

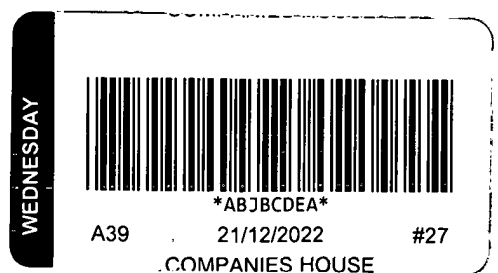
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***Wincanton***

**CYGNIA LOGISTICS LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

Company Registration Number 03748474



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## **CYGNIA LOGISTICS LIMITED**

### **COMPANY INFORMATION**

#### **Directors**

J Clarke  
J Wroath

**Company number**  
03516003

#### **Registered office**

Methuen Park,  
Chippenham,  
England,  
SN14 0WT

#### **Auditor**

BDO LLP  
Bridgewater House,  
Finzels Reach,  
Counterslip,  
Bristol  
BS1 6BX

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## Strategic report

The directors present the Strategic report for the year ended 31 March 2022.

### Fair review of the business

Revenue for the year is £40.1m (2021: £44.6m). The Directors are focused on growing the business by attracting new customers and continuing to service existing customers. The loss for the year is £5.1m which is driven by exceptional costs in the year of £4.5m which are further explained in note 6 of the accounts. Most of these costs relate to the acquisition by Wincanton plc on 10<sup>th</sup> September 2021 and dilapidation expense.

### Principal risks and uncertainties, and financial instruments

Managing customer credit risk and maintaining operational efficiency continue to be the principal risks faced by the company. The company mitigates these risks through its selection of customers and the ongoing management of any credit exposure, and through the close management and planning of the operational activities of the business.

The company's key financial instruments comprise the operational bank accounts, short-term deposits which are used to manage the company's funding and liquidity requirements including the management of the trade debtors and creditors arising from the ongoing trading.

The company's exposure to price risk, liquidity risk and cash flow risk is not material given the nature of the assets, liabilities, overall financial position and profitability of the business.

### Key performance indicators

The Directors monitor the business performance through a range of KPIs which include financial (revenue, underlying profit before tax, profit before tax, underlying profit before tax margin and net cash/(debt)) and operational (staff turnover, agency vs employed, health and safety incidences, customer level picking and packing rates).

### Stakeholder engagement

In accordance with section 172 of the Companies Act, the directors have a duty to promote the success of the Company. In carrying out this duty during the year, the Directors have had regard for, amongst other matters, the areas set out below:

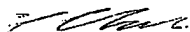
*People* - Our people include colleagues who are directly employed by the Company, third party providers, consultants and others who work throughout the Company. Engagement with our people takes multiple forms including, but not limited to, periodic update meetings, team meetings and regular electronic communications.

*Customers* - Our customers have multiple touch points through the Company, covering Customer Services, Account Management, Operations.

*Business Partners/Suppliers* - We aim to develop long terms relationships with our supply chain partners, ensuring they are integrated into our business to the greatest possible extent. Regular meetings are undertaken with our key providers to ensure we are strategically aligned to meet our business needs.

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On behalf of the board



.....  
**J Clarke**  
Director

12 December 2022

## Directors' report

The Directors present their report and the financial statements of Cygnia Logistics Limited (the "Company") for the year ended 31 March 2022.

### Principal activity

The principal activity of the company continued to be that of storage, order fulfilment and distribution services.

### Dividends

The Directors do not recommend the payment of a dividend (2021: £nil).

### Directors

The persons serving as Directors during the year are shown below:

J Clarke (appointed 1 March 2022)  
J Wroath (appointed 10 September 2021)  
T Lawlor (appointed 10 September 2021 and resigned 28 February 2022)  
G Lindfield (resigned 10 September 2021)  
S C Merrick (resigned 10 September 2021)  
S Clifford (resigned 10 September 2021)  
P A Young (resigned 10 September 2021)  
K J Riddle (resigned 10 September 2021)

### Disabled persons

The company will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. During employment the company seeks to work with employees, taking into account their personal circumstances, to ensure appropriate training, development and advancement opportunities are available to enable them to reach their full potential.

### Employee involvement

Our people include colleagues who are directly employed by the Company, third party providers, consultants and others who work throughout the Company. Engagement with our people takes multiple forms including, but not limited to, periodic update meetings, team meetings and regular electronic communications.

### Auditor

In the year BDO LLP were appointed as auditors for the year ended 31 March 2022.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

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## Directors' report (continued)

### Going concern

The financial statements have been prepared on a going concern basis. The company has net assets of £3,413,969 (2021: £8,538,081) but made a loss in the year of £5,124,112 (2021: profit of £1,274,771). This loss was driven by exceptional expenses of £4,472,000 which is further explained in note 6. The Company, now owned by Wincanton plc is reliant on the Wincanton group for ongoing support. The Directors have received in writing confirmation from the Directors of the ultimate parent company, Wincanton plc, that they will provide the necessary support needed.

In addition, the Directors of Wincanton plc, the ultimate parent of the Wincanton group of companies (the Group), have reviewed the financial forecasts across a range of scenarios including performing a reverse stress test to assess the Group's ability to continue as a going concern. The Directors have considered a base case and a severe but plausible downside case. In both scenarios, the Group has sufficient liquidity and adequate headroom in existing bank facilities to fund itself. In addition, in both scenarios the Group complies with the financial covenants throughout the forecast period. Further details are provided in the going concern section of Note 1 to the financial statements, Accounting Policies.

On behalf of the Board



**J Clarke**  
Director

12 December 2022

Registered Office:  
Methuen Park  
Chippenham  
Wiltshire  
SN14 0WT

## **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Strategic report, and the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYGNIA LOGISTICS LIMITED

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Cygnia Logistics Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of Income and retained earnings, the Statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### Other information

~~The Directors are responsible for the other information. The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.~~

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If,



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYGNIA LOGISTICS LIMITED (CONTINUED)

based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYGNIA LOGISTICS LIMITED (CONTINUED)

Our tests included, but were not limited to:

- identifying and testing journal entries, in particular any journal entries posted to revenue and those posted to unusual account combinations;
- enquiries with management to identify any known or suspected non-compliance or fraud; and
- review of minutes of Board meetings throughout the year to identify any non-compliance with laws and regulations, and fraud, not already disclosed by management.

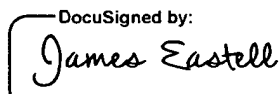
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
ACDBBDEF1FD247D...

James Eastell (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Bristol

15 December 2022

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

**Statement of Income and retained earnings**  
for the year ended 31 March 2022

	Note	2022 £	2021 £
Turnover	3	40,127,448	44,588,481
Cost of sales		(31,714,987)	(29,850,231)
<b>Gross profit</b>		<b>8,412,461</b>	<b>14,738,250</b>
Administrative expenses		(13,854,646)	(13,576,474)
Other operating income		-	331,718
<b>Operating profit before depreciation, amortisation, management (charges)/fees received and exceptional (costs)/income</b>		<b>54,073</b>	<b>2,762,285</b>
Management fees received <i>Included within Administrative expenses</i>		-	72,290
Depreciation and amortisation		(1,024,258)	(719,982)
Management income/(charges)		-	(133,036)
Exceptional costs		(4,472,000)	(488,063)
<b>Operating profit/(loss)</b>	6	<b>(5,442,185)</b>	<b>1,493,494</b>
Other income		204,108	-
Interest receivable and similar income	8	-	2,261
Interest payable and similar charges	9	(720,037)	(161,620)
<b>Profit/(loss) before taxation</b>		<b>(5,958,114)</b>	<b>1,334,135</b>
Tax (charge)/credit on profit or loss	10	834,002	(59,364)
<b>Profit/(loss) for the financial year</b>		<b>(5,124,112)</b>	<b>1,274,771</b>
Retained earnings brought forward		8,538,073	7,263,302
<b>Retained earnings carried forward</b>		<b>3,413,961</b>	<b>8,538,073</b>

The Company had no recognised gains and losses other than the gains and losses above and therefore no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 10 to 23 form an integral part of the financial statements.

**Statement of financial position**  
at 31 March 2022

	Notes	31 March 2022 £	31 March 2021 £
<b>Fixed Assets</b>			
Intangible assets	11	460,651	751,676
Tangible assets	12	5,849,804	2,688,665
		<u>6,310,455</u>	<u>3,440,341</u>
<b>Current assets</b>			
Stocks	13	37,855	146,462
Debtors	14	9,002,137	11,204,910
Cash at bank and in hand		4,449,469	5,345,323
		<u>13,489,461</u>	<u>16,696,695</u>
<b>Creditors: amounts falling due within one year</b>	15	(11,756,869)	(10,457,518)
<b>Net current assets</b>		<u>1,732,592</u>	<u>6,239,177</u>
<b>Total assets less current liabilities</b>		<u>8,043,047</u>	<u>9,679,518</u>
<b>Provisions for liabilities</b>	16	(4,629,078)	(1,141,437)
<b>Net assets</b>		<u>3,413,969</u>	<u>8,538,081</u>
<b>Capital and reserves</b>			
Called up share capital	19	8	8
Profit and loss reserves	20	3,413,961	8,538,073
<b>Total equity</b>		<u>3,413,969</u>	<u>8,538,081</u>

The notes on pages 10 to 23 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 12 December 2022 and were signed on its behalf by:



J Clarke  
Director

## Notes to the financial statements

### 1. Accounting policies

#### Company information

Cygnia Logistics Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Methuen Park, Chippenham, England, SN14 0WT.

The company's principal activity and nature of its operations are disclosed in the Directors' Report and the Strategic Report.

#### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the adoption of the amendments issued in December 2017 ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £, except where otherwise indicated.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' - Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; and
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Wincanton plc. These consolidated financial statements can be obtained from that company's registered office.

#### Going concern

The financial statements have been prepared on a going concern basis. The Company has net assets of £3,413,969 (2021: £8,538,081) but made a loss in the year of £5,124,112 (2021: profit of £1,274,771). This loss was driven by exceptional expenses of £4,472,000 which is further explained in note 6. The Company, now owned by Wincanton plc is reliant on the group for ongoing support. The Directors have received in writing confirmation from the Directors of the ultimate parent company, Wincanton plc, that they will provide the necessary support needed.

The Directors of Wincanton plc (Group Directors), the ultimate parent of the Wincanton group of companies (the Group), have reviewed the financial forecasts across a range of scenarios including performing a reverse stress test to assess the Group's ability to continue as a Going Concern. The Group Directors have concluded that it is reasonable to adopt the going concern basis in preparing its financial statements. This is based on an expectation that Wincanton plc and the Group have adequate resources to continue in operational

## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### Going concern *(continued)*

existence for at least twelve months from the date of signing these accounts. The Group has reported a profit before tax of £54.8m for the twelve months ended 31 March 2022 (2021: £46.2) has net current liabilities of £127.5m (2021: £137.1m) and net assets of £63.6m (2022: net liabilities of £1.7m).

The Group's committed facilities at 31 March 2022 comprise a syndicated Revolving Credit Facility (RCF) of £175.0m, which matures in March 2026. The Group had £150.0m undrawn amounts against the RCF facility as at 31 March 2022. 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.
- 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.

In arriving at the conclusion on going concern, the Group 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 Group Directors have reviewed the financial forecasts across a range of scenarios including performing a reverse stress test. Wincanton has modelled a base case based on revenue and profit run rates at the end of March 2022, that form the basis of the FY2022/23 budget and 3 year plan.

The Directors have reviewed the financial forecasts across a range of scenarios. Wincanton has modelled a base case based on revenue and profit run rates at the end of March 2022 that forms the basis of the budget for the year ended 31 March 2023 and three year plan.

The severe but plausible downside case assumes a deterioration in trading performance, with a 10% reduction in profit before tax resulting primarily from a reduction in budgeted trading from a major customer. This scenario also assumes a deterioration in working capital performance compared to the base case as a result of delayed cash receipts, as well as a further material unplanned cash outflow linked to a general commercial dispute. On top of these downsides, an adverse working capital outflow was assumed to occur in the year ended 31 March 2023 to simulate the timing impact of a high inflationary environment on cash collection within our open book contracts, where receipts are normally collected in arrears.

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

In both scenarios, the Group has sufficient liquidity and adequate headroom in the committed facilities set out above to meet its liabilities as they fall due 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 carried out reverse stress tests against the downside case to determine the performance levels that would result in a breach of covenants. For a breach in covenants to occur

## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### Going concern *(continued)*

during the relevant period, the Group would need to experience a sustained drop in EBITDA (-50%) versus the downside case throughout the period. The Directors do not consider this scenario to be plausible given the ability of the Group to continue its operations through the recent pandemic, the customer contract security within the Group and the buoyant nature of many of the markets within which the Group operates.

Our assessment of the developments in Ukraine and the broader region is that they are not likely to give rise to a material financial impact on the Group or the Company, since they do not have any operations outside of the United Kingdom and Ireland. As a result, aside from the modelling of higher costs resulting from a rising inflationary environment, it has not been deemed necessary to include any further impact of the war in Ukraine within our forecasts.

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.

Based on their enquiries the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

#### Turnover

Turnover represents the fair value of the consideration received or receivable, excluding value added tax and trade discounts, for sales made during the year and derives from the provision of services falling within the company's ordinary activities. Turnover is recognised when the services are provided to customers.

#### Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

#### Grant income

Grants relating to revenue are recognised as income in other operating income on a systematic basis over the periods in which the company recognises the related costs for which the grant was intended to compensate.

#### Intangible fixed assets other than goodwill

Purchased intangible assets are recognised when future economic benefits are probable and the cost of the asset can be measured reliably.

Intangible assets are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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Computer software	20% or 33% straight line
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#### Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### Tangible fixed assets *(continued)*

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold property improvements	Straight line over the term of the lease / 15% straight line
Plant and machinery	Racking - over 10 years to the residual value of 15% of the acquisition value, other plant and machinery – 20% straight line
Fixtures and fittings	20% straight line
Computer hardware	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the statement of income.

#### Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the statement of income. Reversals of impairment losses are also recognised in the statement of income.

#### Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

#### Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.



## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### Financial instruments *(continued)*

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Basic financial assets

Basic financial assets, which include trade and other debtors, and amounts due from group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

#### Impairment of financial assets

Financial assets, other than those held at fair value through the statement of income, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of income.

#### Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### Basic financial liabilities

Basic financial liabilities, including trade and other creditors and amounts due from fellow group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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#### Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

#### Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense as incurred.

The holiday year is in line with the accounting period for the company, and employees are not entitled to carry over unused holiday entitlement.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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#### Retirement benefits

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The company operates a defined contribution pension scheme in respect of certain employees.

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For defined contribution schemes the amount charged to the statement of income and retained earnings is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### Leases

All leases are operating leases and the annual rentals are charged to the profit or loss on a straight line basis over the lease term. Rent free periods or other incentives received for

## Notes to the financial statements *(continued)*

### 1. Accounting policies *(continued)*

#### Leases *(continued)*

entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

#### Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Grants relating to assets are classified as deferred income and recognised in income over the expected useful life of the asset to which they relate.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred.

#### Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

### 2. Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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#### Leases

In categorising leases as finance leases or operating leases, the directors make a judgement as to whether significant risks and rewards of ownership have transferred to the company as lessee.

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

## Notes to the financial statements (continued)

### 2. Judgements and key sources of estimation uncertainty (continued)

#### Tangible fixed assets

The assessment of the useful economic lives and the method of depreciating tangible fixed assets requires judgement. Depreciation is charged to the statement of income based on the useful economic life selected, which requires an estimation of the period and profile over which the company expects to consume the future economic benefits embodied by the assets. The carrying value of tangible fixed assets at the year-end is £5,849,804 (2021: £2,688,665).

#### Dilapidations provision

The amount of the dilapidations provision requires an estimate of the expected future cost to put back the leased buildings to their original state. The carrying value of the dilapidations provision at the year-end is £4,085,885 (2021: £930,098).

#### Bad debt provision

Trade debtors are stated at recoverable amounts, after appropriate provision for bad and doubtful debts. Calculation of the bad debt provision requires judgement from the management team, based on the creditworthiness of the customer. The carrying value of trade debtors at the year end is £3,731,276 (2021: £6,770,723).

### 3. Turnover

Turnover analysed by class of business	2022 £	2021 £
Storage and distribution services	<u>40,127,448</u>	<u>44,588,481</u>
Turnover analysed by geographical market	2022 £	2021 £
United Kingdom	40,127,448	42,708,845
Rest of the world	-	1,879,636
	<u>40,127,448</u>	<u>44,588,481</u>

### 4. Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	2022 Number	2021 Number
Administration	123	111
Operations	<u>598</u>	<u>456</u>
	<u>721</u>	<u>567</u>

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	19,535,154	12,891,382
Social security costs	1,282,832	1,044,622
Contributions to defined contribution pension arrangements	307,891	244,800
	<u>21,125,877</u>	<u>14,180,804</u>

## Notes to the financial statements (continued)

### 5. Directors' remuneration

	2022	2021
	£	£
Remunerations for qualifying services	1,203,856	1,136,904
Contributions to defined contribution pension arrangements	13,813	11,648
	<u>1,217,669</u>	<u>1,148,552</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022	2021
	£	£
Remunerations for qualifying services	389,960	356,551
Contributions to defined contribution pension arrangements	-	-

The above disclosure includes the remuneration for those directors that resigned on 10<sup>th</sup> September 2021 as the Company was acquired by Wincanton plc. Post-acquisition the directors of the Company were paid emoluments by another group company with their salaries disclosed in the consolidated financial statements of Wincanton plc. It is not practicable to allocate the directors remuneration between services as a director of the Company, and services as a director of other Group companies. No recharge is made to the Company for their services.

### 6. Operating profit/(loss)

Operating profit/(loss) for the year is stated after charging/(crediting)

	2022	2021
	£	£
Government grants	-	(181,848)
Deprecation of owned tangible fixed assets	765,139	551,350
Amortisation of intangible assets	259,119	168,632
Operating lease charges	3,114,872	3,910,375
Exceptional costs	4,472,000	488,063
	<u>8,611,130</u>	<u>4,936,572</u>

Government grants received in the year ended 31 March 2021 of £181,848 were Coronavirus job retention scheme grants, £nil in the year ended 31 March 2022.

Included in administrative expenses are exceptional items totalling £4,472,000 which relates mainly to dilapidations expense of £2,869,885 and Cygnia integration of £542,457.

### 7. Auditor's remuneration

Fees payable to the Company's auditor:

	2022	2021
	£	£
<b>For audit services</b>		
Audit of the financial statements of the Company	<u>40,750</u>	<u>27,000</u>
<b>For other services</b>		
Taxation compliance services	-	5,590
All other non-audit services	-	4,900
	<u>40,750</u>	<u>10,490</u>

## Notes to the financial statements (continued)

### 8. Interest receivable and similar income

	2022 £	2021 £
Interest on bank deposits	-	2,261
Total income	-	2,261

### 9. Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and loans	434,292	5,804
Foreign exchange losses on bank balances	3,781	14,612
Other interest	81,964	141,204
Unwinding of discount on provisions	200,000	-
	<u>720,037</u>	<u>161,620</u>

### 10. Taxation

	2022 £	2021 £
<b>Current tax</b>		
Current year tax credit	<u>(1,165,856)</u>	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	627,827	77,117
Adjustment in respect of prior periods	<u>(295,973)</u>	<u>(17,753)</u>
Total deferred tax	<u>331,854</u>	<u>59,364</u>
Total tax charge/(credit) in the income statement	<u>(834,002)</u>	<u>59,364</u>

	2022 £	2021 £
Profit/(loss) before tax	<u>(5,958,114)</u>	<u>1,334,135</u>
Expected tax credit/(charge) based on the standard rate of corporation tax in the UK of 19% (2021: 19%)	(1,132,042)	253,486
Non-deductible expenditure	28,500	24,531
Non-deductible expenditure classified as exceptional	27,175	-
Losses/(income) carried forward not recognised for deferred tax	522,333	(226,395)
Deferred tax adjustments in respect of prior years	(295,973)	(17,753)
Change in UK tax rate	130,367	-
Tax incentives – super capital allowances	(123,965)	-
Fixed asset difference	9,603	25,495
Taxation charge/(credit) for the year	<u>(834,002)</u>	<u>59,364</u>

The main UK corporation tax rate remained at 19% (2021: 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 as at 31 March 2022.

## Notes to the financial statements (continued)

### 11. Intangible fixed assets

	Computer software £
<b>Cost</b>	
At 1 April 2021	1,211,352
Additions	108,239
Disposals	(355,737)
At 31 March 2022	<u>963,854</u>
<b>Amortisation and impairment</b>	
At 1 April 2021	459,676
Amortisation charge for the year	259,119
Disposals	(215,592)
At 31 March 2022	<u>503,203</u>
<b>Carrying amount</b>	
At 31 March 2022	<u>460,651</u>
At 31 March 2021	<u>751,676</u>

The amortisation charge is recognised in the income statement for the year and included within administrative expenses.

### 12. Tangible fixed assets

	Leasehold property improvements £	Plant and machinery £	Fixtures and fittings £	Computer hardware £	Total £
<b>Cost</b>					
At 1 April 2021	502,708	5,364,621	760,896	79,355	6,707,580
Additions	876,337	2,129,393	22,009	1,002,096	4,029,835
Disposals	(50,514)	(285,664)	(18,796)	-	(354,974)
At 31 March 2022	<u>1,328,531</u>	<u>7,208,350</u>	<u>764,109</u>	<u>1,081,451</u>	<u>10,382,441</u>
<b>Depreciation and impairment</b>					
At 1 April 2021	263,411	3,164,794	585,477	5,233	4,018,915
Depreciation charge for the year	68,859	589,468	74,037	32,775	765,139
Disposals	(26,329)	(207,278)	(17,810)	-	(251,417)
At 31 March 2022	<u>305,941</u>	<u>3,546,984</u>	<u>641,704</u>	<u>38,008</u>	<u>4,532,637</u>
<b>Carrying amount</b>					
At 31 March 2022	<u>1,022,590</u>	<u>3,661,366</u>	<u>122,405</u>	<u>1,043,443</u>	<u>5,849,804</u>
At 31 March 2021	<u>239,297</u>	<u>2,199,827</u>	<u>175,419</u>	<u>74,122</u>	<u>2,688,665</u>

## Notes to the financial statements (continued)

### 12. Tangible fixed assets (continued)

The depreciation charge is recognised in the income statement for the year and included within administrative expenses.

### 13. Stocks

	2022 £	2021 £
Raw materials and consumables	<u>37,855</u>	<u>146,462</u>

### 14. Debtors

Amounts falling due within one year:	2022 £	2021 £
Trade debtors	3,731,276	6,770,723
Amounts owed by group undertakings	3,624,195	3,203,316
Other debtors	144,967	129,104
Prepayments and accrued income	<u>1,501,699</u>	<u>1,101,767</u>
	<u>9,002,137</u>	<u>11,204,910</u>

### 15. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	2,138,757	3,859,941
Amounts owed to group undertakings	4,444,313	-
Corporation tax	309	309
Other taxation and social security	475,031	1,125,581
Other creditors	203,249	2,104,639
Accruals and deferred income	<u>4,495,210</u>	<u>3,367,048</u>
	<u>11,756,869</u>	<u>10,457,518</u>

Other creditors includes an amount of £nil (2021: £1,934,577) owed to the company's debt factoring company which is secured by a fixed and floating charge over the assets of the company.

The intercompany debt is interest free and repayable on demand.

### 16. Provision for liabilities

	2022 £	2021 £
Dilapidations	4,085,885	930,098
Deferred taxation	<u>543,193</u>	<u>211,339</u>
	<u>(4,629,078)</u>	<u>(1,141,437)</u>



## Notes to the financial statements (continued)

### 16. Provision for liabilities (continued)

The dilapidation provision relates to the leasehold properties that the company occupies, and reflects the expected liability under the leases to reinstate and return the properties to the condition required under the lease.

Actual payments in respect of dilapidations are expected to occur on expiry of the respective leases for the various leasehold properties. These various expiry dates fall between the balance sheet date and March 2035.

Movements on provisions:

	Dilapidations £
At 1 April 2021	930,098
Provisions made during the year	3,386,787
Provisions used during the year	(232,000)
Provisions released during the year	(199,000)
Unwinding of discount	200,000
At 31 March 2022	<u>4,085,885</u>

### 17. Deferred taxation

The deferred tax liabilities and assets recognised by the Company are:

	Liabilities 2022 £	Liabilities 2021 £
Accelerated capital allowances	543,193	257,021
Short term timing differences	-	(45,682)
	<u>543,193</u>	<u>211,339</u>
<b>Movements in the year:</b>		£
Liability at 1 April 2021		211,339
Charge to income statement		331,854
Liability at 31 March 2022		<u>543,193</u>

### 18. Retirement benefit schemes

	2022 £	2021 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>307,891</u>	<u>244,800</u>

## Notes to the financial statements (continued)

### 18. Retirement benefit schemes (continued)

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administrated fund. Contributions totalling £39,987 (2021: £19,932) were payable to the fund at the year end and are included in creditors.

### 19. Share capital

	2022 £	2021 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
80,000 ordinary shares of £0.0001 each	8	8
	<u>8</u>	<u>8</u>

The Company's ordinary shares which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

### 20. Reserves

#### Profit and loss reserves

Reserves of the Company represent the retained earnings, which are the cumulative profit and loss net of distribution to owners.

### 21. Financial commitments, guarantees and contingent liabilities

The Company operates a bonded warehouse on behalf of customers. The Company's bankers have provided a guarantee for £120,000 (2021: £120,000) to H M Revenue & Customs in the event that the customers do not pay VAT and duty in imports. Under the terms of the guarantee, the bank has recourse to the Company.

### 22. Operating lease commitments

#### Lessee

At the reporting date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	2,697,418	3,782,617
Between one and five years	9,612,958	9,923,373
Over five years	19,280,710	21,555,598
	<u>31,591,086</u>	<u>35,261,588</u>

### 23. Ultimate parent company

The ultimate holding company and ultimate controlling company is Wincanton plc, a company incorporated in Great Britain and registered in England and Wales. The immediate controlling company is Wincanton UK Limited which is also registered in England and Wales.

The largest and smallest group in which the results of Cygnia Logistics Limited are consolidated is that headed by Wincanton plc. Copies of the report and accounts of Wincanton plc can be obtained from the Company Secretary, Methuen Park, Chippenham, Wiltshire, SN14 0WT.