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Wincanton

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WINCANTON plc

Half Year results for the six months to 30 September 2022 (unaudited)

Diversified customer portfolio delivers sustained growth in a challenging external environment

Wincanton plc ("Wincanton" or "the Group"), a leading supply chain partner for UK business, today announces its half year results for the six months ended 30 September 2022.

Key financial measures

	H1 22/23	H1 21/22	Change
Revenue (£m)	**753.6**	690.3	9.2%
Underlying EBITDA (£m) [1]	**57.4**	50.8	13.0%
Underlying profit before tax (£m) [1]	**28.0**	27.3	2.6%
Underlying basic EPS [1]	**18.8p**	18.2p	3.3%
Dividend per share – interim (pence)	**4.4p**	4.0p	10.0%
Free cash flow (£m) [1]	**17.7**	17.9	
Net debt (£m) [1]	**(2.2)**	(16.4)	

Statutory results			
Profit before tax (£m)	**25.8**	25.1	2.8%
Basic EPS	**17.4p**	16.9p	3.0%

Operational highlights

- Revenue growth delivered across all four sectors against the backdrop of the challenging economic environment
- Good new business momentum, contract renewals and extensions including IKEA Dartford, Husqvarna and La Doria
- Healthy pipeline of new business opportunities; particular strength in public and infrastructure markets
- Continued progress against strategy with further investment in technology, robotics and automation
- Diverse customer portfolio mitigating the impact of volume headwinds in two-person home delivery and transport networks for retail and construction

Financial highlights

- Good first half performance with revenue of £753.6m up by 9.2% (6.9% excluding Cygnia Logistics acquisition impact)
- Underlying EBITDA of £57.4m, a year-on-year increase of 13.0% (H1 21/22: £50.8m)
- Underlying profit before tax of £28.0m up 2.6% (H1 21/22: £27.3m); profit growth delivered whilst increasing investment and against a challenging macro-economic environment
- Successfully managing inflationary pressures, with clear mechanisms to pass through costs in open book contracts and proactive actions taken to manage closed book contracts
- Free cash flow generation of £17.7m with robust cash management resulting in an improved H1 net debt of position of £2.2m (H1 21/22 £16.4m)
- Interim dividend of 4.4p (H1 21/22: 4.0p)

Outlook
We are mindful of the expected continuation of macro-economic uncertainty, and we will continue to work closely with our customers to manage inflationary pressures and labour market challenges across our markets. Our open book contracts and the contractual positions in our closed book contracts protect our operating cash flows and ability to deliver sustained growth. The Board remains confident in the Group's strategy and expects to deliver revenue and profit in line with market expectations for FY23, underlining our excellent customer relationships and resilience to challenging external conditions.

James Wroath, Chief Executive Officer of Wincanton commented:

"Wincanton has delivered another good performance during the first half of the year in a challenging macro-economic environment. I would particularly like to thank our people, who continue to provide exceptional service to our customers delivering supply chain value every single day.

We continued to win new business and made further progress against our growth strategy. Our exceptional customer service and track record for delivery are the foundations of our business. We are reinforcing this with sustained investment into automation and robotic solutions to meet the growing demand for these technologies, and they are delivering tangible results for our customers. I am very satisfied with the progress we have made in the period and, while mindful of the challenging macro-economic pressures, I remain confident in our strategy."

For further enquiries please contact:

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A presentation for sell-side analysts will be held today at the offices of Herbert Smith Freehills LLP (Exchange House, Primrose Street London, EC2 2EG), commencing at 9.00am GMT.

A live audio webcast of the analysts' presentation will be available on Wincanton's IR website: through the following link: https://brrmedia.news/Wincanton_HY. The webcast will be available on demand following the conclusion of the presentation.

Notes

[1] The section on Alternative Performance Measures (APMs) below and Note 3 to the consolidated half year financial statements provide further information on underlying measures, including definitions and a reconciliation of APMs to statutory measures.

Half year review for the six months to 30 September 2022

Summary

The Group has continued to make good progress in both its financial and operational performance. The benefits of our strategy of focusing on delivering sustainable and profitable growth are reflected in these results and the year-on-year improvements are particularly encouraging given the current economic environment.

Revenue was £753.6m (H1 21/22: £690.3m), ahead of prior year by 9.2%, with growth across all sectors. Our eFulfilment sector revenue increased by 19.1% driven primarily by the acquisition of Cygnia (4.1% growth excluding Cygnia). New business from customers including Primark and DEFRA led to a growth of 14.6% and 5.2% in the General Merchandise and Public & Industrial sectors, respectively. Finally, our Grocery & Consumer sector delivered a steady growth of 3.2%, building upon its already strong market share position.

Underlying profit before tax increased by 2.6% to £28.0m (H1 21/22: £27.3m), with underlying profit margin of 3.7% (H1 21/22: 4.0%). The Group's performance was impacted by volume reductions in the two-person home delivery, retail transport and construction transport markets. However, a diverse portfolio of customers and new business wins, together with operational efficiencies, have provided protection against these commercial headwinds.

The strength of the Group's balance sheet is evidenced by closing net debt at the end of H1 of £2.2m (H1 21/22: £16.4m) demonstrating strong cash conversion. The Group has significant liquidity headroom enabling further strategic investments in growth initiatives, alongside providing protection against potential headwinds from the macro-economic environment.

Strong operational delivery

Our people have delivered a robust operational performance in keeping with our continuous improvement culture for customers. This is particularly relevant in our General Merchandise and Grocery & Consumer sectors.

Performance across the eFulfilment sector has been solid despite the economic environment. Wins with Gopuff and Nkuku, together with recent mobilisation for The White Company, have enhanced the sector's performance. Given the shared-user nature of operations, processing volumes remain key to the overall profitability of eFulfilment. Whilst eCommerce volumes have decreased across the industry, tight margin control is being maintained through good cost management and contractual pass-through of inflationary cost increases.

In the Public & Industrial sector, despite delays in contract wins announced last year, additional revenue has been generated through supplementary engagement whilst mobilisation and delivery is planned. There remains a positive momentum with new work being secured for smaller projects across existing customers including BAE, Thales, and Alstom.

Our foundation sectors have secured renewals with customers such as Heinz, La Doria and Husqvarna, extending our long-term partnerships. Growth has been achieved through the addition of supplementary support, in particular offering additional warehouse capacity via our OneVASTwarehouse platform. However, retail volume pressures are impacting transport and signs of softness are appearing in the construction transport market.

The broad mix of our customer base, together with the open book and close book split, c.72%/28%, continues to provide protection against potential headwinds. In particular, our disciplined commercial approach ensures we continue to have dialogue with our customers around addressing and managing this headwind.

We have maintained our high performance on health and safety with a Lost Time Injury Frequency Rate (LTIFR) of 0.28 in the period, a year-on-year improvement of 13% (FY22: 0.33).

Investment in automation and innovation
The Group continues to invest in supply chain innovation, with progress around AMRs (Autonomous Mobile Robot), people recruitment and warehouse management systems. We accelerated the deployment of AMR technology in Cygnia, which went live in the period with Molton Brown and Whittard of Chelsea. We also continue to support our foundation customers and delivered a seamless mobilisation of new fulfilment automation on behalf of Screwfix providing an increase in pick capacity.

Our W^2 Labs programme welcomed five start-ups from across the world to accelerate innovation, discover emerging ideas and tackle some of the industry's toughest challenges. The products and services range from smart pick to making functional products out of waste plastics. This innovation aims to increase the Group's propositions and grow its market share.

We are proud to have won two eCommerce awards for our collaborative and innovative eFulfilment solution for Neal's Yard Remedies, also winning Best Use of Robotics at the Supply Chain Excellence awards. We are also finalists for other awards including HR Excellence, National Technology award, Personnel Today and Motor Transport.

Capital Markets Day
The Group held a Capital Markets event in July for analysts and institutional investors with a key focus on the Group's eFulfilment sector. The event showcased the Group's automation offerings across some of its key facilities and was able to demonstrate the investment being made in both the Group's capability and capacity.

Continued progress on ESG strategy
The Group is actively working to embed its ESG strategy; this year a new committee has been formed, led by the CEO, to promote the long-term success with regards to ESG matters. Three key successes to date include the offer of net-zero propositions to all our customers, the launch of a social value roadmap, together with a clear code of conduct setting out what we stand for as a Group.

Our people are at the heart of our success and during H1 we are proud to have been part of Birmingham Pride. Our diversity and inclusion network showcased our support during the event. The Group was also recognised with a silver status award under the Armed Forces Covenant for our pledge to help people from the armed forces make a seamless transition to civilian employment. We also strengthened our relationship with Mencap to give people with learning disabilities the opportunity to join our teams across the country.

People
As previously announced, Tom Hinton joined Wincanton on 15 August 2022 as Chief Financial Officer. The Board welcomes Tom to the Group and looks forward to working together in leading the Group through the next stage of its development. In addition, the Board thanks James Clarke for his support in his role as Interim CFO and his collaboration with Tom to ensure a smooth transition.

Dividend
The Board is declaring an interim dividend of 4.4p per Ordinary Share (H1 21/22: 4.0p per share) in line with its established policy of growing the dividend broadly in line with underlying earnings movements. The Group's policy is for the interim to be approximately one third of the expected full year dividend.

Key priorities and outlook
The Group is mindful of the challenging macro-economic environment. Whilst open book contracts, which make up c.72% of revenue, provide a clear mechanism of passing on inflationary increases, we will continue to drive operational efficiencies for both open and closed book contracts to mitigate these cost increases as much as possible. The further continued investment in automation and robotics will support in driving this efficiency.

The Group remains on track to deliver full year profits in line with market expectations. The pipeline for our strategic markets continues to grow, particularly in the public sector. However, the rate of growth in this key market will be dependent on the pace of UK Government spend. The Board is particularly encouraged by the current sales pipeline across the Group, future growth opportunities and the Group's ability to mitigate inflationary cost pressures through its contractual structures with customers.

Trading

Sector revenue	**H1 22/23 £m**	H1 21/22 £m	Change
eFulfilment	**122.9**	103.2	19.1%
Grocery & Consumer	**260.1**	252.1	3.2%
General Merchandise	**221.4**	193.2	14.6%
Public & Industrial	**149.2**	141.8	5.2%
Total revenue	**753.6**	690.3	9.2%
Underlying EBITDA	**57.4**	50.8	13.0%
Underlying profit before tax	**28.0**	27.3	2.6%
Underlying profit before tax margin (%)	**3.7%**	4.0%	(24)bps

eFulfilment delivered a 19.1% increase in revenue, driven primarily from the acquisition of Cygnia. On a like-for-like basis, the sector grew by 4.1%, reflecting new business from The White Company together with the benefit of new business from the last financial year from customers such as Saint Gobain and Snug Sofa. This growth was offset by a reduction in volume across our eCommerce market, particularly in the two-person home delivery network.

General Merchandise and Grocery & Consumer's revenue remained strong in the first half of the year, especially against the Covid-19 peak volumes in the prior year. The growth includes new business from Primark won at the end of last finance year and additional support for current customers.

The Public & Industrial sector's growth of 5.2% was driven primarily by public sector activity most notably with DEFRA and HMRC for the Inland Border Clearance centres, and the infrastructure programme for EDF. However, the sector was also impacted by the reduction in construction activity as seen in the wider construction industry.

The Group continues to deliver its strategy with underlying EBITDA increasing by 13.0% to £57.4m (HY 21/22: £50.8m). Investment in automated facilities and additional property has resulted in higher depreciation charges thus reducing growth at the underlying profit before tax level. However, underlying profit before tax has increased by 2.6% to £28.0m (H1 21/22: £27.3m). This sustained growth is due to our diversified portfolio of customers and our capacity to successfully manage inflationary pressures, delivering continued bottom-line growth against the current macro-economic challenges.

Net financing costs

	H1 22/23 £m	H1 21/22 £m
Interest on the net defined benefit pension asset	**1.7**	0.6
Bank interest payable on loans	**(2.6)**	(1.2)
Unwinding of discount on provisions	**(0.3)**	(0.2)
Interest on lease liabilities	**(3.0)**	(1.7)
Net financing costs	**(4.2)**	(2.5)

Net financing costs have increased to £4.2m (H1 21/22: £2.5m), £1.7m higher than the comparative period.

Bank interest payable on loans of £2.6m (H1 21/22: £1.2m) was higher than the comparative period, primarily due to the increase in interest rates and drawdown on the Group's RCF facility in the current period.

Financing charges of £3.0m in respect of the interest on lease liabilities was driven by additional property leases supporting the Group's growth (H1 21/22: £1.7m).

The non-cash interest income on the net defined benefit pension asset in the period of £1.7m (H1 21/22: £0.6m) was higher than the comparative period due to the increased pension net surplus position reported at the start of the period.

Taxation

	H1 22/23 £m	H1 21/22 £m
Underlying profit before tax	**28.0**	27.3
Underlying tax	**4.8**	4.7
Tax on non-underlying items	**(0.5)**	(0.6)
Tax as reported	**4.3**	4.1
Effective tax rate on underlying profit before tax (%)	**17.1%**	17.2%

Underlying tax of £4.8m (H1 21/22: £4.7m) represents an underlying effective tax rate (ETR) of 17.1% (H1 21/22: 17.2%) on underlying profit before tax. The underlying ETR applied at the half year is an estimate of the expected full year rate and is lower than the statutory corporation tax rate of 19.0% due to tax benefits expected under the current Government regime, permitting capital allowances of 130% on qualifying expenditure to promote business investment.

Corporation tax paid in respect of the period was £4.7m (H1 21/22: £1.8m) of which £3.8m relates to prior periods. In the current financial year, payments on account are based on the latest view of taxable profits for the full year. The Group has tax losses of £43m that it expects to utilise in future periods reducing future tax payments.

Profit after tax and EPS

Profit after tax for the period was £21.5m (H1 21/22: £21.0m) which translates to a basic EPS of 17.4p (H1 21/22: 16.9p). Underlying EPS, which excludes the impact of non-underlying items, increased to 18.8p (H1 21/22: 18.2p). The calculation of these EPS measures is set out in Note 6 to the consolidated half year financial statements.

Dividends

The Group's policy is for the dividend to grow sustainably and 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.

Reflecting the continued growth in underlying profit before tax and the confidence in the growth prospects and resilience of the business, the Board has declared an interim dividend of 4.4p (H1 2021: 4.0p) per share relating to the six-month period ended 30 September 2022, payable on 30 December 2022.

Financial position

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

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Non-current assets (excl. pension assets)	**317.8**	290.0	325.6
Net current liabilities (excl. net cash/debt)	**(160.9)**	(150.5)	(156.2)
Non-current liabilities (excl. net debt / pension liabilities and borrowings)	**(208.8)**	(175.7)	(224.0)
Net (debt) / cash (excl. lease liabilities)	**(2.2)**	(16.4)	3.7
Net pension asset (excl. deferred tax)	**124.5**	67.6	114.5
Net assets	**70.4**	15.0	63.6

Net assets increased by £6.8m since 31 March 2022 to £70.4m.

Non-current assets and non-current liabilities include right-of-use assets and corresponding lease liabilities which have both reduced due to the impacts of amortisation of the asset and lease payments respectively. These changes were partially offset by additional lease assets and liabilities being recognised of £12.1m which primarily relate to the acquisition of new sites.

Net current liabilities are comparable to year end: an increase in trade receivables and trade payables reflects timing of the month end cycle, offset by changes in the profile of lease liabilities.

The movement in the net pension asset is primarily due to employer contributions of £10m paid into the Scheme, plus net actuarial movements on pension assets and liabilities driven by external market conditions offset by financing income, as shown in the net financing costs section above.

Net debt and cash flows

Net debt at 30 September 2022 was £2.2m (H1 21/22: net debt of £16.4m, 31 March 2022: net cash of £3.7m), reflecting a net cash inflow of £14.2m over the intervening 12 months and a net cash outflow of £5.9m since 31 March 2022.

The Group's change in net (debt)/cash is summarised in the following table:

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Underlying EBITDA	**57.4**	50.8	108.3
Working capital	**(1.9)**	(10.6)	6.0
Corporation tax	**(4.7)**	(1.8)	(3.3)
Net interest	**(5.4)**	(2.9)	(8.3)
Other items	**0.5**	0.2	-
Repayment of obligations under leases	**(18.9)**	(13.5)	(37.7)
Capital expenditure net of disposal proceeds	**(7.6)**	(1.1)	(8.3)
Non-underlying items	**(1.7)**	(3.2)	(2.7)
Free cash flow	**17.7**	17.9	54.0
Pension payments	**(10.0)**	(9.2)	(18.5)
Dividends	**(9.9)**	(9.4)	(14.3)
Acquisition:			
- Consideration	**-**	(23.9)	(23.9)
- Additional net assets acquired	**-**	(3.7)	(3.7)
Own shares acquired	**(3.7)**	-	(1.8)
Increase in net debt/decrease in net cash	**(5.9)**	(28.3)	(8.2)

The Group's net debt increased by £5.9m since 31 March 2022 (H1 21/22: £28.3m increase) with a free cash inflow of £17.7m (H1 21/22: £17.9m).

Working capital movement in the period resulted in an outflow of £1.9m (H1 21/22: outflow of £10.6m), with the reduction driven mainly by good cash management together with the reset of customer budgets where invoices are raised in advance of activity delivered each period. Prior year working capital outflow was impacted by Covid-19 cash protection measures and the strong volumes in that period higher than customer budgets resulting in a short-term outflow.

The Group paid £4.7m corporation tax in the period (H1 21/22: £1.8m). The payment includes the impact of the tax losses deferred to future years to benefit from the higher rate of tax of 25% from 1 April 2023. Corporation tax also includes the benefit of enhanced capital allowances together with tax deductions received on pension contributions.

Net interest paid of £5.4m (H1 21/22: £2.9m) includes the interest paid on lease liabilities for the Group's investment in new property leases. Interest paid on borrowings reflects the increase in bank interest for the RCF drawings together with higher interest rates.

Other items of £0.5m comprise non-cash items relating mainly to net movements on provisions.

Capital expenditure was £7.6m (H1 21/22: £2.3m gross cash outflow) principally consisting investment in AMRs at Cygnia and fit-out of warehouses in Harlow for the two-person home delivery network. H1 21/22 included £1.2m from proceeds from the disposal of fleet.

Cash outflow from non-underlying items of £1.7m (H1 21/22: £3.2m) relates to phase two implementation costs for the new upgraded finance and HR systems in the period offset by £0.2m of contingent consideration received from a disposed business.

Defined recovery contributions paid to the Group's defined benefit pension scheme in the period were £10.0m (H1 21/22: £9.2m), which is net of administration costs of £0.2m paid directly by the Group.

The final dividend paid in the period was £9.9m (H1 21/22: £9.4m). The interim cash dividend payment in the second half of the year is expected to be c.£5.4m and will be paid on 30 December 2022.

The Group acquired one million of its own shares during the period at a total cost of £3.7m to provide shares for the Employee Benefit Trust in respect of its long-term incentive plan commitments.

Financing and covenants

The Group's committed facilities at the period end were £175.0m (H1 21/22: £141.2m). The headroom in the committed facilities compared to net debt of £2.2m at H1 22/23 was £172.8m (H1 21/22: £124.8m). The Group also has a Receivables Purchase Facility (RPF) with Santander UK plc and operating overdrafts which provide day to day flexibility and amount to a further £50m and £5m respectively in uncommitted facilities. At H1 22/23, utilisation of the Group's non-recourse RPF was £9.5m (H1 21/22: £8.4m)

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

Covenant	Ratio	**At 30 September 2022**
Leverage ratio	<3.0:1	1.0
Interest cover	>3.5:1	22.7
Fixed charge cover	>1.4:1	2.7

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 £124.5m (£93.7m net of deferred tax) at H1 22/23 (H1 21/22: £67.6m, 31 March 2022: £114.5m) as set out in the following table:

£m	**30 September 2022**	30 September 2021	31 March 2022
Assets	**880.8**	1,256.4	1,208.3
Liabilities	**(756.3)**	(1,188.8)	(1,093.8)
Pension net asset	**124.5**	67.6	114.5
Discount rate (%)	**5.15**	2.00	2.70

The movement in the liability since 31 March 2022 is predominately £333.0m of actuarial movements driven by external market factors increasing the discount rate, as it is based on high quality corporate bond yields. The asset portfolio hedges against this movement and therefore we have seen a corresponding decrease in the asset balance. In the period, employer contributions of £10.0m have been paid.

The estimated actuarial deficit at H1 22/23 has reduced to £35m, compared to £37m at 31 March 2022. At H1 22/23, the Scheme's investments were split between 24% in return-seeking assets and 76% in defensive assets. The inflation and interest rate risks facing the Scheme are hedged to mitigate the quantum of any future movements in the actuarial deficit as seen in the current period. In the period, due to rapidly changing interest rates, LDI portfolio positions and the subsequent cash collateralisation levels of several defined benefit schemes made headline news. In this volatile market our pension scheme LDI position required no further cash collateralisation; the Trustees in conjunction with the company have reviewed potential future volatility and consider the collateral position robust, therefore no changes have been made to the investment strategy.

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 49 to 51 of the Annual Report for the year ended 31 March 2022, with the exception of the deterioration of the UK's macro-economic environment. 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 the subsequent performance of new and existing contracts against a backdrop of difficult economic pressures. The Group continues to manage inflationary pressures across its markets and c.72% of the Group's contracts are open book, providing a clear mechanism for cost increases to be passed to customers. The Group also continues to take a proactive approach to managing the commercial consequences of cost pressures in its closed book contracts.

Going concern

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

In determining whether the 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 adherence to its banking covenants.

The Board considered the following key uncertainties in considering the Group's future:

- a deterioration in trading performance together with unplanned working capital outflows
- a major customer going into administration
- a decline in current market conditions, including the impact of further increases in inflation and increased competition, resulting in lower Group revenues and profits

The Board has also 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.

The Directors have considered the impact of climate related matters on the Group's going concern assessment, and do not expect this to have a significant impact on the going concern assessment throughout the forecast period to 31 March 2024.

Further details are provided in Note 1 to the consolidated half year financial statements.

Alternative Performance Measures

The Alternative Performance Measures (APMs) or underlying results reported in this announcement represent statutory measures adjusted for items which management consider could distort the understanding of performance and comparability year on year.

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 but should not be viewed in isolation. Additionally, underlying profit before tax is used in determining annual bonus payments and underlying EPS is used as a key performance indicator for most awards under the Long-Term Incentive Plan (LTIP) share incentive scheme. These measures are not defined by IFRS and are not intended to be a substitute for IFRS measures. Wincanton's underlying measures may not be comparable to similarly titled measures used by other companies.

The Group presents underlying EBITDA, operating profit, profit before tax and EPS which are calculated as the statutory measures stated before non-underlying items. These are items which the Directors consider separate disclosure would assist both in a better understanding of the financial performance achieved and in making projections of future results. A balanced approach to both gains and losses is applied, to be both consistent and clear in the accounting and disclosure of such items.

Further details of underlying results and the definition of non-underlying items can be found in Note 3 to the consolidated half year financial statements.

EBITDA refers to earnings (operating profit) before interest, tax, depreciation and amortisation of finite-lived intangible assets. This measure also excludes the impact of impairment of non-current assets.

Other APMs used are net debt/cash and free cash flow, which relate to liquidity. Net debt/cash is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities excluding lease liabilities. Note 11 to the consolidated half year financial statements provides a breakdown of net debt/cash for the current and prior periods. Free cash flow is defined as the movement in net debt/cash before acquisitions, pension payments, dividends and purchase of own shares.

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

	H1 22/23			H1 21/22		
£m	**Underlying**	**Non-underlying items**	**Statutory**	Underlying	Non-underlying items	Statutory
Revenue	**753.6**	**-**	**753.6**	690.3	-	690.3
EBITDA	**57.4**	**(1.7)**	**55.7**	50.8	(2.2)	48.6
EBITDA margin (%)	**7.6%**	**-**	**7.4%**	7.4%	-	7.0%
Depreciation, amortisation, and impairments	**(25.2)**	**(0.5)**	**(25.7)**	(21.0)	-	(21.0)
Operating profit	**32.2**	**(2.2)**	**30.0**	29.8	(2.2)	27.6
Net financing costs	**(4.2)**	**-**	**(4.2)**	(2.5)	-	(2.5)
Profit before tax	**28.0**	**(2.2)**	**25.8**	27.3	(2.2)	25.1
Income tax	**(4.8)**	**0.5**	**(4.3)**	(4.7)	0.6	(4.1)
Profit after tax	**23.2**	**(1.7)**	**21.5**	22.6	(1.6)	21.0
Earnings per share (p) [2]	**18.8**	**-**	**17.4**	18.2	-	16.9
Dividend per share (p)	**-**	**-**	**4.4**	-	-	4.0
Net debt excluding lease liabilities	**(2.2)**	**-**	**(2.2)**	(16.4)	-	(16.4)

[2] *Note 6 to the consolidated half year financial statements provides further detail of underlying earnings per share.*

In the period to 30 September 2022 net non-underlying items of £2.2m (H1 21/22: £2.2m) were expensed. These include costs relating to phase two of the implementation of a new enterprise-wide finance and HR system and amortisation of acquired intangible assets.

In the comparative period, non-underlying also included the release of a historic warranty provision and profits on the disposal of businesses and other assets.

Further details of other non-underlying items are set out in Note 3 to the consolidated half year financial statements.

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 2022 have been prepared in accordance with UK-adopted IAS 34 *Interim Financial Reporting*; 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 above Statement of Directors' responsibilities was approved by the Board on 14 November 2022.

T Hinton
Director

Consolidated income statement
for the six months to 30 September 2022 (unaudited)

		Six months to 30 September 2022			Six months to 30 September 2021		
	Note	**Underlying £m**	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
Revenue	*2*	**753.6**	**-**	**753.6**	690.3	-	690.3
Net operating costs		**(721.4)**	**(2.2)**	**(723.6)**	(660.5)	(2.2)	(662.7)
Operating profit / (loss)	*3*	**32.2**	**(2.2)**	**30.0**	29.8	(2.2)	27.6
Financing income	*4*	**1.7**	**-**	**1.7**	0.6	-	0.6
Financing costs	*4*	**(5.9)**	**-**	**(5.9)**	(3.1)	-	(3.1)
Profit/(loss) before tax		**28.0**	**(2.2)**	**25.8**	27.3	(2.2)	25.1
Income tax (expense) / credit	*5*	**(4.8)**	**0.5**	**(4.3)**	(4.7)	0.6	(4.1)
Profit/(loss) attributable to equity shareholders of Wincanton plc		**23.2**	**(1.7)**	**21.5**	22.6	(1.6)	21.0
Earnings per share							
- basic	*6*	**18.8p**		**17.4p**	18.2p		16.9p
- diluted	*6*	**18.7p**		**17.3p**	17.9p		16.7p

Consolidated statement of comprehensive income
for the six months to 30 September 2022 (unaudited)

	Six months to 30 September 2022 £m	Six months to 30 September 2021 £m
Profit for the period	**21.5**	21.0
Other comprehensive income/(expense)		
Items which will not subsequently be reclassified to the income statement		
Remeasurements of defined benefit asset	**(1.2)**	10.1
Deferred tax on remeasurements of defined benefit asset	**(0.4)**	(5.4)
	(1.6)	4.7
Items which are or may subsequently be reclassified to the income statement		
Foreign exchange gain on investments in foreign subsidiaries net of hedged items	**0.3**	**-**
	0.3	**-**
Total other comprehensive income/(loss) for the period, net of income tax	**(1.3)**	4.7
Total comprehensive income attributable to equity shareholders of Wincanton plc	**20.2**	25.7

Consolidated balance sheet
at 30 September 2022 (unaudited)

	Note	**30 Sept 2022 £m**	30 Sept 2021 £m	31 March 2022 £m
Non-current assets				
Goodwill and intangible assets	*8*	**109.8**	109.2	110.7
Property, plant, equipment and vehicles	*9*	**29.3**	23.1	25.9
Right-of-use assets	*10*	**178.7**	157.7	189.0
Employee benefits	*13*	**126.1**	70.2	117.0
		443.9	360.2	442.6
Current assets				
Inventories		**2.3**	2.4	2.6
Trade and other receivables		**232.5**	191.0	207.4
Income tax receivable		**-**	0.7	-
Cash at bank and in hand	*11*	**27.8**	23.6	28.7
		262.6	217.7	238.7
Assets classified as held for sale		**-**	0.2	-
		262.6	217.9	238.7
Current liabilities				
Income tax payable		**(0.9)**	-	(3.3)
Lease liabilities	*10*	**(37.8)**	(38.8)	(26.6)
Trade and other payables		**(346.6)**	(291.5)	(323.6)
Provisions	*12*	**(10.4)**	(14.5)	(12.7)
		(395.7)	(344.8)	(366.2)
Net current liabilities		**(133.1)**	(126.9)	(127.5)
Total assets less current liabilities		**310.8**	233.3	315.1
Non-current liabilities				
Borrowings	*11*	**(30.0)**	(40.0)	(25.0)
Lease liabilities	*10*	**(155.9)**	(137.9)	(176.5)
Employee benefits	*13*	**(1.6)**	(2.6)	(2.5)
Provisions	*12*	**(33.8)**	(28.1)	(30.6)
Deferred tax liabilities		**(19.1)**	(9.7)	(16.9)
		(240.4)	(218.3)	(251.5)
Net assets		**70.4**	15.0	63.6
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)**	(0.4)	(0.5)
Own shares		**(5.5)**	(0.8)	(2.2)
Retained profits/(losses)		**47.2**	(12.7)	37.4
Total equity		**70.4**	15.0	63.6

Consolidated statement of changes in equity

at 30 September 2022 (unaudited)

	Issued share capital £m	Share premium £m	Merger reserve £m	Translation reserve £m	Own shares £m	Profit and loss £m	Total equity £m
Balance at 1 April 2022	**12.5**	**12.9**	**3.5**	**(0.5)**	**(2.2)**	**37.4**	**63.6**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**21.5**	**21.5**
Other comprehensive income / (expense)	**-**	**-**	**-**	**0.3**	**-**	**(1.6)**	**(1.3)**
Total comprehensive income	**-**	**-**	**-**	**0.3**	**-**	**19.9**	**20.2**
Own shares purchased for share schemes	**-**	**-**	**-**	**-**	**(3.7)**	**-**	**(3.7)**
Share based payment transactions income / (expense)	**-**	**-**	**-**	**-**	**0.4**	**(0.4)**	**-**
Current tax on share based payments	**-**	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Dividends paid to shareholders	**-**	**-**	**-**	**-**	**-**	**(9.9)**	**(9.9)**
Balance at 30 September 2022	**12.5**	**12.9**	**3.5**	**(0.2)**	**(5.5)**	**47.2**	**70.4**
Balance at 1 April 2021	12.5	12.9	3.5	(0.4)	(1.0)	(29.2)	(1.7)
Profit for the period	-	-	-	-	-	21.0	21.0
Other comprehensive income	-	-	-	-	-	4.7	4.7
Total comprehensive income	-	-	-	-	-	25.7	25.7
Share based payment transactions	-	-	-	-	0.2	0.3	0.5
Current tax on share based payments	-	-	-	-	-	(0.2)	(0.2)
Deferred tax on share based payments	-	-	-	-	-	0.1	0.1
Dividends paid to shareholders	-	-	-	-	-	(9.4)	(9.4)
Balance at 30 September 2021	12.5	12.9	3.5	(0.4)	(0.8)	(12.7)	15.0
Balance at 1 April 2021	12.5	12.9	3.5	(0.4)	(1.0)	(29.2)	(1.7)
Profit for the year	-	-	-	-	-	47.9	47.9
Other comprehensive income / (expense)	-	-	-	(0.1)	-	32.9	32.8
Total comprehensive income	-	-	-	(0.1)	-	80.8	80.7
Share based payment transactions expense	-	-	-	-	(1.2)	(0.3)	(1.5)
Current tax on share based payment transactions	-	-	-	-	-	0.3	0.3
Deferred tax on share based payment transactions	-	-	-	-	-	0.1	0.1
Dividends paid to shareholders	-	-	-	-	-	(14.3)	(14.3)
Balance at 31 March 2022	12.5	12.9	3.5	(0.5)	(2.2)	37.4	63.6

Consolidated statement of cash flows

for the six months to 30 September 2022 (unaudited)

	Six months to 30 Sept 2022 £m	Six months to 30 Sept 2021 £m	Year ended 31 March 2022 £m
Operating activities			
Profit before tax	**25.8**	25.1	54.8
Adjustments for:			
- depreciation and amortisation	**25.7**	21.0	44.2
- research and development expenditure credit	**-**	-	(0.6)
- net financing costs	**4.2**	2.5	6.6
- profit on disposal of property, plant and equipment	**-**	(0.2)	(0.1)
- (profit) / loss on derecognition of lease liabilities	**(0.6)**	(0.1)	1.2
- profit on disposal of businesses	**(0.2)**	(0.5)	(0.9)
- share based payment transactions	**-**	0.5	0.3
	54.9	48.3	105.5
(Increase) / decrease in trade and other receivables	**(25.2)**	6.8	(7.9)
(Increase) / decrease in inventories	**0.3**	(0.9)	(1.1)
Increase / (decrease) in trade and other payables	**23.0**	(16.5)	15.9
Increase / (decrease) in provisions	**0.6**	(1.6)	(1.7)
Increase in employee benefits before pension deficit payment	**0.5**	0.5	0.9
Income taxes paid	**(4.7)**	(1.8)	(3.3)
Cash generated before pension deficit payments	**49.4**	34.8	108.3
Pension deficit payments	**(10.0)**	(9.2)	(18.5)
Cash flows from operating activities	**39.4**	25.6	89.8
Investing activities			
Proceeds from sale of property, plant and equipment	**0.6**	1.2	2.9
Purchase of business, net of cash acquired	**-**	(13.6)	(13.6)
Net cash inflow from disposal of businesses	**0.2**	0.6	-
Additions of property, plant and equipment	**(7.9)**	(2.3)	(10.7)
Additions of computer software	**(0.3)**	-	(0.5)
Cash flows from investing activities	**(7.4)**	(14.1)	(21.9)
Financing activities			
Increase in borrowings	**5.0**	24.9	9.9
Repayment of borrowings acquired	**-**	(14.0)	(14.0)
Own shares acquired	**(3.7)**	-	(1.8)
Payment of lease liabilities	**(18.9)**	(13.5)	(37.7)
Equity dividends paid	**(9.9)**	(9.4)	(14.3)
Interest paid on borrowings	**(2.4)**	(1.2)	(3.1)
Interest paid on lease liabilities	**(3.0)**	(1.7)	(5.2)
Cash flows from financing activities	**(32.9)**	(14.9)	(66.2)
Net (decrease) / increase in cash and cash equivalents	**(0.9)**	(3.4)	1.7
Cash and cash equivalents at beginning of the period	**28.7**	27.0	27.0
Cash and cash equivalents at end of the period	**27.8**	23.6	28.7
Represented by:			
- Cash at bank and in hand	**27.8**	23.6	28.7

Notes to the consolidated half year financial statements
for the six months to 30 September 2022 (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 2022 comprise the Company and its subsidiaries (together referred to as the 'Group').

These consolidated half year financial statements do not include all 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 2022. The comparative figures for the year ended 31 March 2022 have been extracted from those accounts but do not comprise the full statutory accounts for that financial year. Except for the 31 March 2022 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 2022 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 was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The Half Year Report, which includes the consolidated half year financial statements, was approved by the Board on 14 November 2022.

Basis of preparation

The consolidated half year financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and also in accordance with the measurement and recognition principles of UK-adopted international accounting standards. 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 2022, except as described below.

Critical accounting estimates and judgements

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 nature of the significant judgements made by management in applying the Group's accounting policies and the nature of the key areas of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 March 2022. The estimates and judgements that are specific to the preparation of the half year financial statements that were considered by the Group are the consideration of the appropriateness of the recognition and carrying value of the Group's provisions and the measurement of the defined benefit pension scheme obligation.

1 Accounting policies *(continued)*

Adoption of amended standards

The Group has adopted the following amendments to standards with effect from 1 April 2022:
- Annual Improvements to IFRS 2018–2020
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IFRS 3 Reference to Conceptual Framework

None of these amendments have had a material impact on the interim financial report of the Group as at 30 September 2022.

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the consolidated half year 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 consolidated half year financial statements. For the purpose of this going concern assessment, the Directors have considered an 18 month period from the balance sheet date, aligned with the business forecasting outlook period, to 31 March 2024. The Group has reported a profit before tax of £25.8m for the six months ended 30 September 2022 (30 September 2021: £25.1m), has net current liabilities of £133.1m (30 September 2021: £126.9m, 31 March 2022: £127.5m) and net assets of £70.4m (30 September 2021: £15.0m, 31 March 2022: £63.6m).

The Group's committed facilities at 30 September 2022 comprise a syndicated Revolving Credit Facility (RCF) of £175.0m, which matures in March 2026. The Group had £145.0m of undrawn amounts against the RCF facility as at 30 September 2022, with drawn debt being used to fund the working capital cycle during the period. The RCF requires the Group to comply with the following three financial covenants at 30 September and 31 March each financial year and the Group operates comfortably within these covenants with significant headroom:

Covenant	Ratio	**30 Sept 2022**	30 Sept 2021	31 March 2022
Leverage ratio	<3.0:1*	**1.0**	0.7	0.7
Interest cover	>3.5:1	**22.7**	34.0	38.8
Fixed charge cover	>1.4:1	**2.7**	3.0	2.7

* Leverage ratio was <2.75:1 under the previous RCF agreement.

In addition, the Group makes use of cash pooling facilities with a net overdraft facility available of £5m and a £30m Receivable Purchase Facility (RPF), of which £9.5m was utilised as at 30 September 2022.

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.

1 Accounting policies *(continued)*

Going concern *(continued)*

The Directors have reviewed the financial forecasts across a range of scenarios including an inflationary environment. In all scenarios, the Group has sufficient liquidity and adequate headroom in the committed facilities set out above to meet its liabilities as they fall due throughout the forecast period and the Group complies with the financial covenants under the RCF at 30 September and 31 March throughout the forecast period. The Group has also carried out reverse stress tests against the downside case to determine the performance levels that would result in a breach of covenants and the Directors do not consider such a scenario to be plausible.

Since performing their assessment, there have been no subsequent changes in facts and circumstances relevant to the Directors' assessment of going concern.

2 Revenue

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

Sector revenue	**Six months to 30 Sept 2022 £m**	Six months to 30 Sept 2021 £m
eFulfilment	**122.9**	103.2
Grocery & Consumer	**260.1**	252.1
General Merchandise	**221.4**	193.2
Public & Industrial	**149.2**	141.8
Total revenue	**753.6**	690.3

Revenue from open book contracts totalled £541.8m (30 September 2021: £491.1m) and from closed book contracts £211.8m (30 September 2021: £199.2m).

Revenue of £159.9m (30 September 2021: £155.6m) and £80.5m (30 September 2021: £82.1m) 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.

3 Alternative performance measures (APMs)

The alternative performance measures (APMs) or underlying results reported in these consolidated half year financial statements represent statutory measures adjusted for items which management consider could distort the understanding of performance and comparability year on year.

The Group identifies items as non-underlying based on the following principles:

- items that are significant in nature. The event or transaction is clearly unrelated to, or only incidentally related to, the trading activities of the Group or the event or transaction would not reasonably be expected to recur in the foreseeable future; and/or
- items that are significant in size. The event is considered significant in size and therefore distorts the underlying results.

Items reported as non-underlying are as follows:

	Note	**Six months to 30 Sept 2022 £m**	Six months to 30 Sept 2021 £m
Cloud computing configuration and customisation costs	a	**(1.9)**	(3.2)
Gain on disposal of businesses	b	**0.2**	0.5
Amortisation of acquired intangibles	c	**(0.5)**	-
Acquisition related transaction costs	d	**-**	(0.7)
Release of warranty provision	e	**-**	1.0
Net profit on disposal of assets	f	**-**	0.2
Total expense		**(2.2)**	(2.2)

a) Cloud computing configuration and customisation costs

The Group is currently undertaking a major systems implementation for new cloud computing software, resulting in costs being recognised as an expense in the current and prior period. Consistent with previous presentation, these costs are recorded as a non-underlying item, not reflective of underlying performance due to their size, nature and incidence.

b) Gain on disposal of businesses

The Group disposed of its Containers business in 2020 and adjustments to contingent consideration related to the disposal have been recognised and reported in non-underlying consistent with prior periods.

c) Amortisation of acquired intangibles

As part of the acquisition of the Cygnia in September 2021, the Group has recorded finite lived intangible assets identified as part of the purchase price allocation in accordance with IFRS 3 business combinations. The amortisation of these assets is presented in non-underlying consistent with the presentation of other acquisition related costs.

d) Acquisition related transaction costs

In the comparative period, the Group incurred acquisition related costs and professional fees of £0.7m related to the acquisition of Cygnia, which were recognised as an expense as required by IFRS 3 Business combinations.

3 Alternative performance measures (APMs) (*continued)*

e) Release of warranty provision

In the comparative period the Group released a historic warranty provision where an outflow of economic benefits was now considered to be remote. As the original provision was recognised as a non-underlying item, the write-back was recognised in a consistent manner.

f) Net profit on disposal of assets

The Group disposed of several specialist vehicles in the prior period that were not required for ongoing operations.

4 Net financing costs

	Six months to 30 Sept 2022 £m	Six months to 30 Sept 2021 £m
Recognised in the income statement		
Interest on the net defined benefit pension asset	**1.7**	0.6
Total interest income	**1.7**	0.6
Interest expense	**(2.6)**	(1.2)
Interest on lease liabilities	**(3.0)**	(1.7)
Unwinding of discount on provisions	**(0.3)**	(0.2)
Total interest expense	**(5.9)**	(3.1)
Net financing costs	**(4.2)**	(2.5)

5 Income tax expense

Recognised in the income statement	**Six months to 30 Sept 2022 £m**	Six months to 30 Sept 2021 £m
Current year tax expense	**2.5**	1.8
Current year deferred tax expense	**1.8**	2.3
Total income tax expense	**4.3**	4.1
Recognised in other comprehensive income		
Items which will not subsequently be reclassified to the income statement:		
Remeasurements of defined benefit pension asset	**0.4**	5.4
Recognised directly in equity		
Current tax on share based payment transactions	**(0.2)**	0.2
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 17.1% (30 September 2021: 17.2%).

The main UK corporation tax rate remained at 19% (30 September 2021: 19%) and will increase to 25% as from 1 April 2023.

The closing UK deferred tax asset is calculated using a tax rate of 25%.

6 Earnings per share

The basic earnings per share of 17.4p (30 September 2021: 16.9p) is calculated based on the profit attributable to the equity shareholders of Wincanton plc of £21.5m (30 September 2021: £21.0m) and the weighted average shares of 123.5m (30 September 2021: 124.2m) which have been in issue throughout the period.

The diluted earnings per share of 17.3p (30 September 2021: 16.7p) is calculated based on there being 0.8m (30 September 2021: 1.8m) 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 2022 Millions	Six months to 30 Sept 2021 Millions
Weighted average number of Ordinary Shares (basic)		
Issued Ordinary Shares at the beginning of the period	**123.9**	124.1
Net effect of shares issued and purchased during the period	**(0.4)**	0.1
	123.5	124.2
Weighted average number of Ordinary Shares (diluted)		
Weighted average number of Ordinary Shares at the end of the period	**123.5**	124.2
Potential ordinary shares	**0.8**	1.8
	124.3	126.0

An alternative earnings per share measure of underlying EPS is also provided, being earnings before non-underlying items and related tax where applicable. The underlying basic earnings per share of 18.8p (30 September 2021: 18.2p) is calculated based on the underlying profit attributable to the equity shareholders of Wincanton plc of £23.2m (30 September 2021: £22.6m) and diluted underlying EPS is 18.7p (30 September 2021: 17.9p). The weighted average number of shares used in these calculations are as described above.

At 30 September 2022, 1,568,833 (31 March 2022: 665,812) ordinary shares were held by the Employee Benefit Trust in respect of the Group's various equity compensation schemes. 1,000,000 shares (30 September 2021: nil) shares were purchased by the Employee Benefit Trust in the period.

7 Dividends

During the period a final dividend of 8.0p per share was paid, relating to the year ended 31 March 2022 (2021: 7.5p per share).

The Board has declared an interim dividend of 4.4p per share for the period ended 30 September 2022 (30 September 2021: 4.0p per share) which will be paid on 30 December 2022 to shareholders on the register on 2 December 2022, an estimated total payment of £5.4m.

8 Goodwill and intangible assets

Additions and disposals

During the half year to 30 September 2022 the Group acquired intangible assets with a cost of £0.3m (30 September 2021: £0.5m recognised on a business combination). Intangible assets with a carrying amount of £0.1m were disposed of in the period (30 September 2021: £nil).

9 Property, plant, equipment and vehicles

Additions and disposals

During the half year to 30 September 2022 the Group acquired tangible fixed assets with a cost of £7.9m (30 September 2021: £2.3m plus £3.7m recognised on a business combination). Assets with a carrying amount of £0.5m were disposed of during the half year to 30 September 2022 (30 September 2021: £0.3m).

Capital commitments

At 30 September 2022 the Group had entered into contracts to purchase property, plant and equipment for £1.0m (30 September 2021: £0.1m); delivery is expected in the second half of the year to 31 March 2023.

10 Leases

Right of use assets

During the period to 30 September 2022, the Group recognised right-of-use assets with a value of £12.1m (30 September 2021: £11.2m, plus £29.6m recognised on a business combination). Right-of-use assets with a carrying amount of £2.0m were disposed of during the period to 30 September 2022 (30 September 2021: £7.7m).

Lease liabilities

During the period to 30 September 2022, the Group recognised lease liabilities with a value of £12.1m (30 September 2021: £11.2m, plus £29.6m recognised on a business combination). Lease liabilities of £2.6m were derecognised during the period to 30 September 2022 (30 September 2021: £8.0m).

11 Analysis of changes in net debt

	1 April 2022 £m	Cash flow £m	Non-cash movements £m	30 Sept 2022 £m
Bank loans	(25.0)	(5.0)	-	(30.0)
Financial liabilities arising from financing activities	(25.0)	(5.0)	-	(30.0)
Cash and bank balances	28.7	(0.9)	-	27.8
Net cash/(debt) excluding lease liabilities	3.7	(5.9)	-	(2.2)
Lease liabilities	(203.1)	21.9	(12.5)	(193.7)
Net debt including lease liabilities	(199.4)	16.0	(12.5)	(195.9)

	1 April 2021 £m	Cash flow £m	Non-cash movements £m	30 Sept 2021 £m
Bank loans and overdrafts	(15.1)	(24.9)	-	(40.0)
Financial liabilities arising from financing activities	(15.1)	(24.9)	-	(40.0)
Cash and bank balances	30.6	(7.0)	-	23.6
Bank overdrafts classified as cash equivalents	(3.6)	3.6	-	-
Net cash/(debt) excluding lease liabilities	11.9	(28.3)	-	(16.4)
Lease liabilities	(145.7)	(13.9)	(17.1)	(176.7)
Net debt including lease liabilities	(133.8)	(42.2)	(17.1)	(193.1)

	1 April 2021 £m	Cash flow £m	Non-cash movements £m	31 Mar 2022 £m
Bank loans and overdrafts	(15.1)	(9.9)	-	(25.0)
Financial liabilities arising from financing activities	(15.1)	(9.9)	-	(25.0)
Cash and bank balances	30.6	(1.9)	-	28.7
Bank overdrafts classified as cash equivalents	(3.6)	3.6	-	-
Net cash/(debt) excluding lease liabilities	11.9	(8.2)	-	3.7
Lease liabilities	(145.7)	42.9	(100.3)	(203.1)
Net debt including lease liabilities	(133.8)	34.7	(100.3)	(199.4)

Cash and bank balances include restricted cash, being deposits held by the Group's insurance subsidiary of £2.8m (30 September 2021: £2.8m, 31 March 2022: £2.8m).

12 Provisions

	Insurance £m	Property £m	Other provisions £m	Total £m
At 1 April 2022	24.1	14.8	4.4	43.3
Provisions made during the period	4.4	0.3	-	4.7
Provisions used during the period	(1.9)	(0.2)	(0.3)	(2.4)
Provisions released during the period	(0.7)	(0.4)	(0.6)	(1.7)
Unwinding of discount	0.2	0.1	-	0.3
At 30 September 2022	26.1	14.6	3.5	44.2
Current	6.7	1.5	2.2	10.4
Non-current	19.4	13.1	1.3	33.8
	26.1	14.6	3.5	44.2

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 £19.7m (31 March 2022: £19.7m).

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. They are expected to be utilised at the end of the lease term.

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

13 Employee benefits

The Group operates a funded pension scheme with a net surplus of £124.5m at 30 September 2022 (31 March 2022: £114.5m). The movement in the pension asset and liability position was driven by external market factors increasing the discount rate offset by a reduction in credit spreads.

The values of scheme assets and liabilities are shown below.

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Assets	**880.8**	1,256.4	1,208.3
Liabilities	**(756.3)**	(1,188.8)	(1,093.8)
Net defined benefit asset	**124.5**	67.6	114.5
Presented as:			
Non-current asset	**126.1**	70.2	117.0
Non-current liability	**(1.6)**	(2.6)	(2.5)
	124.5	67.6	114.5

13 Employee benefits *(continued)*

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

	30 Sept 2022 %	30 Sept 2021 %	31 March 2022 %
Discount rate	**5.15**	2.00	2.70
Price inflation rate – RPI	**3.55**	3.55	3.85
Price inflation rate – CPI	**2.95**	2.95	3.25
Rate of increase of pensions in deferment[1]	**2.50-2.95**	2.50-2.95	2.50-3.25
Rate of increase of pensions in payment[1]	**2.10-3.40**	2.10-3.40	2.20-3.65

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

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**	**Increase/ (decrease) in surplus £m**
Discount rate	+ 1.00%	95.0	(123.0)	(28.0)
Discount rate	- 1.00%	(108.0)	157.0	49.0
Credit spread	+ 0.25%	23.0	(5.0)	18.0
Price inflation rate – RPI	+ 0.25%	(15.0)	20.0	5.0
Mortality rate	+ 1 year	(23.0)	-	(23.0)

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.

14 Contingent liability

From time to time, the Group is notified of legal claims in respect of work carried out and the potential exposure can be material. Where management believes we are in a strong position to defend these claims and the likelihood of outflow of economic benefit is not probable, no provision is made.

The Group has received notification of a potential claim from a former customer and is in the early stages of defending this claim. At this time, the Group considers that it is not probable that any claim will result in an outflow of economic benefit. The Group is actively seeking further information to substantiate the allegations made. Given the early stage of the legal and commercial process it is not practicable to make an estimate of the potential financial impact. In parallel, the Group continues to work with its insurance providers to confirm coverage if required.

15 Related parties

Related party relationships exist with the Group's subsidiaries, key management personnel, pension schemes and employee benefit trust. A full explanation of the Group's related party relationships is provided on page 142 of the Annual Report and Accounts 2022.

There are no material transactions with related parties or changes in the related party transactions described in the last annual report that have had, or are expected to have, a material effect on the financial performance or position of the Group in the six month period ended 30 September 2022.

INDEPENDENT REVIEW REPORT TO WINCANTON PLC

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 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 2022 which comprises the primary financial statements and the related explanatory notes that have been reviewed.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). 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.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of 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.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of 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, UK
14 November 2022

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:

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