Wincanton

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22 May 2023

Wincanton plc

Preliminary announcement of results for the financial year ended 31 March 2023

Profitable growth and strategic progress amid a challenging external environment

Wincanton plc (‘Wincanton’ or the ‘Group’), a leading supply chain partner for UK business, today announces its preliminary results for the year ended 31 March 2023.

Key financial measures

	2023	2022	Change
Revenue (£m)	**1,462.0**	1,421.4	2.9%
Underlying EBITDA (£m)[2]	**121.9**	108.3	12.6%
Underlying profit before tax (£m)[2]	**62.1**	58.1	6.9%
Underlying basic EPS[2]	**42.5p**	40.8p	4.2%
Free cash flow (£m)[2]	**48.6**	54.0	(10.0)%
Net cash (£m)[2]	**13.2**	3.7	
Dividend per share	**13.2p**	12.0p	10.0%

Statutory results			
Profit before tax (£m)	**38.2**	54.8	(30.3)%
Basic EPS	**26.9p**	38.6p	(30.3)%

Financial highlights

- Full year revenue up 2.9% to £1,462.0m
- Underlying EBITDA of £121.9m, an increase of 12.6% (2022: £108.3m) and underlying profit before tax up 6.9% to £62.1m (2022: £58.1m)
- Headwinds detailed at H1 continued through H2; lower customer volumes impacted performance in H2
- Managed inflationary pressures throughout the year; steps taken to pass through costs in open book contracts and control costs in closed book contracts
- Group remains highly cash-generative, with strong free cash flow generated from operating activities
- Focused cash management reinforced the financial position; closing net cash of £13.2m (2022: net cash of £3.7m)
- Final dividend of 8.8p recommended (2022: 8.0p); full year dividend up 10% to 13.2p per share (2022: 12.0p)
- Pension accounting surplus of £114.7m (2022: £114.5m), triennial review underway to determine lower funding commitments

Operational highlights

- New business momentum sustained with major customer wins secured across the Group’s four sectors. Contract renewals agreed with long-standing customers including Sainsbury’s, Waitrose & Partners, Wickes, Co-op and Halfords
- Consumer spending trends impacted retail volumes in Grocery & Consumer, General Merchandise and eFulfilment
- Public & Industrial revenue boosted in year by expanded contract wins with DHSC and Defra, together with growth in defence through new work with BAE Systems
- Strategic investments through the year in robotics and automation technologies. Successful deployment of Autonomous Mobile Robots at the Group’s Cygnia facility
- Group Transport operations reorganised to create more efficient, profitable, digitally enabled service offering, resulting in restructuring and associated impairment charges of £19.5m

Outlook

- Wincanton continues to forecast results for FY24 in line with expectations, which as previously indicated, reflect the challenging external economic environment
- The Board is confident in the Group's long term growth strategy, underpinned by the highly cash-generative business model and ability to deploy capital in its most profitable sectors. Management remains focused on delivering excellent customer service, driving efficiencies for both Wincanton and its customers and delivering growth from its pipeline of new business opportunities

James Wroath, Chief Executive Officer, said:

"Our strategy delivered a strong result in FY23 despite the prevailing macro-economic challenges, particularly with regard to retail volumes and inflation. We continue to invest in technology as the route to deliver competitive advantage in the industry. Significant opportunities remain for warehouse automation across our Group, both in the foundation sectors and strategic growth markets. Furthermore, our transport operations have had a shift in focus with technology at the heart of our new market proposition. I am thankful to the Wincanton team who has delivered excellent performance in a difficult economy. Their determination and innovation will continue to be essential, as we expect volumes to remain under pressure into FY24 due to the macro-economic environment."

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Analyst presentation:
A presentation for analysts and investors will be held at 09:30am today, Monday 22 May 2023. The presentation will be followed by a Q&A with James Wroath and Tom Hinton.

The live webcast can be found at: https://stream.brrmedia.co.uk/broadcast/644bcf7366990ceeb71b3f72

Alternatively, should you wish to dial in by telephone a conference line is available through the following details:

UK-Wide: +44 (0) 33 0551 0200
UK Toll Free: 0808 109 0700

Password (if prompted): Quote Wincanton - Preliminary Results

The presentation and Q&A will be made available to watch on demand shortly after it finishes. This will be hosted on Wincanton's website: https://www.wincanton.co.uk/investors/results-reports-and-presentations/

Notes

1. Certain comparatives have been restated due to an error identified in relation to right-of-use assets and associated lease liabilities, as explained in Note 1 to the accompanying financial statements.
2. The section on Alternative Performance Measures (APMs) below and Note 2 to the accompanying financial statements provide further information on underlying measures, including definitions and a reconciliation of APMs to statutory measures.

Group performance review

Financial performance for the year ending 31 March 2023 was excellent. Our full year underlying profit before tax increased by 6.9% versus last year to deliver a record result. Public sector performance was a highlight with HMRC and Defra contracts enhancing the Group's profitability. Despite continuing inflationary pressures and lower volumes, our foundation sectors performed consistently, with open book contracts providing substantial protection. Closed book warehouse services in high volume eFulfilment, as well as transport operations for two-person home delivery, consumer products and construction materials, were all impacted by the broader market pressures experienced in the current economic environment. Revenue increased by 2.9% versus last year with strong performances from our core customers in all sectors. This was offset by a reduction in our transport operations and lower customer volumes in the second half of the year.

Service performance remains a key strength for the business. On the back of this, we delivered several key contract renewals such as those with Asda and Halfords, as well as organic growth from existing customers with awards of new areas of activity. Doubling our business with both IKEA and Wickes were also highlights.

Our industry-leading safety programme remains a clear priority for Wincanton. Once again, a year on year improvement has been made in our safety performance. The Lost Time Incident Frequency Rate performance indicator improved again from 0.33 last year to 0.31 this year.

Sector performance

eFulfilment

Despite challenging macro-economic headwinds in eCommerce markets, our eFulfilment sector continued to progress this year with growth of 13.8% and revenue passing the £250m mark; excluding the impact of the Cygnia acquisition, revenue was up 7.6%. Core customer volumes, particularly in Cygnia, have however seen declines in line with the market and we have seen customers insourcing if they have capacity elsewhere in their network. Winning new contracts from insourced customers has similarly become more difficult for the same reason.

In high volume eFulfilment we successfully delivered our first peak period for The White Company ahead of their move this year into The WEB, our automated facility in Rockingham. Elsewhere in this area we won business with Nkuku, Neal's Yard Remedies, Huda Beauty, City Electrical Factors and C Brewers, as well as growing our partnership with Sephora. The loss of the Moonpig contract, as they insourced our activities, was a negative reflecting the general downturn in customer volumes in this sector.

This area of the business is also an important test bed for our automation ambitions. Our Autonomous Mobile Robot (AMR) deployment in Cygnia was the first to market for a shared-user robotics deployment in the UK. The system, working for customers such as Molton Brown and Whittard of Chelsea, has so far facilitated the picking of more than one million items and is over-delivering on our productivity expectations.

We had a fantastic year developing our partnership with IKEA. Firstly, we were chosen to run their new London area customer distribution centre at Dartford. The 450k sq ft purpose-built facility opened in May 2023. Additionally, we have extended our final mile home delivery services out of the new location, doubling our current final mile activity. Excitingly, the new contract also commits us to work collaboratively on a full electric vehicle operation by 2025. Finally, we will also be setting up IKEA's first customer distribution centre for the Irish market in 2024. In doing so, we are taking on new property in Dublin that has capacity to support Wincanton's growth in Ireland. These three new contracts underline the trust that IKEA has in Wincanton and the value that we bring to the partnership.

Wickes is another success story for our ability to develop new business with existing accounts. We delivered a new contract, spanning warehouse and transport operations, which sees us become the sole supply chain partner for Wickes' kitchen and bathroom business in the UK. Wincanton has worked with Wickes since 2017, gradually expanding its services over time to cover the management of 50% of Wickes' kitchen and bathroom transport operations. The new contract increases this to 100% of kitchen and bathroom deliveries.

We delivered contract extensions with both Loaf and DFS, built on our reputation for continued service performance excellence, despite the challenges brought about by global supply issues. We also extended our partnership with DFS with the addition of a new service overseeing the end-to-end management of all customer orders through multiple suppliers, known as "drop-ship vending".

Lastly, we successfully launched our new two-person home delivery fulfilment site in Harlow which is strategically located to support further growth. This underlines our commitment to this value-adding service and provides an important gateway to new opportunities.

Public & Industrial

Public & Industrial had an exceptional year for non-transport operations with Defence, Infrastructure and the Public Sector being particularly strong. Revenue growth year on year was 0.4%.

We supplemented our continued management of Border Controls for both HMRC and Defra with the provision of critical services to UK Government in healthcare for the pandemic response, PPE storage and recycling activities. Whilst the loss of one material HMRC contract was disappointing, we remain confident that the pipeline will provide growth in the future through both outsourcing and consulting opportunities.

Elsewhere, we secured account growth with key strategic clients including Alstom and BAE Systems as well as further provision of consulting services to EDF. We also secured a ten-year contract with British Salt, a Tata Group subsidiary, to provide UK warehousing and Transport Control Tower services.

Sector performance in our Public & Industrial transport markets was much more challenging. In both our bulk tanker and construction businesses, we experienced lower core volumes and a shift from customers towards both their own fleets and more use of spot market haulage.

Grocery & Consumer

Our Grocery & Consumer sector saw the impact of lower customer volumes in the year due to consumer spending pressures, resulting in a year on year decline of 1%. This impact was felt particularly in transport volumes, where supply has also risen due to actions taken across the industry during the driver shortage of 2021.

We maintained strong operational performance throughout the year, despite a challenging labour market, and delivered an excellent peak for our customers during their key trading period which was elongated by the winter World Cup. We agreed a five-year renewal with Asda on the back of this service record.

The award of a five-year contract to manage the whole of the Sainsbury's and Argos transport network was a major milestone for the Group's repositioned transport strategy. Our proven ability to manage large teams across multiple sites, coupled with investments in planning and execution technology, makes us an ideal outsource partner. The combination of managing substantial open book transport fleets and providing digitally enabled sub-contraction services is especially relevant for both grocery and consumer products customers.

Our strong relationship with Waitrose continued with a five-year renewal of our Greenford bonded drinks operation. Alongside our dark store, this extends a more than 20-year relationship with Waitrose, delivering over 13 million cases of wine each year.

Furthermore, the Grocery & Consumer team are a big part of our strategic drive for further automation in our foundation sectors, co-developing new technology with one of our Grocery customers with the potential to transform warehousing in the sector. The delivery of major automation projects for both Britvic and Suntory was clear evidence of the team's ability to be agile and to thrive in complex operational situations.

General Merchandise

General Merchandise continues to provide a solid foundation for the Group but also saw the impact of reduced customer volumes, particularly in the second half of the year. Overall revenue for the year was up 3.5% on last year reflecting new business won in the prior year with Primark and MGA Entertainment.

We were pleased to announce the renewal of our national transport contract with Halfords for a further five years and the successful go-live of a new distribution centre for Screwfix. Both reflect our strong partnership with our existing customers.

We continue to broaden our customer base with a new three-year contract award from New Look for national transport to their stores, following an excellent start-up for a similar operation with Primark. This win includes the deployment of our Winsight transport technology. We also launched the distribution of solar panels on behalf of City Electrical Factors from our shared-user fulfilment centre.

Delivering on our strategy

The Executive Management Team remain focused on Wincanton's vision of being "Great people delivering sustainable supply chain value". We are committed to increasing the amount of technology we bring to our customers alongside our experienced and talented teams, with two clear focus areas.

Firstly, we continue to develop robotics and automation solutions, particularly to increase the productivity of picking operations. Our AMRs in Cygnia are a proven success and we have identified further use cases for this solution. We are working on further opportunities for robotics across the network.

Secondly, we have invested in technology for our transport proposition. Our strategy is based on being the best partner to both manage dedicated fleets and to provide efficient and reliable subcontracted services. Our technology delivers flawless execution of plans, optimised networks, and seamless integration with sub-contracted partners. Data reporting tools enable better control of operations and inform longer term strategic choices.

From a sector perspective, Grocery & Consumer and General Merchandise remain the foundation of our business, providing scale as well as demonstrating capability in the highest pace supply chain environments. They also provide the best opportunities for both our new technology focus areas.

Our strategic growth sectors remain unchanged, despite challenges this year. High volume eFulfilment volumes have been suppressed as retail spending has declined, however, we still firmly believe in the volume and profit growth opportunities afforded by a shared-user offer. The market remains underserved by logistics partners of scale and with the capability to invest in transformational automation and robotic solutions. Similarly, our premium two-person home delivery network remains a key differentiator for Wincanton in the eFulfilment sector.

In the Public & Industrial sector, whilst the loss of the HMRC contract was disappointing, we still believe that Wincanton has an important role to play as a partner to Government for supply chain services. We see a significant number of opportunities both from direct and indirect Government spending (such as defence and major infrastructure) and believe that we maintain a good reputation for delivery. Important lessons have been learned to inform our future value proposition.

ESG

ESG and "The Wincanton Way" remain a priority for the business.

For the environment, our premium home delivery service has been carbon neutral since 2022 and we consider this to be our first major milestone delivery. We have built further milestones in our net zero roadmap that give us tangible goals for 2025, 2026 and 2030.

We have continued to present carbon reduction programmes to our customers throughout the year. Notably, to support our continued growth with IKEA, Wincanton is making a multi-million pound investment in electric vehicle technology to enable IKEA's goal of reaching 100% zero emission last mile deliveries by 2025. The new fleet is expected to save 1,000 tonnes of carbon emissions each year, across over 10,000 journeys. We have also successfully trialled HVO (hydrotreated vegetable oil) as a replacement fuel for diesel in our mission to create a sustainable supply chain for the future.

In the Social value space, we launched our 'Million Hours Mission' made up of four key commitments: to look after ourselves and others, to embed an inclusive culture, to enrich our communities and to strengthen our social value partnerships. We have committed to delivery of this target by 2025. The target captures several initiatives under our broad banner of 'culture of care'. We have received several external awards recognising our inclusive culture and have undertaken work in the local communities through engagement events, volunteer work and charitable partnerships. We also heavily focus on training, apprenticeship and graduate programmes. We are tracking our target and will report further successes in future years.

Finally, we have set out a Governance strategy to ensure our structures, systems and controls remain business focused and agile. Our ESG Committee, which I chair, is up and running and supported by an ESG champion who sits on the main Board.

Succession planning - Non-executive Director (NED) recruitment

Stewart Oades, Senior Independent Director (SID), completes his third three-year term as a director of Wincanton in October 2023. He will retire from the Board at the conclusion of the meeting scheduled to be held on 5 October 2023. Ms Gill Barr will become the SID when Mr Oades steps down. Ms Barr is an experienced NED and has had considerable interaction with shareholders in her role as Chair of the Remuneration Committee of Wincanton and other listed companies.

Ms Debbie Lentz will replace Ms Barr as Chair of the Remuneration Committee, having served on the Committee since 2019. The Nomination Committee is currently engaged in the process of recruiting a new NED to replace Mr Oades.

Outlook and market environment

The Group expects the macro-economic environment, particularly regarding consumer spending, to remain challenging for the next 12 months and therefore the Group remains highly focused on short term delivery. Wincanton remains a resilient business with a well-articulated strategy for growth, focusing on our market reputation for excellent operational capability at scale with investment in innovation and technology to deliver greater supply chain value for customers.

We are accelerating our automation and robotics plans, investing in resources to deliver more solutions to customers. As a result, FY24 will be the year where Wincanton first monetises technology delivery. We will also focus on our re-positioned transport offering whereby we will prioritise customers with large managed fleets or those looking to bring more technology to their sub-contracting arrangements.

The Group remains confident in its strategy to continue delivering for shareholders and is well positioned to benefit from any improvement in market sentiment.

Financial review

The Group's revenue of £1,462.0m in the year ended 31 March 2023 was 2.9% higher than the prior year (2022: £1,421.4m). This is a strong achievement against a challenging economic environment and in particular compares to the prior year that saw strong volumes across our Grocery & Consumer sector. The Group continued to secure high value new business, although this new revenue was offset by a number of contract losses, particularly within our book of standalone transport contracts. Revenue increased across all sectors with the exception of Grocery & Consumer, however, this sector secured a significant five-year Sainsbury's contract which is expected to contribute to future growth.

Despite macro-economic headwinds and the inflationary pressures noted in the first half of the year, the Group delivered growth of 6.9% to achieve a record level underlying profit before tax of £62.1m (2022 £58.1m). It was also able to improve its underlying profit margin by 10bps to 4.2% (2022: 4.1%).

Positive cash flow performance is reflected in net cash of £13.2m (2022: net cash £3.7m). The net pension asset has increased to £114.7m (2022: £114.5m) with net assets at £59.1m (2022: £63.6m). We have also successfully extended our revolving credit facility (RCF) for a further year to March 2027.

The key financial aspects are outlined below with the results presented on an underlying basis, excluding non-underlying items, to provide a better understanding of the performance. Reconciliations to statutory numbers are set out in the Alternative Performance Measures section at the end of this review and Note 2 to the accompanying financial statements which also includes details of the items reported as non-underlying in the current and prior year.

Financial performance summary

	2023 £m	**2022 £m**	Change
Revenue	**1,462.0**	1,421.4	2.9%
Underlying EBITDA[1]	**121.9**	108.3	12.6%
Underlying EBITDA margin (%)[1]	**8.3%**	7.6%	70bps
Net financing costs	**(8.7)**	(6.6)	(31.8)%
Underlying profit before tax[1]	**62.1**	58.1	6.9%
Underlying profit before tax margin (%)[1]	**4.2%**	4.1%	10bps
Non-underlying items[2]	**(23.9)**	(3.3)	(624%)
Profit before tax	**38.2**	54.8	(30.3)%
Income tax	**(5.0)**	(6.9)	27.5%
Profit after tax	**33.2**	47.9	(30.7)%
Underlying EPS	**42.5p**	40.8p	4.2%
Basic EPS	**26.9p**	38.6p	(30.3)%
Closing net cash (£m)	**13.2**	3.7	
Dividend per share[3]	**13.2p**	12.0p	10%

1 The section on Alternative Performance Measures (APMs) below and Note 2 to the accompanying financial statements provide further information on these underlying measures, including definitions and a reconciliation of APMs to statutory measures.

2 Details of items reported as non-underlying in the current and prior year are included in the section headed non-underlying items below and in Note 2 to the accompanying financial statements.

3 The final dividend for FY23 is proposed and subject to shareholder approval.

The Group delivered revenue of £1,462.0m (2022: £1,421.4m) for the year ended 31 March 2023 achieving growth of 2.9%, which was a solid performance.

The Group achieved its highest ever underlying profit before tax of £62.1m despite a challenging macro-economic environment. The Group's underlying profit margin has strengthened to 4.2% (2022: 4.1%) despite headwinds of labour and fuel costs, and other inflationary pressures, which are mostly mitigated across our business model and strategy. Revenue from open book contracts which provide protection from price increases was 73.5% (2022: 72.1%) of our total revenue. Furthermore, for the majority of our closed book contracts, contract renegotiations have been completed in the year with price increases agreed at an average of 6%.

Statutory profit before tax of £38.2m (2022: £54.8m) is impacted by non-underlying items primarily reflecting a strategic transport reorganisation and cloud computing configuration and customisation costs. Profit after tax for the year on a statutory basis decreased to £33.2m (2022: £47.9m), a reduction of 30.7%.

Underlying EPS, which excludes earnings from non-underlying items, increased by 4.2% to 42.5p (2022: 40.8p), reflecting increased profits. Basic EPS decreased by 30.3% to 26.9p (2022: 38.6p).

Sector revenue

	2023 £m	2022 £m	Change %
eFulfilment	**254.1**	223.2	13.8%
Public & Industrial	**285.2**	284.2	0.4%
Grocery & Consumer	**512.5**	517.6	(1.0)%
General Merchandise	**410.2**	396.4	3.5%
Total	**1,462.0**	1,421.4	2.9%

As a key strategic sector, eFulfilment grew 13.8% (7.6% excluding the full year trading for Cygnia). The organic growth includes the new business with The White Company and the extension of the Group's relationship with Wickes. This growth is offset by the softening in core eFulfilment volumes, in line with the well-publicised decline in consumer demand. The sales pipeline has presented some good prospects for continued growth.

The Public & Industrial sector delivered flat full year revenue year on year. The sector had growth from public sector contracts with Defra for border checks and clearance, and the DHSC contract which started at the end of the last financial year. Share of wallet growth with long term customers such as BAE and Howdens also contributed to the sector's performance. This growth in non-transport activity is offset by the volume reduction in construction transport, with customers moving towards more in-house fleet and spot market haulage.

The net reduction in Grocery & Consumer reflects the softening in consumer demand, impacting both warehouse and retail transport activity levels, against a particularly strong comparator. General Merchandise grew 3.5% primarily from the wins from prior year with Primark and MGA Entertainment. Similarly, the sector also saw a reduction in core volumes from lower consumer demand.

The contractual split of open to closed book business remains relatively unchanged with 73.5% under open book terms compared to 72.1% in the prior year. The Group continues to seek to balance the relative risks and opportunities presented under the different contractual arrangements. From a transport perspective, the Group will focus on its 4PL offering, together with supporting open book dedicated networks. This refocused transport offering necessitates a move away from closed book arrangements, where we have no protection, as the risk is unduly balanced towards Wincanton's balance sheet.

Net financing costs

	2023 £m	2022 £m	Change £m
Interest income	**0.2**	**-**	0.2
Interest on the net defined benefit pension asset	**3.4**	**1.1**	2.3
Interest expense	**(5.5)**	**(2.1)**	(3.4)
Unwinding of discount on provisions	**(0.6)**	**(0.4)**	(0.2)
Interest on lease liabilities	**(6.2)**	**(5.2)**	(1.0)
Net financing costs	**(8.7)**	**(6.6)**	(2.1)

Net financing costs were £8.7m (2022: £6.6m), £2.1m higher year on year. Interest expense relates primarily to bank interest payable under the Group's Revolving Credit Facility (RCF) which has increased by £3.4m to £5.5m, primarily reflecting increased bank base rate seen over the last 12 months but also indicates higher utilisation of the Group's RCF following the Cygnia acquisition made in the prior year. The total amount also includes higher amortisation of commitment and arrangement fees of £1.3m (2022: £0.7m) following the renegotiation of the facility in March 2022.

Interest on lease liabilities has also increased by £1.0m to £6.2m which also reflects higher incremental borrowing rates on new leased assets.

Non-cash net interest income of £3.4m (2022: £1.1m) relates to the net defined benefit pension asset which is significantly higher in the year due to a higher opening asset surplus at 31 March 2022.

Non-underlying items

	2023 £m	2022 £m	Change £m
Restructure and impairment of transport related assets	**(19.5)**	-	(19.5)
Cloud computing configuration and customisation costs	**(3.2)**	(4.1)	0.9
Acquisition related costs	**(0.5)**	(1.0)	0.5
Amortisation of acquired intangibles	**(1.1)**	(0.6)	(0.5)
Release of warranty provision	**-**	1.0	(1.0)
Gain on disposal of businesses	**0.4**	0.9	(0.5)
Net profit on disposal of assets and freehold property	**-**	0.5	(0.5)
Total	**(23.9)**	(3.3)	(20.6)

During the year, the Group has undertaken a strategic restructure of its transport operations recognising a restructuring charge of £19.5m to the income statement (2022: £nil). The Group is seeking to move to a digitally enabled transport system and this restructure triggered the Group to reconsider its current cash generating units (CGUs) from an impairment perspective. The Group has recorded an impairment of £19.1m relating to both right-of-use assets and computer software used primarily around closed book contracts. The restructuring charge also includes £0.4m of redundancy related costs as the Group seeks to exit closed book contracts.

Cloud computing configuration and customisation costs relate to a major systems implementation which initially went live in July 2021. Additional costs have been incurred as the Group implemented Phase 2 which was the migration of its payroll from an outsourced provider to the in-house Oracle Fusion platform. The payroll implementation started in October 2022 and has been carefully managed around peak periods, albeit some challenges have been presented. The payroll team continues to work with an integration partner to progress system defects and rationalise processes further. Additional costs are expected in FY24 relating to the implementation of additional modules and associated restructuring considered critical to maximise the benefits of the new system. A further cash cost of approximately £4m is expected to be charged to non-underlying items relating to the completion of the project over the next 12 months.

The Group has incurred acquisition related costs which are primarily professional fees totalling £0.5m in relation to M&A activities. The prior year amount of £1.0m relates to the acquisition of Cygnia.

The Group has recognised a gain of £0.4m (2022: £0.9m) arising from contingent consideration recognised on the Group's disposal of its Containers business in October 2020. The contract terms allow for further sums to be received until January 2024.

Also in the prior year, gains relating to the disposal of a number of specialist vehicles, not required for ongoing operations, and a release of a warranty provision, where the claim was considered to be remote, were treated as non-underlying.

Taxation

	2023 £m	2022 £m	Change £m
Underlying profit before tax[1]	**62.1**	**58.1**	4.0
Underlying tax charge	**(9.7)**	**(7.5)**	(2.2)
Non-underlying tax	**4.7**	**0.6**	4.1
Tax charge as reported	**(5.0)**	**(6.9)**	1.9
Effective tax rate on underlying profit before tax	**15.6%**	**12.9%**	(270bps)

1 Refer to the Alternative Performance Measures section at the end of this review and Note 2 to the accompanying financial statements.

The underlying tax charge of £9.7m (2022: £7.5m) represents an underlying effective tax rate (ETR) of 15.6% (2022: 12.9%) on underlying profit before tax and is stated before net tax credits of £4.7m (2022: £0.6m) in respect of non-underlying items. Corporation tax paid in the year was £8.8m (2022: £3.3m).

The ETR is lower than the statutory rate of 19.0%, in part due to the Government incentive of the super capital allowance scheme of 130% on qualifying assets up to 31 March 2023. The benefit of this deduction has reduced underlying tax by £1.9m resulting from the permanent deduction of 30% on qualifying capital spend. In addition, the Group has optimised the use of tax losses and will accelerate tax payments to benefit from the change in tax rates from 19% to 25% from 1 April 2023, as well as recognising tax losses that were previously unrecognised benefiting the underlying tax by £0.9m and £0.4m respectively. The Group expects to use further tax losses in FY24 to reduce the cash tax payments as the tax rate increases to 25% from 1 April 2023.

Profit after tax and earnings per share

Underlying profit before tax for the year increased by 6.9% to £62.1m (2022: £58.1m) due to the increased revenue as outlined above. There was also a smaller contribution to underlying profits resulting from improved margins across the Group, following the implementation of cost control measures and contract renegotiations completed in the year. This increase was partially offset by increased net financing costs, principally due to higher interest payable on leases and the Group's external borrowings.

Underlying profit after tax for the year is £52.4m (2022: £50.6m). The increase of 3.6% reflects the increase in underlying profit before tax offset by an increase in the underlying effective tax rate from 12.9% to 15.6% as explained above.

Profit after tax for the year on a statutory basis decreased to £33.2m (2022: £47.9m) which is as a result of the increased non-underlying costs following the review of the Group's transport business model and customer proposition. Non-underlying credits relate to the consequential gains on business disposals.

Underlying EPS, which excludes earnings from non-underlying items, increased by 4.2% to 42.5p (2022: 40.8p). Basic EPS decreased by 30.3% to 26.9p (2022: 38.6p).

The calculation of these EPS measures is set out in Note 5 to the accompanying financial statements. The weighted average number of shares used in the calculation of basic EPS is impacted by shares issued and purchased during the year related to share options, and for diluted EPS, by share options in issue not yet exercised.

Dividends and dividend policy

	2023 pence	2022 pence
Interim	**4.4**	4.0
Final[1]	**8.8**	8.0
Total	**13.2**	12.0

1 The final dividend for FY23 is proposed and subject to shareholder approval.

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 is proposing a final dividend of 8.8p per share (2022: 8.0p), which, together with the interim dividend of 4.4p per share (2022: 4.0p), will result in a total dividend per share for 2023 of 13.2p per share (2022: 12.0p). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 12 July 2023 and if approved by shareholders, will be paid on 11 August 2023 to shareholders on the register on 14 July 2023. The estimated final dividend amount to be paid is £11m and in accordance with Adopted IFRS has not been included as a liability in these statements.

Dividend payments in the year total £15.3m (2022: £14.3m).

Financial position

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

	2023 £m	**2022 Restated[1] £m**	Change £m
Non-current assets (excluding pension assets) [1]	**310.4**	**329.2**	(18.8)
Net current liabilities (excluding net cash)	**(161.4)**	**(156.9)**	(4.5)
Non-current liabilities (excluding pension liabilities and borrowings)	**(217.8)**	**(226.9)**	9.1
Net cash (excluding lease liabilities)	**13.2**	**3.7**	9.5
Net pension asset (excluding deferred tax)	**114.7**	**114.5**	0.2
Net assets	**59.1**	**63.6**	(4.5)

1 The comparative for non-current assets has been restated following an error in relation to right-of-use assets and associated lease liabilities, as explained in Note 1 to the accompanying financial statements.

The decrease in net assets of £4.5m since 31 March 2022 relates primarily to the movement on the right-of-use asset value which has decreased by £16.4m to £176.2m (2022: £192.6m) and a reduction in intangible assets by £5.3m, primarily due to the restructure of the Group transport and the impairment of transport related assets as explained in the non-underlying section above. The decrease is in part offset by a reduction non-current liabilities and an increase in net cash.

Revenue growth and good cash management have led to the Group reporting a net cash position of £13.2m at 31 March 2023 (2022: £3.7m net cash).

Cash flow and net debt/cash

Net cash at 31 March 2023 was £13.2m (2022: net cash £3.7m), reflecting a net cash inflow of £9.5m over the intervening 12 months. Free cash flow, defined as the movement in net debt/cash before acquisitions, pension payments, dividends and the purchase of own shares, was an inflow of £48.6m (2022: £54.0m).

	2023 £m	2022 £m	Change £m
Underlying EBITDA[1]	**121.9**	**108.3**	13.6
Working capital	**4.1**	**6.0**	(1.9)
Tax	**(8.8)**	**(3.3)**	(5.5)
Net interest	**(5.7)**	**(5.2)**	(0.5)
Other items	**0.3**	**(2.7)**	3.0
Repayment of obligations under leases	**(48.7)**	**(40.8)**	(7.9)
Capital expenditure	**(16.5)**	**(11.2)**	(5.3)
Proceeds from asset disposals	**2.0**	**2.9**	(0.9)
Free cash flow	**48.6**	**54.0**	(5.4)
Pension payments	**(20.1)**	**(18.5)**	(1.6)
Dividends	**(15.3)**	**(14.3)**	(1.0)
Own shares acquired	**(3.7)**	**(1.8)**	(1.9)
Acquisition:			
- Consideration	**-**	**(23.9)**	23.9
- Additional net assets acquired	**-**	**(3.7)**	3.7
Increase/ (decrease) in net cash	**9.5**	**(8.2)**	17.7

1 Refer to the Alternative Performance Measures section at the end of this review and Note 2 to the accompanying financial statements.

Working capital movement in the year resulted in an inflow of £4.1m (2022: £6.0m) driven mainly by good cash management, the mix of revenue growth from both new and existing customers on favourable terms, and a timing difference on payables supporting growth.

The Group paid cash tax in the year of £8.8m, benefiting from super capital allowances together with tax deductions received on pension contributions. This amount includes additional tax of £3.9m, paid in April 2022, in relation to FY22 as a consequence of group tax losses being deferred until future years to benefit from the higher rate of tax of 25% from 1 April 2023.

Net interest costs have increased reflecting the increased bank base rate seen over the last 12 months but also due to higher utilisation of the Group's RCF following the Cygnia acquisition made in the prior year. The amount also includes higher commitment and arrangements fees totalling £1.3m under the Group's RCF renegotiated in March 2022 and extended for a further one year to 2027 in March 2023.

Other items of £0.3m (2022: £2.7m) comprise non-cash items relating to net movements on provisions and share-based payment charges in the year. It also includes cash costs relating to the upgrade of our finance and HR systems and acquisition related expenses, offset by contingent consideration from a historic disposal.

Capital expenditure of £16.5m (2022: £11.2m) relates predominantly to mobilising and expanding contracts for customers. Examples include Primark and BAE, and further investment in automation and innovation in our eFulfilment sector primarily at The Web, in Rockingham, and Cygnia. The Group also invested in the expansion of its two-person home delivery network through the new facility at Harlow.

Net proceeds from asset disposals of £2.0m relate to the disposal of sundry vehicles. In the prior year, the net proceeds of £2.9m primarily relate to the sale of a number of specialist vehicles and other assets previously recorded as held for sale.

The cash contributions to fund the pension deficit in the current year to 31 March 2023 were £20.1m (31 March 2022: £18.5m) net of administration costs of £0.6m (2022: £0.7m).

Equity dividends of £15.3m (2022: £14.3m) were paid in the year. As noted above, the recommended final dividend for the year ended 31 March 2023 will result in an estimated cash outflow of £11m in the first half of the year ended 31 March 2024.

The Group acquired one million of its own shares for £3.7m (2022: 500,000 shares for £1.8m) to provide shares for the Employee Benefit Trust in respect of its long-term incentive plan commitments.

Financing and covenants

The Group has a £175.0m (2022: £175.0m) committed RCF which has been extended by one year on the same terms as the existing facility and now matures in March 2027. The headroom in these committed facilities in addition to net cash of £13.2m at 31 March 2023 was £175.0m (2022: £150.0m) and is used to provide liquidity during uncertain macro-economic times as well as being available to support profit and cash flow enhancing opportunities in the medium term. The Group also has a receivables purchase facility (RPF) and operating overdrafts which provide day to day flexibility, amounting to a further capacity of up to £50m and £7.5m respectively in uncommitted facilities. At 31 March 2023, utilisation of the Group's non-recourse RPF was £4.3m (2022: £4.1m).

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

Covenant	Ratio	At 31 March 2023	At 31 March 2022
Leverage ratio	<3.0:1	**0.5**	**0.7**
Interest cover	>3.5:1	**17.1**	**38.8**
Fixed charge cover	>1.4:1	**2.6**	**2.7**

The calculation of these covenants and reconciliations to reported numbers are included in Note 10 to the accompanying financial statements.

Pensions

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

Defined benefit arrangements

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

The Group has reported an IAS 19 net asset of £114.7m (£86.0m net of deferred tax) at 31 March 2023 (2022: £114.5m, £85.9m net of deferred tax).

£m	31 March 2023	30 September 2022	At 31 March 2022
Assets	**891.1**	1,256.4	**1,208.3**
Liabilities	**(776.4)**	(1,188.8)	**(1,093.8)**
Net pension asset	**114.7**	67.6	**114.5**
Discount rate (%)	**4.75%**	2.0%	**2.7%**

The movement in the net defined benefit asset in the year was primarily the result of the impact of external market factors. The reduction in liabilities in the year is driven by the increase in the discount rate which has been consistently calculated using high yield corporate bond rates. The assets have had a corresponding decrease as they are 98% hedged to movements in the liability. The deficit funding contribution in the year, net of expenses, was £20.1m (2022: £18.5m).

The estimated actuarial deficit on a technical provision basis has reduced to £11.9m at 31 March 2023, compared to £37m at 31 March 2022. At 31 March 2023, 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 valuation.

The sensitivities of the present value of the Scheme obligations to changes in the key actuarial assumptions have been assessed; a decrease of 1.0% in the discount rate has been estimated to increase the surplus by £35m.

Defined contribution arrangements

The Group's defined contribution arrangements include the Retirement Savings Section, including the Auto Enrolment section, and the Pension Builder Plan in the UK, a separate similar local scheme in Ireland and Cygnia contributions to a Master Trust. The charge incurred for these arrangements total £38.6m (2022: £36.7m).

Contingent liabilities

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 an outflow of economic benefit is not probable, no provision is made.

In the prior year, the Group had received notification of a potential claim from a former customer and remains 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.

Going concern

The 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 meet 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 financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the principal risks and uncertainties, likely to affect its future 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 and modelled the following sensitivities in considering the Group's ability to continue as a going concern:

- a deterioration in trading performance together with a delay in receipts and a major customer going into administration;
- an increased competitive environment, leading to lower contractual wins and higher losses;
- an outflow in relation to a commercial dispute; and
- an increase in finance charges resulting from an increase in the base rate as well as the withdrawal of the Group's RPF facility.

The Board has also considered a base case and a severe downside case which includes the impact of the above sensitivities. 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 30 September 2024.

Further details are provided in Note 1 'Accounting policies' in the accompanying 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 considers 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 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.

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.

In addition, the Group will always disclose the items below as non-underlying items:

- amortisation charges relating to acquired intangible assets;
- profits or losses arising on the disposal of continuing or discontinued operations;
- adjustments to amounts previously reported as non-underlying; and
- the tax impact of non-underlying items.

Further details of underlying results and the definition of non-underlying items can be found in Note 2 to the accompanying financial statements.

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

Other APMs used which relate to cash flow are net debt/cash and free cash flow. Net debt/cash is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities excluding lease liabilities. Note 7 to the accompanying financial statements provides a breakdown of net debt/cash for the current and prior year. 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.

			2023			2022
	Underlying £m	**Non-underlying £m**	**Statutory £m**	Underlying £m	Non-underlying £m	Statutory £m
Revenue	**1,462.0**	**-**	**1,462.0**	1,421.4	-	1,421.4
EBITDA	**121.9**	**(3.7)**	**118.2**	108.3	(2.7)	105.6
EBITDA margin (%)	**8.3%**	**-**	**8.1%**	7.6%	-	7.4%
Depreciation, amortisation and impairments	**(51.1)**	**(20.2)**	**(71.3)**	(43.6)	(0.6)	(44.2)
Operating profit	**70.8**	**(23.9)**	**46.9**	64.7	(3.3)	61.4
Net financing costs	**(8.7)**	**-**	**(8.7)**	(6.6)	-	(6.6)
Profit before tax	**62.1**	**(23.9)**	**38.2**	58.1	(3.3)	54.8
Income tax	**(9.7)**	**4.7**	**(5.0)**	(7.5)	0.6	(6.9)
Profit after tax	**52.4**	**(19.2)**	**33.2**	50.6	(2.7)	47.9
Earnings per share[1]	**42.5**		**26.9**	40.8p		38.6p
Dividend per share	**13.2p**		**13.2p**	12.0p		12.0p
Net cash excluding lease liabilities	**13.2**		**13.2**	3.7		3.7

1 Refer to Notes 2 and 5 to the accompanying financial statements.

Cautionary statement

This announcement has been prepared to provide the Company's shareholders with a fair review of the business of the Group and a description of the principal risks and uncertainties facing it. It may not be relied upon by anyone, including the Company's shareholders, for any other purpose.

This announcement contains forward-looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in markets in which the Group operates and risk factors associated with the Group's broad industry sectors. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements. No assurance can be given that the forward-looking statements in this announcement will be realised. Statements about the Directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Group's control. Actual results could differ materially from the Group's current expectations.

Forward-looking statements in this announcement include, but are not limited to, statements about the Group's future financial and operational performance, management's ability to successfully execute its strategy, and the ability of the Group to respond to the changes in the macro-economic environment. It is believed that the expectations set out in these forward-looking statements are reasonable, but they may be affected by a wide range of variables which could cause actual results or trends to differ materially.

The Company's shareholders are cautioned not to place undue reliance on the forward-looking statements. This announcement has not been audited or otherwise independently verified. The information contained in this announcement has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Company does not undertake any obligation to update or revise this announcement during the financial year ahead.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023

	Note	**2023** Underlying £m	**2023** Non-underlying £m	**2023** Total £m	2022 Underlying £m	2022 Non-underlying £m	2022 Total £m
Revenue		**1,462.0**	**–**	**1,462.0**	1,421.4	–	1,421.4
Net operating costs		**(1,391.2)**	**(23.9)**	**(1,415.1)**	(1,356.7)	(3.3)	(1,360.0)
Operating profit		**70.8**	**(23.9)**	**46.9**	64.7	(3.3)	61.4
Financing income	3	**3.6**	**–**	**3.6**	1.1	–	1.1
Financing cost	3	**(12.3)**	**–**	**(12.3)**	(7.7)	–	(7.7)
Profit/(loss) before tax		**62.1**	**(23.9)**	**38.2**	58.1	(3.3)	54.8
Income tax expense	4	**(9.7)**	**4.7**	**(5.0)**	(7.5)	0.6	(6.9)
Profit/(loss) attributable to equity shareholders of Wincanton plc		**52.4**	**(19.2)**	**33.2**	50.6	(2.7)	47.9
Earnings per share							
– basic	5	**42.5p**		**26.9p**	40.8p		38.6p
– diluted	5	**42.4p**		**26.9p**	40.3p		38.2p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Note	**2023 £m**	**2022 £m**
Profit for the year		**33.2**	47.9
Other comprehensive income/(loss)			
Items which will not subsequently be reclassified to the income statement			
Remeasurements of net defined benefit asset	9	**(22.4)**	47.6
Income tax relating to items that will not subsequently be reclassified to profit or loss	4	**4.2**	(14.7)
		(18.2)	32.9
Items which are or may subsequently be reclassified to the income statement			
Net foreign exchange gain / (loss) on investment in foreign subsidiaries		**0.2**	(0.1)
		0.2	(0.1)
Total other comprehensive income/(loss) for the year, net of income tax		**(18.0)**	32.8
Total comprehensive income/(loss) attributable to equity shareholders of Wincanton plc		**15.2**	80.7

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2023

	Note	2023 £m	2022 (Restated)[1] £m
Non-current assets			
Goodwill and intangible assets		**105.4**	110.7
Property, plant, equipment and vehicles		**28.8**	25.9
Right-of-use assets		**176.2**	192.6
Employee benefits	9	**116.6**	117.0
Total non-current assets		**427.0**	446.2
Current assets			
Inventories		**1.8**	2.6
Trade and other receivables		**170.6**	207.4
Income tax receivable		**4.6**	–
Cash at bank and in hand	7	**13.2**	28.7
Total current assets		**190.2**	238.7
Total assets		**617.2**	684.9
Current liabilities			
Income tax payable		**–**	(3.3)
Lease liabilities		**(37.5)**	(27.3)
Trade and other payables		**(289.6)**	(323.6)
Provisions	8	**(11.3)**	(12.7)
Total current liabilities		**(338.4)**	(366.9)
Net current liabilities		**(148.2)**	(128.2)
Total assets less current liabilities		**278.8**	318.0
Non-current liabilities			
Borrowings and other financial liabilities	7	**–**	(25.0)
Lease liabilities		**(168.9)**	(179.4)
Employee benefits	9	**(1.9)**	(2.5)
Provisions	8	**(32.0)**	(30.6)
Deferred tax liabilities		**(16.9)**	(16.9)
Total non-current liabilities		**(219.7)**	(254.4)
Net assets		**59.1**	63.6
Equity			
Issued share capital		**12.5**	12.5
Share premium		**12.9**	12.9
Merger reserve		**3.5**	3.5
Translation reserve		**(0.3)**	(0.5)
Own shares		**(5.6)**	(2.2)
Retained profits/(losses)		**36.1**	37.4
Total equity/(deficit)		**59.1**	63.6

[1] Certain comparatives have been restated due to prior year adjustment as explained in Note 1 'Accounting policies'.

These financial statements were approved by the Board of Directors on 19 May 2023 and were signed on their behalf by:

Tom Hinton
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Issued share capital £m	Share premium £m	Merger reserve £m	Translation reserve £m	Own shares £m	Retained (losses)/ earnings £m	Total equity/ (deficit) £m
Balance at 1 April 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 loss	–	–	–	(0.1)	–	32.9	32.8
Total comprehensive income/(loss)	–	–	–	(0.1)	–	80.8	80.7
Share based payment transactions	–	–	–	–	(1.2)	(0.3)	(1.5)
Tax on share based payment transactions (note 4)	–	–	–	–	–	0.4	0.4
Dividends paid to shareholders (note 6)	–	–	–	–	–	(14.3)	(14.3)
Balance at 31 March 2022	12.5	12.9	3.5	(0.5)	(2.2)	37.4	63.6
Balance as at 1 April 2022	**12.5**	**12.9**	**3.5**	**(0.5)**	**(2.2)**	**37.4**	**63.6**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**33.2**	**33.2**
Other comprehensive income/(loss)	**–**	**–**	**–**	**0.2**	**–**	**(18.2)**	**(18.0)**
Total comprehensive income	**–**	**–**	**–**	**0.2**	**–**	**15.0**	**15.2**
Share based payment transactions	**–**	**–**	**–**	**–**	**(3.4)**	**(0.7)**	**(4.1)**
Tax on share based payment transactions (note 4)	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Dividends paid to shareholders (note 6)	**–**	**–**	**–**	**–**	**–**	**(15.3)**	**(15.3)**
Balance at 31 March 2023	**12.5**	**12.9**	**3.5**	**(0.3)**	**(5.6)**	**36.1**	**59.1**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £m	2022 £m
Operating activities			
Profit before tax		**38.2**	54.8
Adjustments for			
– depreciation and amortisation		**52.2**	43.8
– research and development expenditure credit		**(0.2)**	(0.6)
– net financing costs	3	**8.7**	6.6
– impairments		**19.1**	0.4
– profit on disposal of property, plant, equipment and vehicles		**1.9**	(0.1)
– loss on derecognition of lease liabilities		**2.4**	1.2
– profit on disposal of businesses		**(0.4)**	(0.9)
– share based payment transactions		**(0.4)**	0.3
		121.5	105.5
(Increase)/decrease in trade and other receivables		**37.2**	(7.9)
(Increase)/decrease in inventories		**0.8**	(1.1)
Increase/(decrease) in trade and other payables		**(33.5)**	15.9
Decrease in provisions		**(0.6)**	(1.7)
Increase in employee benefits before pension deficit payment		**0.9**	0.9
Income taxes paid		**(8.8)**	(3.3)
Cash generated before pension deficit payment		**117.5**	108.3
Pension deficit payment	9	**(20.1)**	(18.5)
Cash flows from operating activities		**97.4**	89.8
Investing activities			
Proceeds from sale of property, plant and equipment		**2.0**	2.9
Purchase of business, net of cash acquired		**–**	(13.6)
Additions of property, plant and equipment		**(14.7)**	(10.7)
Additions of computer software		**(1.8)**	(0.5)
Cash flows from investing activities		**(14.5)**	(21.9)
Financing activities			
Increase/(decrease) in borrowings	7	**(25.0)**	9.9
Repayment of borrowings acquired		**–**	(14.0)
Own shares acquired		**(3.7)**	(1.8)
Repayment of amounts relating to lease liabilities		**(48.7)**	(42.9)
Equity dividends paid	6	**(15.3)**	(14.3)
Interest paid on borrowings		**(5.7)**	(3.1)
Cash flows from financing activities		**(98.4)**	(66.2)
Net increase/(decrease) in cash and cash equivalents		**(15.5)**	1.7
Cash and cash equivalents at beginning of the year		**28.7**	27.0
Cash and cash equivalents at end of the year		**13.2**	28.7
Represented by:			
– cash at bank and in hand		**10.4**	25.9
– restricted cash, being deposits held by the Group's captive insurer		**2.8**	2.8
		13.2	28.7

1. Accounting policies

The financial information set out in this preliminary announcement does not constitute Wincanton plc's statutory accounts for the years ended 31 March 2023 and 31 March 2022. Statutory accounts for the year ended 31 March 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Auditor has reported on those accounts; their report was unqualified, did not draw attention by way of emphasis, and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2022 have been delivered to the Registrar of Companies. The Auditor has reported on those accounts; their report was unqualified, did not draw attention by way of emphasis, and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The financial information contained in this results announcement has been prepared on the basis of the accounting policies set out in the statutory financial statements for the year ended 31 March 2023. Whilst the financial information included in this announcement has been computed in accordance with the recognition and measurement requirements of UK-adopted International Accounting Standards (Adopted IFRS), as applicable to companies reporting under those standards, this announcement does not itself contain sufficient disclosures to comply with Adopted IFRS.

Standards, amendments and interpretations effective or adopted or issued in the year

Amendments to accounting standards issued by the IASB and adopted in the year ended 31 March 2023 did not have a material impact on the results or financial position of the Group.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Group. These standards, amendments and interpretations are not expected to have a material impact on the results or financial position of the Group in future reporting periods.

Prior year restatement

During the preparation of the 2023 Annual Report and Accounts an error was identified in relation to right of use assets and associated lease liabilities that should have been recognised in earlier reporting periods. The error arose as a result of the Group taking control of certain non-property assets in periods prior to the year ended 31 March 2023 but which were not identified by management until the current accounting period. The impact is to increase right-of-use assets by £3.6m and increase lease liabilities by £3.6m, with the latter split as an increase of £0.7m in current lease liabilities and increase of £2.9m in non-current lease liabilities. There is no material impact on the Income Statement for the year ended 31 March 2022 and no material impact on reported equity as at 1 April 2021. Earnings per share for the year ended 31 March 2022 are unaffected as a result of this correction.

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the consolidated year end 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 full 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 30 September 2024. The Group has reported an underlying profit before tax of £62.1m for the twelve months ended 31 March 2023 (31 March 2022: £58.1m), has net current liabilities of £148.2m (31 March 2022: £128.2m) and net assets of £59.1m (31 March 2022: £63.6m).

The Group's committed facilities at 31 March 2023 comprise a syndicated revolving credit facility (RCF) of £175.0m, which matures in March 2027. The Group had £175.0m of undrawn amounts against the RCF facility as at 31 March 2023. 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 3.0 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.

See Note 10 for the covenant assessment as at 31 March 2023 which shows we have significant headroom across all of the covenants.

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

The Directors have reviewed the financial forecasts across a range of scenarios. The severe downside case assumes a deterioration in trading performance as a result of weaker economic conditions and a more competitive trading environment, as well as a major customer going into administration. Overall, the impact of this severe downside case reduces forecast underlying profit before tax by over 60%. This scenario also assumes a deterioration in working capital performance compared to the base case as a result of delayed cash receipts, together with a further material unplanned cash outflow linked to a general commercial dispute. On top of these downsides, the impact of an increase to base interest rates and the removal of the Group's Receivables Purchasing Framework facility were also modelled.

These downsides would be partly offset by the application of mitigating actions to the extent they are under management's control, including deferrals of capital and other discretionary expenditure, as well as management bonus payment deferral and claiming against insurance cover to offset any commercial dispute.

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 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.

The Directors have also 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.

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

2. Alternative performance measures (APMs)

The alternative performance measures (APMs) or underlying results reported in this Annual Report and Accounts represent statutory measures adjusted for items which management considers 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 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. 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.

In addition, the Group will always disclose the items below as 'non-underlying items' for the following reasons:

- amortisation charges relating to acquired intangible assets. This relates to an acquisition event and therefore irregular in nature. The intangible assets identified are primarily customer contracts and relationships which are not recognised other than through an acquisition. In order for the profitability of the contracts acquired to be treated consistently with those of the existing business, the amortisation charges are presented as non-underlying
- profits or losses arising on the disposal of continuing or discontinued operations. These items are by their nature irregular. There are likely to be gross impacts that are material even if the net impact is not
- adjustments to amounts previously reported as non-underlying. Where an amount has been initially presented as non-underlying any adjustment to this amount is also reported as non-underlying
- the tax impact of non-underlying items. The tax impact may not be material on an item, however it is appropriate for the tax treatment to follow the treatment of the item as non-underlying.

EBITDA refers to earnings (operating profit) before interest, tax, depreciation of property, plant and equipment and right-of-use assets 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. Free cash flow is defined as the movement in net debt before acquisitions, pension payments, dividends and purchase of own shares.

A reconciliation between statutory IFRS operating profit and underlying operating profit is given below. Details of underlying EPS can be found in Note 5.

	2023			2022		
	Underlying £m	**Non-underlying £m**	**Total £m**	**Underlying £m**	**Non-underlying £m**	**Total £m**
Revenue	**1,462.0**	**–**	**1,462.0**	1,421.4	–	1,421.4
Cost of sales	**(1,368.9)**	**–**	**(1,368.9)**	(1,339.5)	–	(1,339.5)
Gross profit	**93.1**	**–**	**93.1**	81.9	–	81.9
Other income and gains on disposal of assets	**6.2**	**0.4**	**6.6**	4.1	1.4	5.5
Administrative expenses	**(28.5)**	**(24.3)**	**(52.8)**	(21.3)	(4.7)	(26.0)
Operating profit	**70.8**	**(23.9)**	**46.9**	64.7	(3.3)	61.4

Non-underlying items

Non-underlying items are as follows:

	2023 £m	2022 £m
Restructure and impairment of transport related assets	**(19.5)**	–
Cloud computing configuration and customisation costs	**(3.2)**	(4.1)
Acquisition related costs	**(0.5)**	(1.0)
Amortisation of acquired intangibles	**(1.1)**	(0.6)
Gain on disposal of businesses	**0.4**	0.9
Release of warranty provision	**–**	1.0
Net profit on disposal of assets including freehold property	**–**	0.5
	(23.9)	(3.3)

1 Comparatives have been restated due to a required change in accounting policy as explained in Note 1 'Accounting policies'.

a) Restructure and impairment of transport related assets

During the year, the Group has undertaken a strategic restructure of its transport operations recognising a restructuring charge of £19.5m to the income statement (FY22: £nil). The Group is seeking to move to a digitally enabled transport system and this restructure triggered the Group to reconsider its current Cash Generating Units from an impairment perspective. The Group has recorded an impairment of £19.1m relating to both right of use assets and computer software used primarily around closed book contracts. The restructuring charge also includes an amount £0.4m of redundancy related costs as the Group seeks to exit closed book contracts.

b) Cloud computing configuration and customisation costs

The Group is undertaking a major systems implementation for new cloud computing software, resulting in costs of £3.2m (2022: £4.1m) being recognised as an expense. The project is ongoing with further implementation of modules and an associated restructuring expected in the year ending 31 March 2024, with an associated cost of £4m.

Due to the size and nature of these costs they are presented as a non-underlying item as they are not reflective of underlying performance.

c) Acquisition related costs

A balance related to estimated costs of M&A activities has been recognised in non-underlying in the financial year.

In the prior year, as part of the acquisition of Cygnia, the Group incurred acquisition related costs, professional fees and integration costs of £1.0m which have been recognised as an expense as required by IFRS 3 Business Combinations.

d) Amortisation of acquired intangibles

As part of the acquisition of Cygnia the Group has recorded finite-life intangible assets identified as part of the purchase price allocation accounting in line with IFRS 3 Business combinations. The amortisation of these finite-life intangibles is presented in non-underlying with a total expense in the period of £1.1m (2022: £0.6m).

e) Gain on disposal of businesses
In the year ended 31 March 2023, £0.4m (2022: £0.9m) of contingent consideration was recognised related to the Group's disposal of its Containers business in October 2020, which has been recognised as non-underlying consistent with the presentation of the profit on disposal recognised in the prior year. The contract terms allow for further sums to be received until January 2024.

f) Release of warranty provision
In the prior year the Group released the value of a potential claim under a historical warranty provision, dating back to 2015, as any outflow of economic benefits is now considered to be remote. As the original provision was recognised as a non-underlying item, the write-back has been recognised in a consistent manner.

g) Net profit on disposal of assets including freehold property
Profits and losses arising on the disposal of significant assets are considered non-underlying as these transactions are only incidentally related to the trading activities of the Group. During the current and prior year the Group disposed of a number of specialist vehicles that were not required for ongoing operations. In the prior year a profit on disposal of £0.5m was recognised.

3. Net financing costs

	Note	**2023 £m**	**2022 £m**
Interest income		**0.2**	–
Interest on the net defined benefit pension	9	**3.4**	1.1
		3.6	1.1
Interest expense		**(5.5)**	(2.1)
Interest on lease liabilities		**(6.2)**	(5.2)
Unwinding of discount on provisions	8	**(0.6)**	(0.4)
		(12.3)	(7.7)
Net financing costs		**(8.7)**	(6.6)

4. Income tax expense

Recognised in the income statement

	2023 £m	**2022 £m**
Current tax expense		
Current year	**4.8**	3.6
Adjustments for prior years	**–**	4.5
	4.8	8.1
Deferred tax expense		
Current year	**0.4**	3.7
Adjustments for prior years	**(0.2)**	(4.9)
	0.2	(1.2)
Total income tax expense	**5.0**	6.9

Reconciliation of total income tax expense

	2023 £m	**2022 £m**
Profit before tax	**38.2**	54.8
Income tax using the UK corporation tax rate of 19% (2022: 19%)	**7.3**	10.4
Non-deductible expenditure	**0.1**	0.1
Recognition of tax losses	**(0.4)**	–

Non-taxable income included in non-underlying items	**0.1**	–
Tax incentives – super capital allowances	**(1.9)**	(1.4)
Change in UK corporation tax rate	**–**	(1.8)
Adjustments for prior years		
– current tax	**–**	4.5
– deferred tax	**(0.2)**	(4.9)
Total tax expense for the year	**5.0**	6.9

Recognised in other comprehensive income

	2023 £m	2022 £m
Items which will not subsequently be reclassified to the income statement:		
Remeasurements of defined benefit pension liability	**(2.0)**	11.8
Impact of change in UK corporation tax rate	**1.4**	2.9
Current tax on contributions on defined benefit pension schemes	**(3.6)**	–
Total recognised in other comprehensive income	**(4.2)**	14.7

Recognised directly in equity

	2023 £m	2022 £m
Current tax on share based payment transactions	**(0.1)**	(0.3)
Deferred tax on share based payment transactions	**0.4**	(0.1)
	0.3	(0.4)

The main UK corporation tax rate remained at 19% (2022: 19%). The Finance Bill 2021 increases the corporation tax rate to 25% as from 1 April 2023. This Bill was substantively enacted on 24 May 2021 and therefore has been incorporated into the deferred tax balance at 31 March 2023.

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

The total tax expense above includes a tax credit on non-underlying items of £4.7m (2022: £0.6m).

5. Earnings per share

The basic earnings per share of 26.9p (2022: 38.6p) is calculated based on the profit attributable to the equity shareholders of Wincanton plc of £33.2m (2022: £47.9m) and the weighted average shares in issue excluding those held within an Employee Benefit Trust throughout the year as calculated below of 123.2m (2022: 124.1m). The diluted earnings per share calculation is based on there being 0.3m (2022: 1.4m) additional shares deemed to be issued at £nil consideration under the Company's share option schemes.

	2023 millions	2022 millions
Weighted average number of Ordinary Shares (basic)		
Issued Ordinary Shares at the beginning of the year[1]	**123.9**	124.1
Net effect of shares issued and purchased during the year	**(0.7)**	–
	123.2	124.1
Weighted average number of Ordinary Shares (diluted)		
Weighted average number of Ordinary Shares for the year (as above)	**123.2**	124.1
Effect of share options in issue	**0.3**	1.4
	123.5	125.5

1 The number of shares excludes 1.6m Ordinary Shares (2022: 0.7m) being the weighted average number of the Company's own shares held within an Employee Benefit Trust.

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

	2023 pence	2022 pence
Underlying earnings per share		
– basic	**42.5**	40.8
– diluted	**42.4**	40.3

Underlying earnings are determined as follows:

	Note	2023 £m	2022 £m
Profit for the year attributable to equity shareholders of Wincanton plc		**33.2**	47.9
Non-underlying items	2	**23.9**	3.3
Tax impact of non-underlying items		**(4.7)**	(0.6)
Underlying earnings		**52.4**	50.6

6. Dividend

Dividends paid in the year comprise:

	2023 £m	2022 £m
Final dividend for the year ended 31 March 2022 of 8.00p per share (2021: 7.50p)	**9.9**	9.4
Interim dividend for the year ended 31 March 2023 of 4.40p per share (2022: 4.00p)	**5.4**	4.9
	15.3	14.3

The Directors are proposing a final dividend of 8.80p per share for the year ended 31 March 2023 (2022: 8.00p) which, if approved by shareholders, will be paid on 11 August 2023 to shareholders on the register on 14 July 2023, an estimated total of £10.9m. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 12 July 2023 and in accordance with accounting standards has not been included as a liability in these financial statements.

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

7. Analysis of changes in net debt

	31 March 2022 (Restated)[1] £m	Cash flow £m	Non-cash movements £m	31 March 2023 £m
Bank loans and overdrafts	(25.0)	**25.0**	**–**	**–**
Financial liabilities arising from financing activities	(25.0)	**25.0**	**–**	**–**
Cash at bank and in hand	28.7	**(15.5)**	**–**	**13.2**
Bank overdrafts classed as cash equivalents	–	**–**	**–**	**–**
Net cash excluding lease liabilities	3.7	**9.5**	**–**	**13.2**
Lease liabilities	(206.7)	**48.7**	**(48.4)**	**(206.4)**
Net debt including lease liabilities	(203.0)	**58.2**	**(48.4)**	**(193.2)**

[1] Certain comparatives have been restated due to prior year adjustment as explained in Note 1 'Accounting policies'.

8. Provisions

	Note	Insurance £m	Property £m	Other provisions £m	Total £m
At 1 April 2022		24.1	14.8	4.4	43.3
Created		9.4	0.7	2.5	12.6
Utilised		(6.2)	(0.3)	(0.3)	(6.8)
Released		(5.1)	(0.7)	(0.6)	(6.4)
Unwinding of discount	3	0.4	0.2	–	0.6
At 31 March 2023		**22.6**	**14.7**	**6.0**	**43.3**
Current		5.1	1.5	4.7	**11.3**
Non-current		17.5	13.2	1.3	**32.0**
		22.6	**14.7**	**6.0**	**43.3**

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. The dilapidation provisions are expected to be utilised at the end of the lease term. Estimated costs have been discounted at a rate based on the Group's assessment of a risk-free rate, with any estimated income being discounted at a rate reflecting an appropriate level of risk.

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

9. Employee benefits

Pension schemes

Employees of Wincanton participated in funded pension arrangements in the UK and Ireland during the year ended 31 March 2023, details of which are given below.

The principal Wincanton scheme in the UK (the Scheme) is a funded arrangement which has two defined benefit sections and two defined contribution sections, called the Wincanton Retirement Savings Section and the Wincanton Pension Builder Plan. The employees of Wincanton Ireland Limited are eligible to participate in a separate defined contribution scheme. Assets of these pension arrangements are held in separate Trustee administered funds independent of Wincanton. The weighted average duration of the funded defined benefit obligation is approximately 13 years.

Contributions

The deficit funding contribution in the year, net of administration expenses, was £20.1m (2022: £18.5m).

A formal valuation of the scheme has begun as at 31 March 2023 and will assist in determining the future company contributions schedule. The previous agreement from September 2020 will continue until a new agreement is in place. Under the existing agreement Group is expecting to make deficit funding contributions of £22.7m, being the annual deficit contribution of £23.6m less certain administration expenses mentioned above. In addition, other administration costs of the Scheme will be borne directly by the Group; these are expected to total £1.1m.

Net defined benefit asset

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

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

	2023 £m	2022 £m
Present value of unfunded defined benefit obligations	**(1.9)**	(2.5)
Present value of funded defined benefit obligations	**(774.5)**	(1,091.3)
Fair value of Scheme assets	**891.1**	1,208.3
Net defined benefit asset	**114.7**	114.5

The reduction in obligations in the year is driven by the increase in the discount rate which has been impacted by external market factors. The discount rate has been consistently calculated using high yield corporate bond rates. The asset has moved in line with the asset balance given the balance being hedged to the liability.

The net defined benefit asset, after taking into account the related deferred tax liability, is £86.0m (2022: £85.9m). Deferred tax is recognised at 25% (2022: 25%) as the Group expects the surplus to reduce over time, rather than obtained as a refund of the surplus on winding up.

Actuarial assumptions

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

	2023 %	2022 %
Discount rate	**4.75**	2.70
Price inflation rate – RPI	**3.25**	3.85
Price inflation rate – CPI	**2.50**	3.25
Rate of increase of pensions in deferment[1]	**2.50–2.50**	2.50-3.25
Rate of increase of pensions in payment[1]	**1.90–3.15**	2.20-3.65

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

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

	2023 Years	2022 Years
Male aged 65 today	**20.4**	20.7
Male aged 45 today	**21.6**	22.1
Female aged 65 today	**22.8**	23.1
Female aged 45 today	**25.4**	25.5

10. Financial Covenants

The Group has a £175.0m (2022: £175.0m) committed syndicated bank facility which matures in March 2027. The RCF requires the Group to comply with three financial covenants at 30 September and 31 March each financial year and the Group operates comfortably within these covenants:

Covenant	Calculation	Ratio	2023	2022
Leverage ratio	Consolidated net borrowings(A)/Consolidated EBITDA (B)	<3.0:1	**0.5**	0.7
Interest cover	Consolidated EBITDA (B)/Consolidated net finance charges (C)	>3.5:1	**17.1**	38.8
Fixed charge cover	Consolidated EBITDA (B) plus operating lease costs (D) /Consolidated net finance charges (C) plus operating lease costs (D)	>1.4:1	**2.6**	2.7

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

	2023	2022
Reported net cash	**(13.2)**	(3.7)
Finance lease liability under IAS 17	**17.8**	15.6
Cash held by captive insurer	**3.9**	9.2
Guarantees provided	**28.9**	25.9
Consolidated net borrowings for covenant reporting (A)	**37.4**	47.0

	2023	2022
Underlying operating profit	**70.8**	64.7
Depreciation, amortisation and impairments	**51.1**	43.6
Underlying EBITDA	**121.9**	108.3
Adjustment to frozen GAAP (IFRS 16 to IAS 17)	**(48.7)**	(42.9)
Share based payment charges	**0.4**	0.5
Consolidated EBITDA for covenant reporting (B)	**73.6**	65.9

	2023	2022
Net interest payable	**8.7**	6.6
Adjustment to frozen GAAP (remove IFRS 16 interest)	**(6.2)**	(5.2)
RPF interest	**(0.5)**	(0.2)
Arrangement fees	**(0.5)**	(0.2)
Interest on net defined benefit asset	**3.4**	1.1
Other discount unwinding	**(0.6)**	(0.4)
Covenant net finance charges (C)	**4.3**	1.7

	2023	2022
Operating lease costs for covenant reporting (D)	**39.5**	35.9