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WINCANTON plc

Preliminary Announcement of Results

for the financial year ended 31 March 2015

Wincanton plc ("Wincanton" or the "Group"), a leading provider of supply chain solutions in the UK and Ireland, today announces its preliminary results for the year to 31 March 2015.

	2015	2014 restated[1]	change
Revenue (£m)	**1,107.4**	1,098.0	0.9%
Underlying EBITDA (£m)	**64.1**	63.4	1.1%
Underlying operating profit (£m)	**49.7**	48.0	3.5%
Underlying operating margin (%)	**4.5%**	4.4%	10 bps
Underlying profit before tax (£m)	**31.4**	25.6	22.7%
Profit before tax (£m)	**24.9**	34.9	
Underlying EPS (pence)	**21.1**	16.6	27.1%
Basic EPS (pence)	**16.6**	23.6	
Net debt (£m)	**57.6**	64.9	(11.2)%

[1] Comparatives have been restated for the change in accounting for joint ventures. This has reduced revenue by £0.3m for the year ending 31 March 2014 but has had no impact on underlying operating profit.

Highlights

- Revenue growth of 0.9% is underpinned by a strong programme of renewals and new wins delivered across all sectors
  - Contract renewals with long-established customers, including Magnet, Total, Waitrose Wines and Spirits, HJ Heinz and Britvic
  - New 5 year contract with Lavendon Group plc replacing their in-house UK logistic operations
  - 3 year transport logistics contracts for Howdens Joinery and Halo Foods
  - Extended established relationships with BAE Systems and General Dynamics

  Net of headwind from site closures as retailers reshape networks and impact of lower fuel prices
- Underlying operating profit increased by 3.5% to £49.7m (2014: £48.0m)
- Underlying operating margin increased from 4.4% to 4.5% overall, with strong operational efficiency and project performance in the Contract logistics segment (4.1% to 4.8%) partially offset by losses in Pullman operations within Specialist businesses (5.8% to 2.7%)
- Strong underlying EPS growth of 27.1% to 21.1 pence per share (2014: 16.6 pence per share) driven by improved operating performance and significantly lower finance charges
- Net debt reduced to £57.6m (2014: £64.9m). Average net debt reduced by £32m from £168m to £136m
- Five year, £170m bank facility implemented in June 2014 provides strong medium term financing structure for the Group

Note: Underlying measures of performance for EBITDA, operating profit, profit before tax and earnings per share are stated before net other items of £(6.5)m (2014: £9.3m), comprising amortisation of acquired intangibles of £(6.5)m (2014: £(6.5)m) and a net gain on pension benefits of £nil (2014: £15.8m). Operating profit, including these items, amounted to £43.2m (2014: £57.3m).

Eric Born, Wincanton Chief Executive commented:

"I am pleased to report that Wincanton has continued to deliver against our strategy in the year and achieved revenue and profit growth plus further reductions in net debt. This was attributable to continued operational excellence, delivering value added services and our focus on close customer relationships."

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Chairman's review

Introduction

2014/15 represented another year of progress and improvement for Wincanton. The contributing elements remain the same; strong renewal levels with additional contract awards from existing customers; targeted new business wins in growth sectors such as construction; all underpinned by continued delivery of operational cost efficiencies, to the shared benefit of Wincanton and its customers.

The improving economic backdrop in the UK and Ireland continues. Despite this, key Wincanton sectors within retail are coping with rapid channel and consumer driven changes which also had some impact on our business as certain retailers reshaped their networks resulting in some site closures during the year. To support their customers, and so prosper themselves, logistics suppliers are required to actively innovate, collaborate and deliver continuing efficiencies.

Results

Group revenues at £1,107.4m were up by 0.9% on the prior year. A strong performance on new business wins and renewals was partly offset by the impact of certain site closures as retailers reshaped their distribution networks and also the impact of lower fuel prices as fuel is largely a pass through cost to Wincanton. Underlying operating profits grew by 3.5% from £48.0m to £49.7m, assisted by continuing cost efficiencies and good customer retention. The strong operating profit performance in Contract logistics from organic growth and a high level of customer project activity was partially offset by the losses suffered in Pullman operations, within Specialist businesses.

Underlying pre-tax profits were up by 22.7% to £31.4m, reflecting lower interest expense following a successful refinancing during the year and the reduced average debt. Underlying earnings per share was up 27.1% to 21.1p.

The Group has continued to prioritise reducing net indebtedness and actively managing the risks arising from its pension obligations. Year end net debt reduced from £64.9m to £57.6m and more importantly, average net debt during the year reduced from £168m to £136m. However, despite the closure of the defined benefit sections of the pension scheme to future accrual from 31 March 2014, the year end IAS 19 accounting deficit stood at £144.2m (2014 £110.9m) due largely to market discount rate movements.

Looking ahead, with the expected annual cash outflows from items such as onerous lease provisions and interest expense expected to lower, the Board will continue to prioritise reducing net indebtedness. No dividend is recommended for this year however the Board will assess on an ongoing basis when it judges it to be in the Company's interests to recommence a dividend payment to shareholders.

Delivering against our strategy

Our strategy has remained unchanged and progress against the strategic pillars is described below:

Continue to deliver improvements for our customers in our existing operations and to retain existing contracts

The Group delivered another strong performance in renewing contracts with long standing customers such as General Dynamics, adidas, Total and Britvic during the period. The strong trend of successful renewals of business with customers is built on the foundation of operational excellence, reliability and dependability over the long term.

Improve 'share of wallet' with our existing customers and focus on cross-selling of our services

We have focused our teams on building strong relationships with customers to ensure they understand their needs and the opportunities where we can help add value to their businesses. During the year we demonstrated this with the delivery of significant projects for customers alongside our existing business. A good example of such was for a major FMCG customer where we supported the integration of their new worldwide ERP system by integrating it with their warehousing systems.

Acquire new customers through improved prospecting process and service propositions

New business wins included a three year agreement for transport logistics with Howdens Joinery, the building products group, and a three year agreement with Halo Foods. We continue to leverage our expertise, systems and infrastructure to add real value to our customers operations. Additionally we were also appointed to be the sole UK logistics provider to Lavendon Group plc, (which trades as Nationwide Platforms in the UK).

Drive ongoing cost reductions and cash generation

We improved our underlying operating margin from 4.4% in 2013/14 to 4.5% in 2014/15. We continued the year over year trend of reducing the level of closing net debt to £57.6m (2014: £64.9m) and the average level of net debt to £136m (2014: £168m) as a result of the continued focus on cash generation and improved working capital management.

Our people

The Group's most important calling card remains its reputation for strong customer focus and operational delivery and our people are at the very core of what makes Wincanton great at operational delivery, working to make our customers' business better every day.

We developed and launched our vision, mission and values during the year. These were developed with the input and contributions from several hundred colleagues to ensure they represent the aspirations and values of the entire organisation. Our colleagues are key to the future success of the Group and we strive to ensure that their welfare is maintained and that they have the opportunities and environment in which to develop. The health and safety of our colleagues is of the highest importance and the Group has continued to reduce the number of reported incidents that occurred in operations during the last year.

This is all to the great credit of our employees, who I would like to thank as always for their hard work and dedication.

Board

It was announced in April 2015 that Eric Born will be stepping down as Chief Executive at the end of July 2015 to take up an international appointment outside the logistics sector. I would like to thank Eric for his strong leadership and his very considerable contribution to Wincanton during his six years with the Group. He leaves with our best wishes for the future.

I am pleased to report that Adrian Colman, currently Group Finance Director, will be promoted to Chief Executive with effect from 1 August 2015. Adrian was selected by the Board following a full external search process. As a result, a search process is now underway to appoint a replacement Group Finance Director.

Within the non-executive team Stewart Oades joined the Board in November 2014 and brings with him very considerable logistics sector experience. Paul Dean joined the Board in February 2015 and brings strong financial and business expertise. Paul will chair the Audit Committee from the conclusion of the AGM in July 2015.

Paul Venables, our current Audit Committee Chairman and Senior Independent Director, is stepping down from the Board after six years. Wincanton has benefited significantly from his financial and logistics sector expertise and Paul leaves with our thanks and best wishes.

Outlook

The Group will continue to pursue its strategy. Whilst existing customer retention and cost efficiencies will continue to be our key value drivers, increased emphasis is also being placed on winning new business where long term collaborative relationships can be built as well as returning the Pullman business to profitability. The emphasis on further increasing free cash flow generation and paying down net debt will also continue. The Board expects that Wincanton will show continued progress during the coming year.

Financial review

Performance summary

	2015 £m	2014 restated[1] £m
Revenue	**1,107.4**	1,098.0
EBITDA	**64.1**	63.4
Underlying operating profit	**49.7**	48.0
Underlying operating margin (%)	**4.5%**	4.4%
Net financing costs	**(18.3)**	(22.4)
Underlying profit before tax	**31.4**	25.6
Amortisation of acquired intangibles	**(6.5)**	(6.5)
Impact of pensions changes	**–**	15.8
Profit before tax	**24.9**	34.9
Underlying EPS (p)	**21.1p**	16.6p
Net debt	**(57.6)**	(64.9)

[1] Comparatives have been restated for the change in accounting for joint ventures.

In the year ended 31 March 2015, Wincanton reported revenue of £1,107.4m (2014: £1,098.0m), which represents a year on year increase of 0.9%. A strong performance on new business wins and renewals was partly offset by the impact of certain site closures as retailers reshaped their distribution networks. Additionally revenues have also faced a marginal headwind from the impact of lower fuel prices as fuel is largely a pass through cost to Wincanton. Changes in the price of fuel have had no material impact on the Group's profitability as contractual arrangements typically pass any fuel price risk through to the end customer. As such the impact of the fall in fuel prices during the year is largely limited to a modest decrease in gross costs and corresponding revenues year over year.

Underlying operating profit grew by 3.5% to £49.7m (2014: £48.0m), providing an underlying operating margin of 4.5% up from 4.4% in the prior year.

In the prior year the Group reported an exceptional net pension gain of £15.8m in respect of a programme of changes made to its pension arrangements, principally the closure of the defined benefit sections of the Wincanton plc Pension Scheme (the Scheme) to future accrual; no equivalent exceptional items arose in the current year.

Net financing costs were £18.3m (2014: £22.4m), £4.1m lower year on year. Financing charges principally comprise interest payable on loans, plus other non-cash financing items, of £13.3m (2014: £16.0m) and £5.0m (2014: £6.4m) of pension financing charge, a non-cash item arising in respect of the UK defined benefit arrangements.

Profit before tax of £24.9m compares to £34.9m in the prior year. Tax in the year was a charge of £5.6m compared with £7.5m in the prior year.

Underlying earnings per share of 21.1p increased by 27.1% from 16.6p in the prior year reflecting the improved operating profit and the lower net financing costs year over year. Basic earnings per share was 16.6p compared with 23.6p in 2013/14, the reduction reflecting the non recurrence of the prior year one off pension gain referred to above.

Trading

	2015 £m			2014 £m		
	Contract logistics	**Specialist businesses**	**Total**	Contract logistics	Specialist businesses restated[1]	Total restated[1]
Revenue	**928.8**	**178.6**	**1,107.4**	930.1	167.9	1,098.0
Underlying operating profit	**44.8**	**4.9**	**49.7**	38.3	9.7	48.0
Margin (%)	**4.8%**	**2.7%**	**4.5%**	4.1%	5.8%	4.4%

[1] Comparatives have been restated for the change in accounting for joint ventures.

The Group's internal management structure aligns the Group under two sectors; Contract logistics which is a provider of supply chain logistics solutions and services and Specialist businesses of Containers, Wincanton Records Management and Pullman. This structure has been constant in both years to 31 March 2015 and hence the segments disclosure remains unchanged.

Contract logistics

The Contract logistics business reported revenues of £928.8m in the year, consistent overall with the £930.1m reported in the year to 31 March 2014. The contractual split of this segment between open and closed book remains relatively constant at 67% open book (2014: 69%).

Underlying operating profit for the year was £44.8m, 17.0% up on the £38.3m reported in 2013/14. The improvement in profitability primarily reflects a strong performance in relation to customer projects during the year and continued operational efficiency improvements from our ongoing programmes across our major assets of labour, fleet and property.

The split of Contract logistics activities revenue by sub sector is as follows:

	2015 £m	2014 £m
Construction	**135.2**	126.1
FMCG	**179.7**	171.6
Retail grocery	**237.4**	243.7
Retail general merchandise	**221.2**	230.5
Tankers and bulk	**94.6**	99.0
Other	**60.7**	59.2
	928.8	930.1

The Construction sector has performed strongly in the year with good underlying volume increases reflecting the strong year that the UK construction sector enjoyed, in particular in relation to domestic house-building. Additionally this sector delivered important new business wins such as Lavendon Group plc, to operate their UK logistics operations delivering/collecting powered platforms under the Nationwide Platforms brand, for a five year term. In FMCG good volumes were again evident along with successful start ups of transport logistics operations for Halo Foods under a three year contract and a three year transport logistics contract with Howdens Joinery, the building products group.

Volumes in the retail sector were under pressure, particularly in the grocery sector, consistent with the market pressures that our large retail grocery customers have been facing in their market place. In the general merchandise sector our Home and DIY retail customers saw stronger volumes across the year as the buoyant property and construction market drove volumes through these retail customers. However these strong volumes were more than offset by the impact of site closures as retailers reshaped their networks.

A number of key renewals were finalised in the year including General Dynamics, Waitrose Wines and Spirits, adidas, Total, Britvic and HJ Heinz.

Specialist businesses

The Specialist businesses segment of the Group comprises Wincanton container logistics, Wincanton Records Management, which provides a full suite of document storage and associated scanning and shredding services, and the vehicle maintenance and repair business, Pullman.

These Specialist businesses operate almost entirely under a closed book model. Whilst the three activities are identifiable sub sectors, and for information the revenue split is given in the table below, these are managed as one segment.

	2015 £m	2014 restated[1] £m
Containers	**81.0**	78.2
Pullman	**75.2**	68.6
Records Management	**22.4**	21.1
	178.6	167.9

[1] Comparatives have been restated for the change in accounting for joint ventures.

Revenue for this segment was £178.6m, 6.4% up on the previous year of £167.9m. Underlying operating margin fell to 2.7% (2014: 5.8%) and underlying operating profit reduced to £4.9m (2014: £9.7m). As previously highlighted, the reductions in both margin and operating profit in the sector are attributable to the losses suffered in the Pullman operation. Recent significant growth with a number of major retailers, reflecting the rapid expansion of their home delivery fleets, put pressure on the Pullman operating model and profitability as additional resources have been applied to manage the growth and the resultant increase in the breadth of operation. Additionally whilst the business has been successful at winning additional volumes these higher volume contracts have returned a significantly lower margin than the traditional core HGV fleet maintenance business with two contracts proving to be loss making. A provision has been made for these contracts in the 2014/15 financial year. Action has been taken to put in place a new management team in Pullman and to address the relevant commercial issues with these contracts to prevent a continuation of these losses beyond the 2014/15 financial year. We expect an improved level of performance from this business going forward.

The Container transport market continues to be competitive but it presents a number of opportunities for the business in particular in growing with customers serviced in the Contract logistics segment. In the year the business was also successful in winning new operations with a major shipping line.

Records Management produced a strong organic growth performance, gaining new customers across existing and new sectors in particular in the newer ancillary activities such as shredding and scanning.

Net financing costs

	2015 £m	2014 £m
Bank interest payable on loans/leases	**11.2**	14.4
Interest receivable	**(0.2)**	(0.4)
Net interest payable	**11.0**	14.0
Discounts unwinding re provisions	**2.3**	2.0
Pension financing item	**5.0**	6.4
Net financing costs	**18.3**	22.4

Financing costs, related to the Group's debt, of £11.2m reduced by £3.2m compared to the prior year charge of £14.4m, principally due to the lower average debt in the year which was £32m lower at £136m (2014: £168m). In addition the refinancing secured by the Group in June 2014 was agreed at lower rates of both arrangement fees and margin. The non-cash financing items total £7.3m (2014: £8.4m) and comprise the discounts unwinding on the Group's long term provisions for onerous property leases and insurance claims and the pensions financing charge in respect of the defined benefit deficit.

Taxation

The tax charge of £5.6m (2014: £7.5m) reflects an effective tax rate on underlying profits of 22.0% (2014: 24.6%). This reduction is largely a result of the drop in the main UK corporation tax rate from 23% to 21%, with legislation enacted in July 2014 to further reduce this to 20% by 2015/16. The factors influencing the effective tax rate in 2014/15 are expected to remain reasonably constant, resulting in an effective tax rate continuing slightly above the headline UK rate for the foreseeable future.

The Group paid cash tax in the current year of £4.2m, an increase of £1.8m on the prior year payment of £2.4m, primarily as available tax losses have been fully utilised. The cash tax payable continues to trend below the underlying charge due to the impact of the pension deficit recovery payments made in the period. This is expected to continue going forward.

The total deferred tax asset carried forward at 31 March 2015 has increased to £30.3m (2014: £24.0m), primarily as a result of the increased pension deficit and the deferred tax asset thereon.

Profit after tax, earnings per share and dividend

The profit after tax reported for the Group for the year of £19.3m compares to £27.4m in the prior year.

These retained earnings translate to a basic earnings per share of 16.6p (2014: 23.6p) the year on year reduction primarily driven by the non recurrence of the non-cash gain on the closure of the defined benefit sections of the Scheme to future accrual reported last year. As set out in note 5 the Group reports an alternative, underlying earnings per share figure which excludes the impact of amortisation of acquired intangibles, and also in 2014 the pension changes, which has increased year on year by 27.1% to 21.1p from 16.6p.

The Group has not declared or paid a dividend this year in line with its continuing objective to reduce net debt.

Financial position

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

	2015 £m	2014 restated[1] £m
Non-current assets	**185.4**	191.3
Net current liabilities (ex net debt)	**(203.2)**	(215.1)
Non-current liabilities (ex net debt/pension deficit)	**(42.1)**	(50.4)
Net debt	**(57.6)**	(64.9)
Pensions deficit (gross of deferred tax)	**(144.2)**	(110.9)
Net liabilities	**(261.7)**	(250.0)

[1] Comparatives have been restated for the change in accounting for joint ventures.

The movement in the year of £(11.7)m is principally due to retained profit for the year of £19.3m and the remeasurement in the pension deficit net of deferred tax of £(32.4)m which is primarily attributable to the lower discount rate prevailing at 31 March 2015.

Financing and covenants

The Group's committed facilities at the year end were £299m and the headroom in these committed facilities to reported net debt at 31 March 2015 was £241m.

The Group also has additional operating overdrafts which provide day-to-day flexibility and amount to a further £11m in uncommitted facilities. Sterling and Euro pools are operated and whenever possible, surplus cash is netted against overdrafts.

During the year the Group successfully renewed its main bank arrangements, at lower rates, with a new £170m facility for a five year term to June 2019.

The Group's facilities comprise the following; the main bank facility of £170m which matures in June 2019, £75m from the Prudential / M&G UK Companies Financing Fund LP, which matures in January 2022 with four equal repayments commencing in January 2019 and the balance of the US Private Placement debt of £54m which matures in tranches in December 2015 (£34m) and November 2016 (£20m). It is expected that these will be redeemed from cash generated in the year and other existing facilities.

The Group maintains a mix of hedging instruments (swaps) to give an appropriate level of protection against changes in interest rates. At the year end £75m of debt was at fixed rates and the balance at floating rates.

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

Covenant	Ratio	At 31 March 2015
Adjusted net debt : EBITDA	<2.75:1	1.37
Interest cover	>3.5:1	6.6
Fixed charge cover	>1.4:1	2.2

The covenant ratio of adjusted net debt to EBITDA remained at <2.75:1 at the refinancing in June 2014 and is fixed for the term of the facility.

Net debt and cash flows

Group net debt at the year end was £57.6m (2014: £64.9m) a net cash inflow in the year of £7.3m. This cash generation in the period reflects cash generated from operations and from improved working capital management throughout the year, offset by the settlement of a number of significant onerous lease liabilities in the second half. The Group's average level of net debt during the year was also reduced by £32m from £168m in 2013/14 to £136m in 2014/15.

The Group's cash flows can be summarised in the following table;

	2015 £m	2014 £m
Underlying operating profit	**49.7**	48.0
Depreciation and amortisation	**14.4**	15.4
EBITDA	**64.1**	63.4
Net capital expenditure	**(9.7)**	(1.7)
Net financing costs	**(12.6)**	(13.6)
Pension deficit payment	**(14.4)**	(14.1)
Onerous leases	**(12.1)**	(10.2)
Working capital movement/tax/other	**(8.0)**	18.9
Total	**7.3**	42.7

Included in the net financing cost outflow is £2.6m of arrangement fees (2014: nil) payable in respect of the new refinancing facility agreed and the latest tranche of the M&G facility fee. The amount of cash interest paid, excluding these fees, of £10.0m reduced significantly in the year reflecting the lower level of average net debt compared to the prior year. The average borrowing rate on debt including all fees, but excluding the non-cash items of discounts unwinding and pension financing charges, is 7.3% (7.7% in 2013/14).

Capital expenditure totalled £10.3m (2014: £7.9m). The year on year increase is largely as a result of the timing of spend on certain capital projects which included investment in the Group's information technology infrastructure (£3.7m) plus vehicles and ancillary equipment for various contract logistics operations (£2.2m) and racking for the WRM business £(0.6)m. During the prior year the Group disposed of a number of assets, principally a surplus freehold property in Runcorn for £4.8m.

The cash outflows in respect of the onerous lease liabilities in the year ended 31 March 2015 were £12.1m (2014: £10.2m). In the second half of the year the Group successfully secured a number of agreements to exit from certain properties and to settle remaining dilapidations discussions. These settlements reflect the more positive property market outlook in the year. In the coming year to 31 March 2016, and subsequent years, the cash outflows in respect of onerous property leases are forecast to materially reduce.

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

Defined benefit arrangements
The Wincanton plc Pension Scheme (the Scheme), which closed its defined benefit sections to future accrual on 31 March 2014, had an IAS 19 deficit of £144.2m (2014: £110.9m) (£115.5m net of deferred tax) at the year end. The deficit has increased due to a significant decrease in the discount rate which has been partially offset by an increase in the market value of the investments. The discount rate has decreased to 3.25% compared with the prior year of 4.5%. Each 0.1% movement in the rate impacts the liabilities of the scheme by 1.9%, currently some £20m.

The triennial valuation as at 31 March 2014 was finalised with the Trustee in April 2015 with a technical provision basis deficit agreed of £195m. The additional cash contribution made in the current year to fund the deficit was £14.4m as part of the recovery plan set at the conclusion of the previous valuation and reconfirmed in the latest. Going forward the payment profile agreed with the Trustee increases the deficit recovery payment by RPI each year through the recovery period to September 2024.

The approximate membership data split by key categories is as follows:

	2015	2014
Deferred	**8,720**	9,080
Pensioners	**7,130**	7,010
	15,850	16,090

Over recent years the Trustee has pursued a diversification of the investment portfolio as part of a de-risking strategy and the programme has continued in 2014/15 with changes to both the return-seeking and matching portfolios. A trigger mechanism is being used to reduce the return-seeking asset allocation as the funding level improves and at 31 March 2015 the target allocation is 51:49 return-seeking to matching (2014: 60:40). During the year both the overall market and the funding level have been impacted by the continuing low interest rate environment albeit partially offset by investment performance. As part of the de-risking strategy the Trustee, in conjunction with the Company, has put in place liability hedging arrangements in the year covering c. 35% (2014: c. 30%) of the interest rate and inflation exposure of the Scheme.

Defined contribution arrangements
The Group’s defined contribution arrangements include the Retirement Savings Section, Pension Builder Plan and Auto Enrolment section in the UK and a separate similar local scheme in Ireland. Active membership of these schemes was 14,317 (2014: 13,252) in the year. The income charge incurred for these arrangements total £16.3m (2014: £10.9m).

Consolidated income statement

For the year ended 31 March 2015

	Note	2015 £m	2014 restated[1] £m
Revenue	2	**1,107.4**	1,098.0
Underlying operating profit	2	**49.7**	48.0
Amortisation of acquired intangibles		**(6.5)**	(6.5)
Net pension gain		**–**	15.8
Operating profit		**43.2**	57.3
Financing income	3	**0.2**	0.4
Financing cost	3	**(18.5)**	(22.8)
Net financing costs	3	**(18.3)**	(22.4)
Profit before tax		**24.9**	34.9
Income tax expense	4	**(5.6)**	(7.5)
Profit attributable to equity shareholders of Wincanton plc		**19.3**	27.4
Earnings per share			
– basic	5	**16.6p**	23.6p
– diluted	5	**14.9p**	21.7p

[1] Where applicable, comparatives have been restated for the change in accounting for joint ventures.

Consolidated statement of comprehensive income

For the year ended 31 March 2015

	Note	**2015 £m**	2014 £m
Profit for the year		**19.3**	27.4
Other comprehensive (expense)/income			
Items which will not subsequently be reclassified to the income statement			
Remeasurements of defined benefit liability	8	**(40.5)**	12.0
Income tax relating to items that will not be reclassified subsequently to profit or loss	4	**8.1**	(6.1)
		(32.4)	5.9
Items which are or may subsequently be reclassified to the income statement			
Net foreign exchange loss on investment in foreign subsidiaries net of hedged items		**(0.8)**	(0.1)
Effective portion of changes in fair value of cash flow hedges		**(1.3)**	(0.2)
Net change in fair value of cash flow hedges transferred to the income statement		**1.5**	2.0
Income tax relating to components of other comprehensive income	4	**–**	0.1
		(0.6)	1.8
Other comprehensive (expense)/income for the year, net of income tax		**(33.0)**	7.7
Total comprehensive (expense)/income attributable to equity shareholders of Wincanton plc		**(13.7)**	35.1

Consolidated balance sheet

At 31 March 2015

	Note	2015 £m	2014 restated[1] £m
Non-current assets			
Goodwill and intangible assets		**96.8**	105.5
Property, plant and equipment		**58.2**	61.7
Investments, including those equity accounted		**0.1**	0.1
Deferred tax assets		**30.3**	24.0
		185.4	191.3
Current assets			
Inventories		**5.8**	6.4
Trade and other receivables		**135.2**	135.3
Cash and cash equivalents		**105.8**	131.9
		246.8	273.6
Current liabilities			
Income tax payable		**(8.7)**	(9.7)
Borrowings and other financial liabilities		**(35.3)**	(12.1)
Trade and other payables		**(316.6)**	(322.9)
Employee benefits		**(0.2)**	(0.3)
Provisions	7	**(18.7)**	(23.9)
		(379.5)	(368.9)
Net current liabilities		**(132.7)**	(95.3)
Total assets less current liabilities		**52.7**	96.0
Non-current liabilities			
Borrowings and other financial liabilities		**(128.1)**	(184.7)
Employee benefits	8	**(144.2)**	(110.9)
Provisions	7	**(41.2)**	(49.4)
Deferred tax liabilities		**(0.9)**	(1.0)
		(314.4)	(346.0)
Net liabilities		**(261.7)**	(250.0)
Equity			
Issued share capital		**12.2**	12.2
Share premium		**12.8**	12.8
Merger reserve		**3.5**	3.5
Hedging reserve		**(1.6)**	(1.8)
Translation reserve		**(0.5)**	0.3
Retained earnings		**(288.1)**	(277.0)
Total equity deficit		**(261.7)**	(250.0)

[1] Where applicable, comparatives have been restated for the change in accounting for joint ventures.

Consolidated statement of changes in equity

At 31 March 2015

						Retained earnings			
	Issued share capital £m	**Share premium £m**	**Merger reserve £m**	**Hedging reserve £m**	**Translation reserve £m**	**IFRS 2 reserve £m**	**Own shares £m**	**Profit and loss £m**	**Total equity deficit £m**
Balance at 1 April 2013	12.2	12.8	3.5	(3.6)	0.4	15.2	(15.3)	(311.7)	(286.5)
Profit for the year	–	–	–	–	–	–	–	27.4	27.4
Other comprehensive income	–	–	–	1.8	(0.1)	–	–	6.0	7.7
Total comprehensive income	–	–	–	1.8	(0.1)	–	–	33.4	35.1
Increase in IFRS 2 reserve	–	–	–	–	–	1.4	–	–	1.4
Own shares disposed of on exercise of options	–	–	–	–	–	–	0.4	(0.4)	–
Balance at 31 March 2014	12.2	12.8	3.5	(1.8)	0.3	16.6	(14.9)	(278.7)	(250.0)
Balance at 1 April 2014	**12.2**	**12.8**	**3.5**	**(1.8)**	**0.3**	**16.6**	**(14.9)**	**(278.7)**	**(250.0)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19.3**	**19.3**
Other comprehensive income	**–**	**–**	**–**	**0.2**	**(0.8)**	**–**	**–**	**(32.4)**	**(33.0)**
Total comprehensive income	**–**	**–**	**–**	**0.2**	**(0.8)**	**–**	**–**	**(13.1)**	**(13.7)**
Increase in IFRS 2 reserve	**–**	**–**	**–**	**–**	**–**	**1.5**	**–**	**–**	**1.5**
Deferred tax on share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Own shares disposed of on exercise of options	**–**	**–**	**–**	**–**	**–**	**–**	**0.8**	**(0.8)**	**–**
Balance at 31 March 2015	**12.2**	**12.8**	**3.5**	**(1.6)**	**(0.5)**	**18.1**	**(14.1)**	**(292.1)**	**(261.7)**

Consolidated statement of cash flows

For the year ended 31 March 2015

	2015 £m	2014 £m
Operating activities		
Profit before tax	**24.9**	34.9
Adjustments for		
– depreciation and amortisation	**20.9**	21.9
– net pension gain	**–**	(15.8)
– interest expense	**18.3**	22.4
– profit on disposal of plant, property and equipment	**–**	(0.1)
– share-based payments fair value charges	**1.5**	1.4
	65.6	64.7
(Increase)/decrease in trade and other receivables	**(0.3)**	9.1
Decrease in inventories	**0.6**	0.7
(Decrease)/increase in trade and other payables	**(4.0)**	5.7
Decrease in provisions	**(15.1)**	(9.8)
Increase in employee benefits before pension deficit payment	**2.1**	2.1
Income taxes paid	**(4.2)**	(2.4)
Cash generated before pension deficit payment	**44.7**	70.1
Pension deficit payment	**(14.4)**	(14.1)
Cash flows from operating activities	**30.3**	56.0
Investing activities		
Proceeds from sale of property, plant and equipment	**0.6**	6.2
Interest received	**0.2**	0.4
Additions of property, plant and equipment	**(10.0)**	(7.9)
Additions of computer software costs	**(0.3)**	–
Cash flows from investing activities	**(9.5)**	(1.3)
Financing activities		
Decrease in borrowings	**(33.6)**	(10.5)
Payment of finance lease liabilities	**(0.5)**	(1.5)
Interest paid	**(12.8)**	(14.0)
Cash flows from financing activities	**(46.9)**	(26.0)
Net (decrease)/increase in cash and cash equivalents	**(26.1)**	28.7
Cash and cash equivalents at beginning of year	**131.9**	103.2
Cash and cash equivalents at end of year	**105.8**	131.9
Represented by		
– cash at bank and in hand	**93.2**	115.7
– restricted cash, being deposits held by the Group’s captive insurer	**12.6**	16.2
	105.8	131.9

Notes to the consolidated financial statements

1. Accounting policies

The financial information set out in this preliminary announcement does not constitute Wincanton plc's statutory accounts for the years ended 31 March 2015 and 31 March 2014. Statutory accounts for the year ended 31 March 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 March 2014 have been delivered to the Registrar of Companies. The Auditor has reported on those accounts; their reports were unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement has been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB) and by the EU (Adopted IFRS).

The restatement at 31 March 2014 relates to the change in the accounting for a joint venture from proportionate consolidation to equity accounting. This has reduced revenue by £0.3m for the year ended 31 March 2014, but has had no impact on underlying operating profit. In the balance sheet an investment of £0.1m has been introduced, with an equal reduction in trade receivables in the comparative period.

2. Operating segments

Wincanton plc provides contract logistics services in the UK and Ireland. The Group manages its operations in two distinct operating segments: Contract logistics (the majority of activities including transport and warehousing for various market sectors including retail, manufacturing, defence and construction) and Specialist businesses (Pullman, Containers and Wincanton Records Management).

The results of the operating segments are regularly reviewed by the Board to allocate resources to these segments and to assess their performance. The Group evaluates performance of the operating segments on the basis of revenue and underlying operating profit. Assets and liabilities are reviewed at a consolidated level only, therefore segmental information is not provided.

	Contract logistics		**Specialist businesses**		**Consolidated**	
	2015 £m	2014 £m	**2015 £m**	2014 restated[1] £m	**2015 £m**	2014 restated[1] £m
Revenue from external customers[2]	**928.8**	930.1	**178.6**	167.9	**1,107.4**	1,098.0
Depreciation	**(9.5)**	(10.7)	**(2.8)**	(2.5)	**(12.3)**	(13.2)
Amortisation of software intangibles	**(2.1)**	(2.2)	**–**	–	**(2.1)**	(2.2)
Reportable segment underlying operating profit[3]	**44.8**	38.3	**4.9**	9.7	**49.7**	48.0
Total Group assets[4]					**432.2**	464.9
Additions to reportable segment non-current assets:						
– property, plant and equipment	**8.4**	5.7	**1.6**	2.2	**10.0**	7.9
– computer software costs	**0.3**	–	**–**	–	**0.3**	–
Total Group liabilities					**(693.9)**	(714.9)

1. Where applicable, comparatives have been restated for the change in accounting for joint ventures.
2. Included in segment revenue is £1,083.7m (2014: £1,070.8m) in respect of customers based in the UK.
3. Underlying operating profit includes the share of results of the joint venture and is stated before amortisation of acquired intangibles and, where applicable, exceptionals.
4. Total Group assets include non-current assets of £180.2m (2014: £185.6m) in the UK.

3. Net financing costs

Recognised in the income statement

	2015 £m	2014 £m
Interest income	**0.2**	0.4
	0.2	0.4
Interest expense	**(10.8)**	(13.9)
Finance charges payable in respect of finance leases	**(0.4)**	(0.5)
Unwinding of discount on provisions	**(2.3)**	(2.0)
Interest on the net defined benefit pension liability	**(5.0)**	(6.4)
	(18.5)	(22.8)
Net financing costs	**(18.3)**	(22.4)

The interest income relates primarily to the deposits held by the Group's captive insurer.

Recognised in other comprehensive income

	2015 £m	2014 £m
Foreign currency translation differences for foreign operations	**(0.8)**	(0.1)
	(0.8)	(0.1)

The above amounts are recognised in the translation reserve.

4. Income tax expense

Recognised in the income statement

	2015 £m	2014 £m
Current tax expense		
Current year	**5.9**	4.4
Adjustments for prior years	**(2.6)**	0.2
	3.3	4.6
Deferred tax expense		
Current year	**0.4**	3.5
Adjustments for prior years	**1.9**	(0.6)
	2.3	2.9
Total income tax expense	**5.6**	7.5
Reconciliation of effective tax rate		
Profit before tax	**24.9**	34.9
Income tax using the UK corporation tax rate of 21% (2014: 23%)	**5.2**	8.0
Effect of tax rates in foreign jurisdictions	**(0.2)**	(0.3)
Trading losses utilised in the period	**(0.1)**	–
Non-deductible expenditure	**1.4**	0.1
Change in UK corporation tax rate	**–**	0.1
Adjustments for prior years		
– current tax	**(2.6)**	0.2
– deferred tax	**1.9**	(0.6)
Total tax expense for the year	**5.6**	7.5

Recognised in other comprehensive income		
Remeasurements of defined benefit pension liability	**(8.1)**	6.1
Income tax relating to foreign exchange movements	**–**	(0.1)
Effect of movement in foreign exchange	**(0.1)**	–
	(8.2)	6.0

Recognised directly in equity		
Deferred tax on share based payments	**(0.5)**	–
	(0.5)	–

The main UK Corporation tax rate reduced from 23% to 21% with effect from 1 April 2014 and will reduce to 20% with effect from 1 April 2015. The closing UK deferred tax provision is calculated based on the rate of 20% which was substantively enacted at the balance sheet date.

5. Earnings per share

Earnings per share calculation is based on the earnings attributable to the equity shareholders of Wincanton plc of £19.3m (2014: £27.4m) and the weighted average of 116.3m (2014: 116.1m) shares which have been in issue throughout the year. The diluted earnings per share calculation is based on there being 13.5m (2014: 10.3m) additional shares deemed to be issued at £nil consideration under the Company's share option schemes. The weighted average number of ordinary shares for both basic and diluted earnings per share is calculated as follows:

	2015 millions	2014 millions
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at the beginning of the year	**116.1**	116.0
Net effect of shares issued and purchased during the year	**0.2**	0.1
	116.3	116.1
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at the end of the year	**116.3**	116.1
Effect of share options on issue	**13.5**	10.3
	129.8	126.4

An alternative earnings per share number is set out below, being before amortisation of acquired intangibles and, where applicable, exceptionals plus related tax, since the Directors consider that this provides further information on the underlying performance of the Group:

	2015 pence	2014 pence
Underlying earnings per share		
– basic	**21.1**	16.6
– diluted	**18.9**	15.3

Underlying earnings are determined as follows:

	2015 £m	2014 £m
Profit for the year attributable to equity shareholders of Wincanton plc	**19.3**	27.4
Net gain on changes to pension arrangements	**–**	(15.8)
Amortisation of acquired intangibles	**6.5**	6.5
Tax impact of above items	**(1.3)**	1.2
Underlying earnings	**24.5**	19.3

6. Analysis of changes in net debt

	1 April 2014 £m	Cash flow £m	Net movement on cash flow hedges £m	Exchange movements £m	**31 March 2015 £m**
Cash and bank balances	131.9	(26.1)	–	–	**105.8**
Bank loans & overdrafts	(194.5)	33.6	–	(0.9)	**(161.8)**
Finance leases	(0.5)	0.5	–	–	**–**
Other financial liabilities	(1.8)	–	0.2	–	**(1.6)**
Net debt	**(64.9)**	**8.0**	**0.2**	**(0.9)**	**(57.6)**

7. Provisions

	Insurance £m	**Property £m**	**Other provisions £m**	**Total £m**
At 1 April 2014	38.8	33.4	1.1	73.3
Effect of movements in foreign exchange	–	(0.6)	–	(0.6)
Provisions used during the year	(12.4)	(12.1)	(0.5)	(25.0)
Unwinding of discount	1.1	1.2	–	2.3
Provisions made during the year	9.9	–	–	9.9
At 31 March 2015	**37.4**	**21.9**	**0.6**	**59.9**
Current	12.2	5.9	0.6	18.7
Non-current	25.2	16.0	–	41.2
	37.4	21.9	0.6	59.9

The Group owns 100% of the share capital of a captive insurer which insures certain of the 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. 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 prevailing base rate.

The property provisions are determined on a site by site basis, as the best estimate of the expected costs of empty and under-utilised properties, including dilapidations. The provisions are utilised over the relevant lease term, with the majority expected to be utilised over the next three years. Where significant, amounts have been discounted at a rate based on the Group's cost of debt.

8. Employee benefits

Employees of Wincanton participated in funded pension arrangements in the UK and Ireland during the year ended 31 March 2015 details of which are given below. In addition, a small number of previous employees, who were subject to the statutory earnings cap on pensionable earnings prior to 6 April 2006, were entitled to participate in an unfunded unapproved arrangement in addition to accruing benefits from the Scheme. There have been no active members of this arrangement throughout the year ended 31 March 2015.

The principal Wincanton Scheme in the UK (the Scheme) is a funded arrangement which has three 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 funded defined contribution scheme. Assets of these pension arrangements are held in separate Trustee administered funds independent of Wincanton. The weighted average duration of the defined benefit obligation is around 19 years.

The defined benefit sections of the Scheme were closed to future accrual on 31 March 2014. This means that no future service benefit will accrue but pensions built up to the date of closure will be preserved. The closure to future accrual resulted in a one off non-cash curtailment gain of £15.0m being recorded in the prior year, being the actuarially determined estimate of the present value of the funding cost which will no longer be incurred.

The Group also introduced a Pension Increase Exchange (PIE) whereby current members and retiring members may elect to take a higher initial pension payment in exchange for foregoing certain rights to future pension increases. This resulted in a reduction in the defined benefit obligations of £5.2m which was reported as a one off, non-cash past service credit in the prior year.

The latest formal valuation of the Scheme was carried out as at 31 March 2014 by the Scheme actuary, Hymans Robertson. It was agreed between the Trustee and the Group in April 2015 and submitted to the Pension Regulator. As a result, the Group, in consultation with the Scheme actuary agreed to leave the terms of the additional cash contribution unchanged from that previously agreed. Accordingly the additional cash contribution the Group makes to the Scheme in order to address the past service deficit will continue to increase by RPI each year through to September 2024. The contribution in the year was £14.4m (2014: £14.1m).

In the year commencing 1 April 2015 the Group contributions are expected to be the incremental cash contribution of £14.6m which has been increased by RPI as set out in the triennial valuation as at 31 March 2014. In addition, some administration costs of the Scheme will be borne by the Group, these are expected to total £0.7m (2014: £0.7m).

The defined benefit sections of the Scheme expose the Group to various risks: longevity risk (members living longer than expected), inflation and interest rate risk (higher or lower than expected), and market (investment) risk (lower returns than expected). The Trustee and Group have taken steps to mitigate these risks through the use of:

- bespoke longevity tables tailored to the membership of the Scheme;
- hedging instruments within the investment portfolio; and
- reducing investment risk when pre-determined funding levels are reached.

The Group has also taken steps to reduce risk and the build-up of further risk by closing the defined benefit section to future benefit accrual thereby preventing the build-up of further liabilities and the associated risk and by undertaking a pension increase exchange exercise thereby reducing the exposure to inflation risk.

The Group is not exposed to any unusual, entity specific or scheme specific risks.

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

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

	2015 £m	2014 £m
Present value of unfunded defined benefit obligations	**(1.8)**	(1.4)
Present value of funded defined benefit obligations	**(1,067.2)**	(887.8)
Fair value of Scheme assets	**924.8**	778.3
Net defined benefit liability	**(144.2)**	(110.9)

The movement in the above net defined benefit liability in the year was primarily the result of a decrease in the discount rate offset by an increase in the market value of assets inclusive of the further additional cash contributions being made. The net defined benefit liability, after taking into account the related deferred tax asset, is £115.5m (2014: £88.7m).

Movements in the present value of the net defined benefit liability

31 March 2015	**Assets £m**	**Obligations £m**	**Net liability £m**	**Unfunded arrangements £m**	**Total net liability £m**
Opening position	**778.3**	**(887.8)**	**(109.5)**	**(1.4)**	**(110.9)**
Included in Income statement:					
Administration costs	**(2.9)**	**–**	**(2.9)**	**–**	**(2.9)**
Interest on the net defined benefit liability	**34.8**	**(39.7)**	**(4.9)**	**(0.1)**	**(5.0)**
Cash:					
Employer contributions	**15.1**	**–**	**15.1**	**–**	**15.1**
Benefits paid	**(29.6)**	**29.6**	**–**	**–**	**–**
Included in Other comprehensive income:					
Changes in financial assumptions	**–**	**(192.1)**	**(192.1)**	**(0.3)**	**(192.4)**
Changes in demographic assumptions	**–**	**(7.3)**	**(7.3)**	**–**	**(7.3)**
Experience	**–**	**30.1**	**30.1**	**–**	**30.1**
Return on assets excluding amounts included in net financing costs	**129.1**	**–**	**129.1**	**–**	**129.1**
Closing defined benefit liability	**924.8**	**(1,067.2)**	**(142.4)**	**(1.8)**	**(144.2)**

31 March 2014	Assets £m	Obligations £m	Net liability £m	Unfunded arrangements £m	Total net liability £m
Opening position	743.9	(891.0)	(147.1)	(1.6)	(148.7)
Included in Income statement:					
Current service cost	–	(9.7)	(9.7)	–	(9.7)
Administration costs	(2.3)	–	(2.3)	–	(2.3)
Past service credit, including curtailment gain	–	20.2	20.2	–	20.2
Interest on the net defined benefit liability	33.3	(39.7)	(6.4)	–	(6.4)
Cash:					
Employer contributions	23.8	–	23.8	0.2	24.0
Employee contributions	0.1	(0.1)	–	–	–
Benefits paid	(28.5)	28.5	–	–	–
Included in Other comprehensive income:					
Changes in financial assumptions	–	5.9	5.9	–	5.9
Experience	–	(1.9)	(1.9)	–	(1.9)
Return on assets excluding amounts included in net financing costs	8.0	–	8.0	–	8.0
Closing defined benefit liability	778.3	(887.8)	(109.5)	(1.4)	(110.9)

Where benefits are paid in respect of unfunded arrangements these costs are met by the employer and are included within employer contributions in the table above.

The amounts recognised in the income statement comprise current service cost, administration costs, past service credit and interest on the net defined benefit liability. These charges/(credits) are included in the following lines in the income statement:

	2015 £m	2014 £m
Cost of sales	**–**	10.2
Administrative expenses	**2.9**	1.9
Within underlying operating profit	**2.9**	12.1
Net pension gain	**–**	(20.2)
Financing costs	**5.0**	6.4
Recognised in Income statement	**7.9**	(1.7)

The market value of the Scheme assets held at the end of the year were as follows:

	2015 £m	2014 £m
Equities and synthetic equities	**257.3**	288.5
Property funds	**34.3**	35.2
Hedge funds	**64.7**	62.4
Other growth assets	**54.4**	60.7
Corporate bonds	**180.4**	158.0
Multi asset credits	**58.5**	57.1
Index-linked gilts (LDI portfolio collateral)	**352.9**	267.5
Senior real estate and private debt	**14.9**	–
Other	**29.9**	21.3
Notional exposure for synthetic equities/LDI hedging arrangements	**(122.5)**	(172.4)
	924.8	778.3

All equities, bonds and funds have quoted prices in active markets.

The synthetic equities provide exposure to the UK, North America, Europe, Asia-Pacific and Japan. The LDI portfolio currently hedges c. 35% of the defined benefit scheme's inflation and interest rate risk (relative to pension liabilities measured on a gilts basis) through holding a combination of index-linked gilts, interest rate and inflation swaps, gilt total return swaps, gilt repos, and cash.

Liability for defined benefit obligations

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

	2015 %	2014 %
Discount rate	**3.25**	4.50
Price inflation rate – RPI	**3.00**	3.25
Price inflation rate – CPI	**2.00**	2.25
Rate of increase of pensions in deferment		
– for service to 31 March 2006	**2.95**	3.10
– for service from 1 April 2006	**2.10**	2.10

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

	2015 Years	2014 Years
Male aged 65 today	**21.4**	20.6
Male aged 45 today	**23.7**	23.2
Female aged 65 today	**23.4**	22.8
Female aged 45 today	**26.4**	25.6

Sensitivity table

The sensitivity of the present value of the Scheme obligations to changes in the key actuarial assumptions are set out in the following table. The illustrations consider the result of only a single assumption changing with the others assumed unchanged, although in reality it is more likely that more than one assumption would change and potentially the results would offset each other. For example, a fall in interest rates will increase the Scheme obligations, but may also trigger an offsetting increase in market value of certain Scheme assets.

	Change in assumption	Impact on liability £m
Discount rate	**+0.1%**	(20.0)
Price inflation – RPI	**+0.1%**	16.0
Mortality rate	**+ 1 year**	30.0

Defined contribution schemes

The total expense relating to the Group's defined contribution schemes in the current year was £16.3m (2014: £10.9m).