £5.2m (2019: £10.1m).

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

Covenant	Ratio	At 30 September 2020
Leverage ratio	<2.75:1	Net Cash position
Interest cover	>3.5:1	24.2
Fixed charge cover	>1.4:1	2.9

Pensions

The Group has a number of pension arrangements in the UK and Ireland including defined benefit arrangements which are described below.

The Group has reported an IAS 19 net asset of £24.3m (£19.7m net of deferred tax) at 30 September 2020 (2019: net asset of £8.1m, 31 March 2020: net asset of £94.4m) as set out in the following table:

£m	**30 Sept 2020**	30 Sept 2019	31 March 2020
Assets	**1,284.5**	1,272.5	1,157.5
Liabilities	**(1,260.2)**	(1,264.4)	(1,063.1)
Pension net asset	**24.3**	8.1	94.4
Discount rate (%)	**1.55**	1.80	2.30

The movement in the net asset since 31 March 2020 is due to the unwinding throughout H1 of market uncertainty caused in the spring 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 reversed post year end as expected, significantly reducing the size of the net asset.

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 net contributions have been agreed at £18.9m per annum from 1 April 2021 increasing by RPI over the three years to March 2024, followed by £22.0m per annum from April 2024, increasing by RPI to March 2027. 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.

The actuarial deficit at 31 March 2020 was £154m, compared to the March 2017 valuation of £221m. The 2020 valuation was impacted by the market volatility in relation to COVID-19. The estimated actuarial deficit at 30 June 2020 had reduced to £105m. Following this improvement and as part of the overall triennial agreement, the Trustee and the Group agreed to a substantial acceleration of the planned de-risking of the Scheme's investment strategy to lock in the lower deficit position. This was largely implemented in September with the sale of equities and an increase in the level of the hedging against actuarial liabilities. As at 30 September 2020 the Scheme's investment was split between 17% in return-seeking assets and 83% in defensive assets.

Contingent liability

The Group has been notified by HMRC of potential claims for Excise duty and related VAT in connection with the historic transfers of a group of former customers' excise goods. These movements occurred from one of Wincanton's bonded warehouses to a common third party UK export agent. HMRC suspects irregularities to have occurred during the export process and the export agent has subsequently entered administration. Due to the nature of the excise regime Wincanton operates in, HMRC considers Wincanton to be jointly and severally liable for Excise duty and VAT arising as a result of these irregularities.

Wincanton is vigorously disputing the potential claims and is confident in its legal position having received clear, expert advice. As a result of the strength of the legal advice, no liability has been recognised in respect of these claims, noting that the total value of the potential claims could be up to approximately £50m before interest and legal costs. We expect that any claims made by HMRC will be received in the second half of the year.

Unless earlier resolution is achieved, the Group expects to proceed to have the claims heard before a Tax Tribunal and the full legal process could take in excess of two years. Under current regulations, some or all of the claims could be required to be paid shortly after issuance and in advance of the outcome of a Tribunal. The Group is in discussion with HMRC regarding the process and potential options to minimise the risk of cash outflows in advance of a Tribunal. In parallel with the legal process, the Group is reviewing options regarding its insurance cover.

Risks

The key risks and uncertainties facing Wincanton in the second half of the current financial year have not changed materially from those outlined on pages 32 to 35 of the Annual Report for the year ended 31 March 2020, and include the risks to our operations of further COVID-19 outbreaks and lock downs as well as other global pandemics and events. Other than COVID-19, the principal commercial and operational risks are the Group's ability to source new contracts, at an appropriate financial return for an acceptable level of risk, and subsequent performance of new and existing contracts. Wincanton has a diversified customer base which spans large sectors of the UK economy. The majority of our contracts are open book and we are not directly exposed to foreign currency movements in our business.

Brexit

Wincanton's planning for Brexit, and its likely impact, is at an advanced stage of maturity. The key risks across our business have been identified and are supported by mitigation plans. Due to the high number of potential eventualities reported, which could occur under the various Brexit scenarios, Wincanton elected to build its mitigation plans to address a 'no deal' scenario. Our risks associated with Brexit are relatively limited and largely confined to labour availability, particularly drivers, and interruptions in the transport consumables supply chain. These risks have mitigations in place or in development. Positively, we believe a hard Brexit presents opportunities to the Group and this is reflected in our preparations.

Going Concern

The interim financial statements have been prepared on a going concern basis. Having considered the ability of the Company and the Group to operate within its existing facilities and meets its debt covenants, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

In determining whether the interim financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The review also included the financial position of the Group, its cash flows, and borrowing facilities.

The Board considered in detail the future impact on the Group of the ongoing COVID-19 outbreak. 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 fund itself 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 note in Note 1 Accounting Policies in the interim financial statements.

Other key factors considered by the Directors were:

- The implications of the current economic environment and future uncertainties around the Group's revenues and profits by undertaking forecasts and projections on a regular basis;
- The impact of the competitive environment within which the Group's businesses operate;
- The potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected.

Alternative Performance Measures

Alternative Performance Measures (APMs) are used by the Board in assessing 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 EPS is used as a key performance indicator for the share incentive scheme, being the Long Term Incentive Plan (LTIP), up to FY19/20 (from FY20/21 onwards the LTIP has moved to being measured entirely on Total Shareholder Return). 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 and EPS which are calculated as the statutory measures stated before non-underlying items, including related tax where applicable. Non-underlying items are those items of income and expenditure which, due to their nature or size, the Directors consider should be disclosed separately on the face of the income statement, such as amortisation of acquired intangibles, exceptional items and related tax.

The table below reconciles the APMs to the statutory reported measures.

		2020			2019	
£m	**Statutory**	**Non-underlying items[1]**	**Underlying**	Statutory	Non-underlying items[1]	Underlying
Revenue	**578.7**	**-**	**578.7**	592.9	-	592.9
EBITDA[2]	**43.2**	**-**	**43.2**	53.2	(2.3)	50.9
EBITDA margin (%)	***7.5%***	**-**	***7.5%***	*8.6%*	-	*8.6%*
Depreciation, amortisation and impairments	**(21.8)**	**-**	**(21.8)**	(20.6)	-	(20.6)
Operating profit	**21.4**	**-**	**21.4**	32.6	(2.3)	30.3
Net financing costs	**(2.3)**	**-**	**(2.3)**	(4.1)	-	(4.1)
Profit before tax	**19.1**	**-**	**19.1**	28.5	(2.3)	26.2
Income tax	**(3.1)**	**-**	**(3.1)**	(4.2)	-	(4.2)
Profit after tax	**16.0**	**-**	**16.0**	24.3	(2.3)	22.0
Earnings per share (p)[3]	**12.9**	**-**	**12.9**	19.7		17.8
Dividend per share (p)				3.90		3.90
Net cash / (debt) excluding lease liabilities[4]	**63.3**	**-**	**63.3**	(14.8)		(14.8)

1 Note 4 provides further detail of non-underlying items.
2 EBITDA refers to operating profit before depreciation, amortisation and impairments.
3 Note 8 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 12 to the consolidated half year financial statements provides a breakdown of net debt for the current and prior periods.

Statement of Directors' responsibilities

The Board confirms to the best of its knowledge:

- that the consolidated half year financial statements for the six months to 30 September 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* amended in accordance with changes in IAS 1 *Presentation of Financial Statements*, as adopted by the EU; and

- that the Half Year Report includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the period and their impact on the consolidated half year financial statements; a description of the principal risks and uncertainties for the remainder of the current financial year; and the disclosure requirements in respect of material related party transactions.

The composition of the Board of Directors has changed since the publication of the Annual Report in June 2020, as noted in the Half Year Review above. A list of current Directors is maintained on the Wincanton plc website at www.wincanton.co.uk.

The above Statement of Directors' responsibilities was approved by the Board on 4 November 2020.

T Lawlor
Director

Consolidated income statement

for the six months to 30 September 2020 (unaudited)

	Note	**Six months to 30 Sept 2020 £m**	Six months to 30 Sept 2019 £m	Year ended 31 March 2020 £m
Revenue	*3*	**578.7**	592.9	1,201.2
Underlying operating profit		**21.4**	30.3	61.0
Non-underlying items	4	**-**	2.3	(9.0)
Operating profit		**21.4**	32.6	52.0
Financing income	*5*	**1.2**	0.1	-
Financing costs	*5*	**(3.5)**	(4.2)	(8.2)
Net financing costs		**(2.3)**	(4.1)	(8.2)
Profit before tax		**19.1**	28.5	43.8
Income tax expense	*7*	**(3.1)**	(4.2)	(5.3)
Profit attributable to equity shareholders of Wincanton plc		**16.0**	24.3	38.5
Earnings per share				
- basic	*8*	**12.9p**	19.7p	31.1p
- diluted	*8*	**12.8p**	19.5p	30.8p

Consolidated statement of comprehensive income

for the six months to 30 September 2020 (unaudited)

	Six months to 30 Sept 2020 £m	Six months to 30 Sept 2019 £m	Year ended 31 March 2020 £m
Profit for the period	**16.0**	24.3	38.5
Other comprehensive income/(expense)			
Items which will not subsequently be reclassified to the income statement			
Remeasurements of defined benefit asset	**(73.6)**	6.1	84.0
Deferred tax on remeasurements of defined benefit asset	**13.9**	(1.0)	(15.8)
	(59.7)	5.1	68.2
Items which are or may subsequently be reclassified to the income statement			
Net foreign exchange gain on investment in foreign subsidiaries of net hedged items	**-**	0.1	0.1
	-	0.1	0.1
Other comprehensive income for the period, net of income tax	**(59.7)**	5.2	68.3
Total comprehensive (loss)/income attributable to equity shareholders of Wincanton plc	**(43.7)**	29.5	106.8

Consolidated balance sheet

at 30 September 2020 (unaudited)

	Note	**30 Sept 2020 £m**	30 Sept 2019 £m	31 March 2020 £m
Non-current assets				
Goodwill and intangible assets	*10*	**86.2**	84.8	85.6
Property, plant and equipment	*11*	**18.5**	32.4	26.6
Right-of-use assets	*14*	**98.5**	105.0	114.2
Investments, including those equity accounted		**0.3**	0.2	0.2
Deferred tax assets		**1.2**	3.1	-
Employee benefits	*17*	**26.9**	8.1	96.5
		231.6	233.6	323.1
Current assets				
Inventories		**1.4**	4.9	2.0
Trade and other receivables		**159.4**	149.2	135.0
Cash and cash equivalents	*12*	**63.3**	39.2	60.9
		224.1	193.3	197.9
Assets classified as held for sale	*13*	**5.8**	-	-
		229.9	193.3	197.9
Current liabilities				
Income tax payable		**(4.0)**	(3.3)	(2.4)
Lease liabilities	*14*	**(34.7)**	(33.9)	(36.6)
Trade and other payables		**(326.2)**	(266.1)	(248.1)
Provisions	*15*	**(12.5)**	(10.1)	(12.2)
		(377.4)	(313.4)	(299.3)
Liabilities classified as held for sale	*13*	**(3.1)**	-	-
		(380.5)	(313.4)	(299.3)
Net current liabilities		**(150.6)**	(120.1)	(101.4)
Total assets less current liabilities		**81.0**	113.5	221.7
Non-current liabilities				
Borrowings and other financial liabilities	*12*	**-**	(54.0)	(71.0)
Lease liabilities	*14*	**(82.2)**	(89.8)	(97.8)
Employee benefits	*17*	**(2.6)**	-	(2.1)
Provisions	*15*	**(24.6)**	(27.1)	(24.8)
Deferred tax liabilities		**-**	-	(11.3)
		(109.4)	(170.9)	(207.0)
Net (liabilities)/assets		**(28.4)**	(57.4)	14.7
Equity				
Issued share capital		**12.5**	12.5	12.5
Share premium		**12.9**	12.9	12.9
Merger reserve		**3.5**	3.5	3.5
Translation reserve		**(0.2)**	(0.2)	(0.2)
Retained earnings		**(57.1)**	(86.1)	(14.0)
Total (deficit)/equity		**(28.4)**	(57.4)	14.7

Consolidated statement of changes in equity

at 30 September 2020 (unaudited)

	Issued share capital £m	Share premium £m	Merger reserve £m	Translation reserve £m	Retained earnings Own shares £m	Retained earnings Profit and loss £m	Total equity/ (deficit) £m
Balance at 1 April 2020	**12.5**	**12.9**	**3.5**	**(0.2)**	**(1.5)**	**(12.5)**	**14.7**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**16.0**	**16.0**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(59.7)**	**(59.7)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(43.7)**	**(43.7)**
Share based payment transactions	**-**	**-**	**-**	**-**	**0.2**	**0.3**	**0.5**
Current tax on share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax on share based payments	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Balance at 30 September 2020	**12.5**	**12.9**	**3.5**	**(0.2)**	**(1.3)**	**(55.8)**	**(28.4)**

Balance at 1 April 2019	12.5	12.9	3.5	(0.3)	(2.2)	(93.5)	(67.1)
IFRS 16 Restatement[1]	-	-	-	-	-	(11.2)	(11.2)
Revised balance as at 1 April 2019	12.5	12.9	3.5	(0.3)	(2.2)	(104.7)	(78.3)
Profit for the period	-	-	-	-	-	24.3	24.3
Other comprehensive expense	-	-	-	0.1	-	5.1	5.2
Total comprehensive income	-	-	-	0.1	-	29.4	29.5
Share based payment transactions	-	-	-	-	-	0.4	0.4
Dividends paid to shareholders	-	-	-	-	-	(9.0)	(9.0)
Balance at 30 September 2019	12.5	12.9	3.5	(0.2)	(2.2)	(83.9)	(57.4)

Balance at 1 April 2019	12.5	12.9	3.5	(0.3)	(2.2)	(93.5)	(67.1)
IFRS16 Restatement[1]	-	-	-	-	-	(11.2)	(11.2)
Revised balance as at 1 April 2019	12.5	12.9	3.5	(0.3)	(2.2)	(104.7)	(78.3)
Profit for the year	-	-	-	-	-	38.5	38.5
Other comprehensive income	-	-	-	0.1	-	68.2	68.3
Total comprehensive income	-	-	-	0.1	-	106.7	106.8
Share based payment transactions	-	-	-	-	0.7	(1.0)	(0.3)
Current tax on share based payment transactions	-	-	-	-	-	0.3	0.3
Dividends paid to shareholders	-	-	-	-	-	(13.8)	(13.8)
Balance at 31 March 2020	12.5	12.9	3.5	(0.2)	(1.5)	(12.5)	14.7

Consolidated statement of cash flows

for the six months to 30 September 2020 (unaudited)

	Six months to 30 Sept 2020 £m	Six months to 30 Sept 2019 £m	Year ended 31 March 2020 £m
Operating activities			
Profit before tax	**19.1**	28.5	43.8
Adjustments for:			
- depreciation and amortisation	**20.4**	20.6	43.1
- interest expense on leases	**1.8**	1.9	3.8
- other net finance costs	**0.5**	2.2	4.4
- impairments	**1.4**	-	9.3
- profit on disposal of property, plant and equipment	**-**	(2.4)	(2.3)
- share based payment transactions	**0.5**	0.4	(0.3)
	43.7	51.2	101.8
(Increase)/decrease in trade and other receivables	**(24.4)**	(8.4)	5.8
Decrease/(increase) in inventories	**0.4**	(1.2)	0.4
Increase/(decrease) in trade and other payables	**78.1**	7.1	(11.2)
Decrease in provisions	**(0.2)**	(1.6)	(2.0)
Increase/(decrease) in employee benefits before pension deficit payment	**0.6**	(0.2)	0.3
Income taxes paid	**-**	(4.9)	(7.0)
Cash generated before pension deficit payments	**98.2**	42.0	88.1
Pension deficit payments	**(3.0)**	(8.9)	(17.8)
Cash flows from operating activities	**95.2**	33.1	70.3
Investing activities			
Proceeds from sale of property, plant and equipment	**0.4**	5.0	5.5
Interest received	**0.1**	-	-
Addition of trade investment	**(0.1)**	-	-
Additions of property, plant and equipment	**(1.2)**	(3.1)	(5.9)
Additions of computer software	**(1.6)**	(1.6)	(3.4)
Cash flows from investing activities	**(2.4)**	0.3	(3.8)
Financing activities			
(Decrease)/increase in borrowings	**(71.0)**	22.0	39.0
Payment of lease liabilities	**(16.2)**	(15.8)	(35.7)
Equity dividends paid	**-**	(9.0)	(13.8)
Interest paid on borrowings	**(1.4)**	(2.2)	(4.0)
Interest paid on lease liabilities	**(1.8)**	(1.9)	(3.8)
Cash flows from financing activities	**(90.4)**	(6.9)	(18.3)
Net increase in cash and cash equivalents	**2.4**	26.5	48.2
Cash and cash equivalents at beginning of the period	**60.9**	12.7	12.7
Cash and cash equivalents at end of the period	**63.3**	39.2	60.9
Represented by:			
- cash at bank and in hand	**59.8**	34.3	56.0
- restricted cash, being deposits held by the Group's insurance subsidiary	**3.5**	4.9	4.9
	63.3	39.2	60.9

Notes to the consolidated half year financial statements
for the six months to 30 September 2020 (unaudited)

1 Accounting policies

General information

Wincanton plc (the 'Company') is a company incorporated in the United Kingdom and domiciled and registered in England and Wales. The consolidated half year financial statements of the Company for the six months to 30 September 2020 comprise the Company and its subsidiaries (together referred to as the 'Group') and, where relevant, the Group's interests in joint ventures.

These consolidated half year financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 March 2020. The comparative figures for the year ended 31 March 2020 have been extracted from those accounts but do not comprise the full statutory accounts for that financial year. Except for the 31 March 2020 comparatives, the financial information set out herein is unaudited but has been reviewed by the auditors and their report to the Company is set out below.

The consolidated financial statements for the year ended 31 March 2020 have been reported on by the Group's auditor, delivered to the Registrar of Companies, and are available upon request from the Company's registered office at Methuen Park, Chippenham, Wiltshire, SN14 0WT or at www.wincanton.co.uk. The report of the auditor (KPMG LLP) was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. KPMG LLP's report included a reference to a material uncertainty related to going concern due to the Group's severe but plausible downside case indicating that the Group would exceed its financial covenants in March 2021. Their opinion was not modified in respect of this matter.

An update to the going concern assessment is provided below and, as a result, there is no material uncertainty at the date of this report.

The Half Year Report, which includes the consolidated half year financial statements, was approved by the Board on 4 November 2020.

Basis of preparation

The consolidated half year financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. As required by the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority, the consolidated half year financial statements have been prepared on the basis of the accounting policies adopted by the Group and applied and disclosed in its consolidated financial statements for the year ended 31 March 2020, except as described below.

The preparation of these consolidated half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key areas of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020. In addition, an accounting policy for Income from Government Grants is disclosed for the first time, due to amounts received in the period.

Adoption of amended standards

The Group has adopted the following amendments to standards in the year: Amendments to IAS 1 and IAS 8: Definition of Material, Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, and Amendments to IFRS 3 Business Combinations. None of these amendments have had a significant impact on the results or net assets of the Group.

Accounting policy for income from Government Grants

Income from Government grants are recognised when there is reasonable assurance that the Group has complied with the conditions attached to the grant and that the grant will be received. Government grants received from the Coronavirus Job Retention Scheme (furlough) are recognised as a credit against the related staff costs and not as an item of other income.

1 Accounting policies *(continued)*

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the interim 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 interim financial statements. The Group has reported a profit before tax of £19.1m for the six months ended 30 September 2020 (2019: £28.5m), has net current liabilities of £150.6m (September 2019: £120.1m, March 2020: £101.4m) and net liabilities of £28.4m (September 2019: net liabilities £57.4m, March 2020: net assets of £14.7m).

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

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

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

In addition, the Group also has an uncommitted £50m Receivable Purchase Facility, providing flexibility to manage net debt peaks down and an uncommitted overdraft facility of £7.5m. In arriving at the conclusion on going concern, the Directors have given due consideration to whether the funding and liquidity resources above are sufficient to accommodate the principal risks and uncertainties faced by the Group.

The Directors have reviewed the financial forecasts, prepared to 31 March 2022, across a range of scenarios. Wincanton has modelled a base case based on revenue and profit run rates at the end of September 2020, which were materially ahead of the expectations used in the going concern forecasts prepared in connection with the financial statements for the year ended 31 March 2020. The continuation of management actions already taken to protect the Group's liquidity in the first half of the financial year, including the cessation of all discretionary and non-business critical expenditure to the extent they have been contractually agreed or are under management's control in the forecast period, have been included in this scenario.

Due to the uncertainty created by COVID-19, there remains a risk that the second wave of the pandemic could affect our markets. Accordingly, a severe but plausible downside scenario has also been modelled based on further waves of the pandemic.

The severe but plausible downside case assumes that the second virus-driven national lockdown from 5 November 2020 continues through to February 2021, with Group revenue and profit before tax reduced by £26.0m and £5.8m respectively, similar amounts to those experienced during the first national lockdown from March to May 2020. This scenario assumes the businesses will then recover on similar trajectories to those experienced following the first lockdown. This scenario also assumes a major cash shock based on a large customer going into administration and a deterioration in working capital performance compared to the base case. These downsides would be offset by the application of further mitigating actions to the extent they are under management's control, including further deferrals of capital expenditure.

In both scenarios, the Group has sufficient liquidity and adequate headroom in the committed facilities set out above to fund itself 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.

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 statement in the financial statements for the year ended 31 March 2020. 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 in 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 Revenue

Customer contracts are disaggregated by business unit with revenue generally being recognised over time. Further detail is given in the table below:

	Six months to 30 Sept 2020 £m	Six months to 30 Sept 2019 £m	Year ended 31 March 2020 £m
Digital & eFulfilment revenue	**65.0**	56.2	115.3
Grocery & Consumer revenue	**215.4**	206.5	426.3
General Merchandise revenue	**149.6**	145.9	299.1
Public & Industrial revenue	**106.6**	137.2	268.2
Specialist Services revenue	**42.1**	47.1	92.3
Total Revenue (£m)	**578.7**	592.9	1,201.2

Revenue of £123.3m (30 September 2019: £115.2m) and £65.4m (30 September 2019: £70.2m) arose from sales to the Group's two largest customers, being groups of companies under common control. No other single customer or group of customers under common control contributed 10% or more to the Group's revenue in either the current or prior period.

4 Non-underlying items

	Six months to 30 Sept 2020 £m	Six months to 30 Sept 2019 £m	Year ended 31 March 2020 £m
Net profit on disposal of freehold property	**-**	2.3	2.3
Professional fees in relation to M&A activities	**-**	-	(2.0)
COVID-19 impairment charges	**-**	-	(9.3)
	-	2.3	(9.0)

There are no non-underlying items in the current period. In the prior period the disposal of two freehold properties was completed. Gross sales proceeds were £5.5m and costs of disposal and transitioning operations to another site were £0.8m. The carrying value of the properties was £2.4m generating a net profit on the disposal and transition of £2.3m.

For the year ended 31 March 2020, further non-underlying costs were recognised in respect of professional fees in relation to M&A activities, principally an evaluation of a potential bid for Eddie Stobart Logistics plc, and in respect of impairment charges which arose as a result of COVID-19 impacts on the business.

5 Net financing costs

	Six months to 30 Sept 2020 £m	Six months to 30 Sept 2019 £m	Year ended 31 March 2020 £m
Recognised in the income statement			
Interest income	**0.1**	0.1	-
Interest on the net defined benefit pension asset	**1.1**	-	-
	1.2	0.1	-
Interest expense	**(1.4)**	(2.0)	(3.9)
Interest on lease liabilities	**(1.8)**	(1.9)	(3.8)
Unwinding of discount on provisions	**(0.3)**	(0.3)	(0.5)
	(3.5)	(4.2)	(8.2)
Net financing costs	**(2.3)**	(4.1)	(8.2)

6 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 six months to 30 September 2020 the Group has received £12.4m in Government grants from the CJRS (furlough), of which £4.6m has been passed to customers through open book mechanisms. 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.

The Group has elected to recognise the grant as a credit against the related staff costs and not as an item of other income.

7 Income tax expense

Recognised in the income statement	**Six months to 30 Sept 2020 £m**	Six months to 30 Sept 2019 £m	Year ended 31 March 2020 £m
Current tax expense			
Current year	**2.8**	3.4	5.1
Adjustments for prior years	**(1.2)**	(1.3)	(1.5)
	1.6	2.1	3.6
Deferred tax expense			
Current year	**1.5**	2.1	1.7
Adjustments for prior years	**-**	-	-
	1.5	2.1	1.7
Total income tax expense	**3.1**	4.2	5.3
Recognised in other comprehensive income			
Items which will not subsequently be reclassified to the Income statement:			
Remeasurements of defined benefit pension asset	**(13.9)**	**1.0**	15.8
Recognised directly in equity			
Current tax on share based payment transactions	**-**	**-**	(0.3)
Deferred tax on share based payment transactions	**(0.1)**	**-**	-

In accordance with IAS 34 *Interim Financial Reporting* the tax expense recognised in the income statement for the half year is calculated on the basis of the estimated underlying effective full year tax rate of 16.1% (30 September 2019: 16.2%, 31 March 2020: 15.3%).

7 Income tax expense *(continued)*

The main UK Corporation tax rate remained at 19% (30 September 2019: 19%).

The closing UK deferred tax asset is calculated based on the rate of 19% which was substantively enacted at the balance sheet date.

8 Earnings per share

The basic earnings per share of 12.9p (30 September 2019: 19.7p) is calculated based on the profit attributable to the equity shareholders of Wincanton plc of £16.0m (30 September 2019: £24.3m) and the weighted average shares of 124.0m (30 September 2019: 123.6m) which have been in issue throughout the period.

The diluted earnings per share of 12.8p (30 September 2019: 19.5p) is calculated based on there being 1.3m (30 September 2019: 1.0m) additional shares deemed to be issued at £nil consideration under the Company's share option schemes.

The weighted average number of ordinary shares for both basic and diluted earnings per share is calculated as follows:

	Six months to 30 Sept 2020 millions	Six months to 30 Sept 2019 Millions	Year ended 31 March 2020 Millions
Weighted average number of Ordinary Shares (basic)			
Issued Ordinary Shares at the beginning of the period	**123.9**	123.6	123.6
Net effect of shares issued and purchased during the period	**0.1**	-	0.1
	124.0	123.6	123.7
Weighted average number of Ordinary Shares (diluted)			
Weighted average number of Ordinary Shares at the end of the period	**124.0**	123.6	123.7
Potential ordinary shares	**1.3**	1.0	1.3
	125.3	124.6	125.0

An alternative earnings per share number is set out below, being earnings before non-underlying items, since the Directors consider that this provides further useful information on the underlying performance of the Group:

	Six months to 30 Sept 2020 Pence	Six months to 30 Sept 2019 Pence	Year ended 31 March 2020 Pence
Underlying earnings per share			
- basic	**12.9**	17.8	36.1
- diluted	**12.8**	17.7	35.8

Underlying earnings are determined as follows:

	Six months to 30 Sept 2019 £m	Six months to 30 Sept 2019 £m	Year ended 31 March 2020 £m
Profit for the period attributable to equity shareholders of Wincanton plc	**16.0**	24.3	38.5
Non-underlying items	**-**	(2.3)	9.0
Tax impact of above items and exceptional tax items	**-**	-	(2.8)
Underlying earnings	**16.0**	22.0	44.7

9 Dividends

No final dividend relating to the year end 31 March 2020 was paid during the period (2019: 7.29p per share).

The Board has declared an interim dividend of 2.85p per share for the period ended 30 September 2020 (30 September 2019: 3.90p per share) which will be paid on 22 January 2021 to shareholders on the register on 8 January 2021, an estimated total of £3.5m.

10 Intangible assets

Additions and disposals

During the half year to 30 September 2020 the Group acquired intangible assets with a cost of £1.6m (30 September 2019: £1.6m).

11 Property, plant & equipment

Additions and disposals

During the half year to 30 September 2020 the Group acquired tangible fixed assets with a cost of £1.2m (30 September 2019: £3.1m). Assets with a carrying amount of £0.4m were disposed of during the half year to 30 September 2020 (30 September 2019: £2.7m).

Capital commitments

At 30 September 2020 the Group had entered into contracts to purchase property, plant and equipment for £0.3m (30 September 2019: £0.6m); delivery is expected in the second half of the year to 31 March 2021.

12 Analysis of changes in net debt

	1 April 2020 £m	**Cash flow £m**	**Non-cash movements £m**	**30 Sept 2020 £m**
Cash and bank balances	60.9	**2.4**	**-**	**63.3**
Bank loans and overdrafts	(71.0)	**71.0**	**-**	**-**
Net debt excluding lease liabilities	(10.1)	**73.4**	**-**	**63.3**
Lease liabilities	(134.4)	**18.0**	**(0.5)**	**(116.9)**
Net debt including lease liabilities	(144.5)	**91.4**	**(0.5)**	**(53.6)**

	1 April 2019 £m	Adoption of IFRS 16 £m	Cash flow £m	Non-cash movements £m	30 Sept 2019 £m
Cash and bank balances	12.7	-	26.5	-	39.2
Bank loans and overdrafts	(32.0)	-	(22.0)	-	(54.0)
Other financial liabilities	-	-	-	-	-
Net debt excluding lease liabilities	(19.3)	-	4.5	-	(14.8)
Lease liabilities	-	(137.4)	17.7	(4.0)	(123.7)
Net debt including lease liabilities	(19.3)	(137.4)	22.2	(4.0)	(138.5)

12 Analysis of changes in net debt *(continued)*

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

Cash and bank balances include restricted cash, being deposits held by the Group's insurance subsidiary of £3.5m (30 September 2019: £4.9m, 31 March 2020: £4.9m).

13 Assets and Liabilities classified as held for sale

Following a review of the Group's activities, the Board identified the Containers business as non-core. A short competitive tender process was held in the first half of the year and a purchaser identified. In addition, certain vehicles are surplus to requirement at 30 September 2020 and their value is expected to be recovered by their sale and not through ongoing use in the business.

The related assets and liabilities are therefore classified as held for sale at 30 September 2020. No impairment was recognised on classification as held for sale.

The major classes of assets and liabilities classified as held for sale at 30 September 2020 are:

	£m
Property, Plant and Equipment	4.0
Right-of-use assets	1.6
Inventories	0.2
Assets classified as held for sale	**5.8**
Lease liabilities	(3.1)
Liabilities classified as held for sale	**(3.1)**

The disposal of the Containers business completed on 17 October 2020, resulting in a small net gain on disposal after transaction and other disposal costs are taken into account. The Containers business does not meet the definition of a discontinued operation.

14 Leases

Additions and disposals

During the half year to 30 September 2020 the Group recognised lease liabilities and corresponding right-of-use assets with a value of £6.8m (30 September 2019: £2.2m). Right-of-use assets with a carrying amount of £5.0m were disposed of and lease liabilities of £5.0m were derecognised during the half year to 30 September 2020 (30 September 2019: £0.1m).

Lease commitments

At 30 September 2020 the Group had committed to enter into lease arrangements valued at £8.2m (31 March 2020: £9.7m); delivery is expected in the second half of the year to 31 March 2021.

15 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	5.0	0.6	1.1	6.7
Provisions used during the year	(3.4)	(0.1)	(1.3)	(4.8)
Provisions released during the year	(1.6)	(0.5)	-	(2.1)
Unwinding of discount	0.2	0.1	-	0.3
At 30 September 2020	23.6	10.5	3.0	37.1
Current	7.3	2.2	3.0	12.5
Non-current	16.3	8.3	-	24.6
	23.6	10.5	3.0	37.1

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 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.

Other provisions include the estimated costs of restructuring together with provision for sundry claims and settlements.

16 Contingent liability

The Group has been notified by HMRC of potential claims for Excise duty and related VAT in connection with the historic transfers of a group of former customers' excise goods. These movements occurred from one of Wincanton's bonded warehouses to a common third party UK export agent. HMRC suspects irregularities to have occurred during the export process and the export agent has subsequently entered administration. Due to the nature of the excise regime Wincanton operates in, HMRC considers Wincanton to be jointly and severally liable for Excise duty and VAT arising as a result of these irregularities.

Wincanton is confident in its legal position having received clear, expert advice and is vigorously disputing the potential claims. As a result of the legal advice, no liability has been recognised in respect of these claims, noting that the total value of the potential claims could be up to approximately £50m before interest and legal costs. We expect that any claims made by HMRC will be received in the second half of the year.

Unless earlier resolution is achieved, the Group expects to proceed to have the claims heard before a Tax Tribunal and the full legal process could take in excess of two years. Under current regulations, some or all of the claims could be required to be paid shortly after issuance and in advance of the outcome of a Tribunal. The Group is in discussion with HMRC regarding the process and potential options to minimise the risk of cash outflows in advance of a Tribunal. In parallel with the legal process, the Group is reviewing options regarding its insurance cover.

17 Employee benefits

In September 2020 the Group reached an agreement with the Trustee of the Scheme on the 2020 triennial valuation and recovery plan. The annual deficit funding contributions have been agreed at £18.9m per annum from 1 April 2021 increasing by RPI over the three years to March 2024, followed by £22.0m per annum from April 2024, increasing by RPI to March 2027 and additional protection has been provided to the Scheme in the form of a letter of credit of £3.0m. 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.

17 Employee benefits *(continued)*

The Group and Trustee also agreed to a substantial acceleration of the planned de-risking of the Scheme's investments to lock in a lower deficit position and reduce future volatility.

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 will be paid in December 2020.

Movements in the net pension obligations have been recognised as follows:

	Assets 30 Sept 2020 £m	**Liabilities 30 Sept 2020 £m**	**Total 30 Sept 2020 £m**	30 Sept 2019 £m	31 March 2020 £m
Opening position	**1,157.5**	**(1,063.1)**	**94.4**	(7.1)	(7.1)
Included in Income statement:					
Administration costs	**(0.9)**	**-**	**(0.9)**	(0.9)	(1.7)
Interest on the net defined benefit liability	**13.2**	**(12.1)**	**1.1**	-	-
Cash:					
Employer contributions	**3.3**	**-**	**3.3**	9.7	18.9
Benefits paid	**(23.0)**	**23.0**	**-**	0.3	0.3
Included in Other comprehensive income:					
Changes in financial assumptions	**-**	**(216.0)**	**(216.0)**	(115.3)	72.4
Changes in demographic assumptions	**-**	**-**	**-**	-	(3.4)
Experience	**-**	**8.0**	**8.0**	(4.1)	6.6
Return on assets excluding amounts included in net financing costs	**134.4**	**-**	**134.4**	125.5	8.4
Closing defined benefit asset/(liability)	**1,284.5**	**(1,260.2)**	**24.3**	8.1	94.4
Presented as:					
Non-current asset			**26.9**	8.1	96.5
Non-current liability			**(2.6)**	-	(2.1)
			24.3	8.1	94.4

Liabilities in the table above include unfunded arrangements.

As mentioned above, the Group, in agreement with the Trustee, has arranged to pay certain administration expenses directly and, in line with the Schedule of Contributions, these amounts have been deducted from the deficit funding contributions and are therefore not included in the above table. Other administration expenses are paid directly by the Group in addition to the deficit funding contributions. These total £0.3m in the period and are included in employer contributions in the table above.

The movement in the defined benefit pension net surplus in the period was primarily the result of a reduction in the discount rate. The discount rate has fallen as credit spreads return to normal following the significant increase caused by market uncertainty due to the impact of COVID-19. The defined benefit surplus, after taking into account the related deferred tax liability, is £19.7m (30 September 2019: £6.7m).

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

	30 Sept 2020 %	30 Sept 2019 %	31 March 2020 %
Discount rate	**1.55**	1.80	2.30
Price inflation rate – RPI	**3.10**	3.25	2.75
Price inflation rate – CPI	**2.20**	2.35	1.85
Rate of increase of pensions in deferment	**2.20**	2.35	1.85
Rate of increase of pensions in payment[1]	**1.80-3.05**	1.85-3.15	1.60-2.70

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

Notes to the consolidated half year financial statements *(continued)*
for the six months to 30 September 2020 (unaudited)

17 Employee benefits *(continued)*

Sensitivity to changes in assumptions

The sensitivity of the present value of the Scheme's liabilities and, due to hedging, the fair value of its assets, to changes in key actuarial assumptions are set out in the following table.

	Change in assumption	(Increase)/ decrease in liability £m	Increase/ (decrease) in assets £m
Discount rate	+0.5%	111.0	(120.0)
Credit spread	-0.25%	(65.0)	23.0
Price inflation rate – RPI	+0.25%	(42.0)	45.0
Mortality rate	+ 1 year	(51.0)	-

The illustrations consider the results 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.

18 Post balance sheet events

As noted above, the disposal of the containers business completed in October. After fees and provision for costs of transition and separation, the Group expects to report a small non-underlying gain on the disposal in H2.

INDEPENDENT REVIEW REPORT TO WINCANTON PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London
4 November 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Shareholders' enquiries

All administrative enquiries relating to shareholdings should, in the first instance, be directed to the Registrar at the following address:

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: 0370 702 0000   Fax: 0370 703 6101
Web queries: www.investorcentre.co.uk/contactus