Focusing *on* leadership

Creative solutions and consistent performance

Annual Report and Accounts 2007

Our vision for Wincanton is for the Group to be recognised as the first choice for supply chain services across Europe. For our customers we will be the service provider of choice. For our people we will be the employer of choice. For our investors we will be the reliable and rewarding stock of choice in our sector.

Group revenue
£1,933.1m
(2006 £1,809.3m)

+6.8%

Underlying operating profit
£45.5m
(2006 £42.0m)

+8.3%

Underlying earnings per share
21.0 pence
(2006 19.2 pence)

+9.4%

Full year dividend
13.55 pence
(2006 12.54 pence)

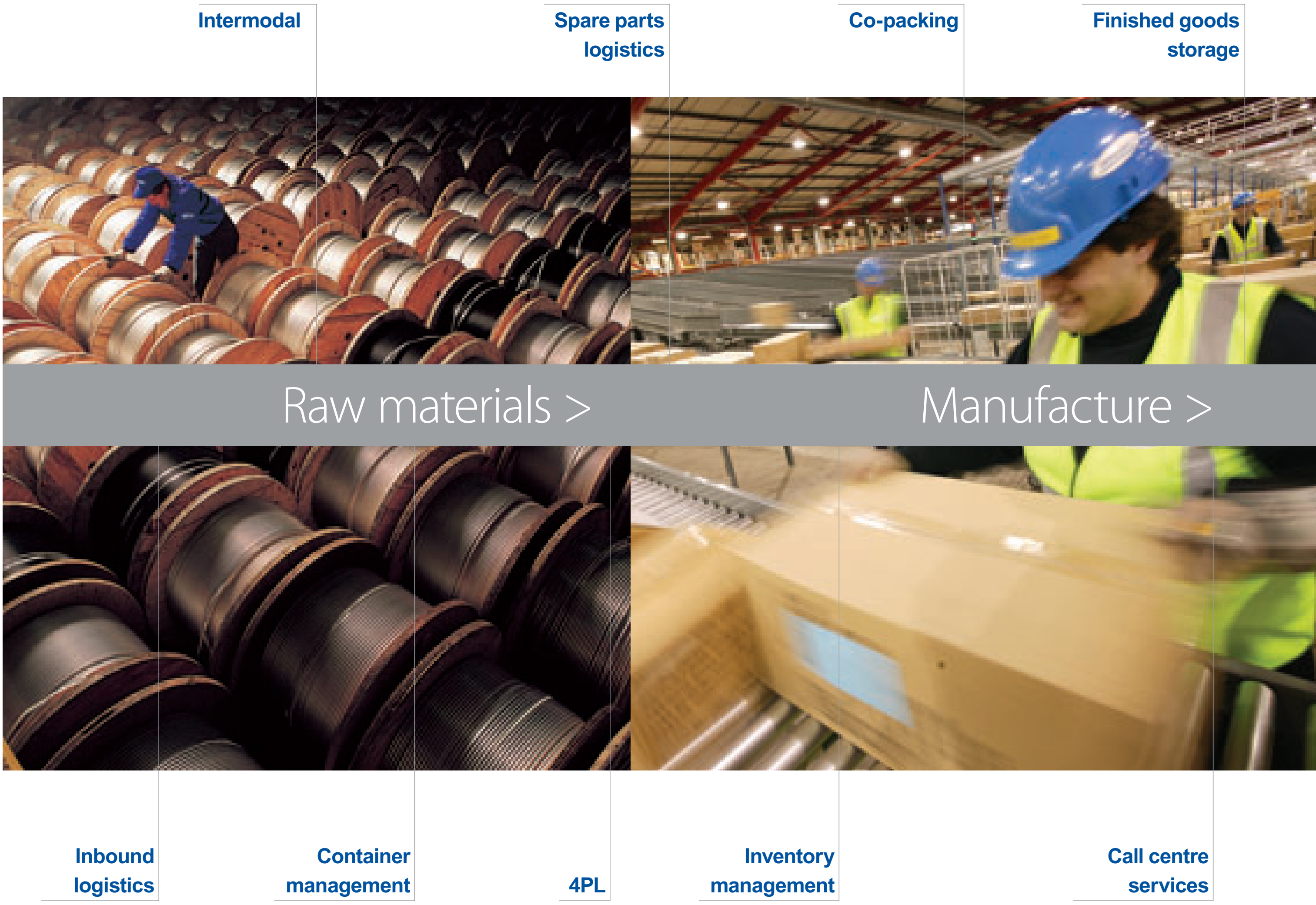
+8.1%

- Successfully building a track record of earnings and dividend growth through a combination of organic growth and acquisition.
- High levels of new business wins and contract start-ups confirms the strength of our relationships and consistent quality of service performance.
- Building momentum in Mainland Europe through focus on the key markets of Germany, France and Poland.
- Employees' commitment and professionalism continue to create value for shareholders by adding value for customers.

Contents

Delivering excellence throughout the supply chain

Wincanton manages logistics solutions for customers across Europe in a wide range of industry sectors. Businesses rely upon us to consistently deliver advanced solutions through every stage of the supply chain, from importing vital manufacturing components to supplying finished goods. We are continually investing to develop our offerings with services like environmentally-sound recycling.



Networked transport

Non-merchandise logistics

Home delivery

Recycling

Consolidation centres

In-store services

E-fulfilment

High-tech logistics

Reverse logistics

The year to 31 March 2007 was another year of profit progress for Wincanton, allowing your Board to again recommend a dividend increase significantly in excess of inflation.

The proposed full year dividend of 13.55p per share, an increase of 8.1 per cent, builds further on the Group's track record of strong dividend growth. On average, the Wincanton dividend has grown by approximately 8 per cent per year.

In addition to funding this dividend growth, the consistently high levels of cash flow generated by the Group have also financed a series of acquisitions which have transformed Wincanton's industry position. In the six years since demerger, Wincanton has generated some £390m of free cash flow after net capital expenditure. Of this total, approximately £75m has been paid out to shareholders as dividends, over £200m has been reinvested in acquisitions which have made Wincanton a European leader in its sector, and the balance has been applied primarily to meet the Group's financing, tax and pension liabilities. Year end net debt of £65.8m, even after funding these significant outflows, is little changed from the £50m net debt of the Group at demerger in 2001.

The pre-tax underlying profit of £35.6m being reported for the year to 31 March 2007 represents an increase on the previous year of 10.2 per cent, which was itself a 9.9 per cent increase on the pre-tax underlying profit reported in the year to 31 March 2005. These are high levels of growth in challenging markets.

The Group's profit performance has been driven by a combination of organic growth and acquisitions. Our acquisitions have successfully reinforced and expanded our geographic presence and service offering. We welcome this year the employees of Lane Group and RDL Distribution, two UK businesses acquired for a total cost of £34.7m. Lane gives us a strong position in the fast-growing home delivery market and RDL establishes us as a leader in logistics services for the construction industry. Both businesses have already been successfully integrated and now operate under the Wincanton brand.

The year to 31 March 2007 was another successful year for new business wins, contract renewals and operational start-ups. The high levels of customer and operational activity that we experienced confirmed once more the strength of our relationships and the consistent quality of our service performance. Certain of the Group's competitors are larger, more diverse groups, but our customer focus, our operational excellence and the quality and enthusiasm of our people are proving to be competitive advantages for Wincanton.

In the UK & Ireland we are continuing to add new contracts with existing customers, bring new customers into the portfolio and extend our range of services. We remain encouraged by the profit momentum of the UK & Ireland business, the strength of its market position and the new opportunities which have been identified to sustain and accelerate its growth.

Our Mainland European operations remain important to the Group's longer-term industry position. Meaningful profit progress has yet to be reported in Mainland Europe and we have conducted a thoroughgoing review of our operations there. We have closed our loss-making Spanish business and we expect future progress to be underpinned by our focus on our most important markets in Germany, France and Poland where we have strengthened our management resource and increased our financial support for the marketing of the Wincanton brand.

The drive towards a single company culture under the 'One Wincanton' programme, and to ensure that the same high standards of customer care and operational excellence are consistently delivered across all our operations, is being enthusiastically and successfully pursued. I would like to take this opportunity to offer the thanks of the Board to all our employees for the commitment and professionalism which continues to create value for shareholders by adding value for customers. It is our people who make the difference.

Our business development teams have remained very active across the Group, and we have been encouraged both by further recent contract wins and the new opportunities under active review as we begin the 2007/08 financial year. We have set ourselves stretching objectives for this new financial year which, as always, will bring its share of challenges. We nonetheless continue to have confidence in Wincanton's ability to build further on the achievements of recent years. Our objective is for 2007/08 to be another period of earnings growth and strategic progress, confirming Wincanton's position as a leader in its sector.

David Malpas
Chairman

Focusing on leadership

Valuing home delivery: Half the UK population now shops online to save time and money: UK consumers are now spending £2 billion per month via the internet. However, retailers are under increasing pressure to provide more sophisticated home delivery services, offering customers a fast, convenient and cost-effective shopping experience.

Wincanton is a market leader in two-man home delivery, offering a range of services that meet the complex demands of home delivery with exceptional customer care. Customers can benefit from a nationwide infrastructure, flexible and timed deliveries, packaging removal and product installation, returns management and recycling and WEEE compliance.

Following the acquisition of Lane in October 2006, Wincanton's credentials combine an impressive track record in home delivery from 12 sites across the UK with a 97 per cent successful delivery statistics rate – well in excess of the industry average.

Customers include B&Q, Comet, Magnet and Homebase.

"The home delivery market is driven by the growth in internet shopping, which is expected to double by 2010."

Wincanton has a strong, and growing, portfolio of customers and services in its core markets.

Graeme McFaull
Chief Executive

We are successfully establishing a track record of dividend and share price growth for our shareholders through a combination of organic growth and the successful integration of acquisitions. We can, and will, continue to build on our leading position in European supply chain services.

We are pleased with the progress we are able to report to shareholders for 2006/07.

The year to 31 March 2007 saw high levels of activity in all areas of the business. Operationally, our focus on the consistent delivery of the highest standards of performance further reinforced our reputation for service excellence. Financially, our profit growth and cash flow generation again confirmed our ability to drive returns in challenging markets. Strategically, we defined our core markets and our target sectors for the future, and fixed objectives for the new services and sectors into which we intend to expand.

Culturally, our 'One Wincanton' programme, underpinned by our 'Four Pillars' customer framework, now capture, illustrate and drive all areas of our customer service philosophy and human resources development. The 'One Wincanton' programme ensures that we operate across the Group, across borders, with a shared vision and common standards. Our 'Four Pillars' of operational excellence, customer intimacy, innovation and value represent the core of our service offering. They are the key differentiators which have enabled us to build the Group's substantial existing portfolio of blue-chip customers. They are fundamental to both the detailed customer account planning process and the broader strategic market analysis on which our continuing success depends.

We are excited by the Group's prospects for continuing growth.

Our vision for Wincanton is for the Group to be recognised as the first choice for supply chain services across Europe. For our customers we will be the service provider of choice. For our people we will be the employer of choice. For our investors we will be the reliable and rewarding stock of choice in our sector.

We have strong foundations on which to build. Our UK & Ireland business has an excellent market position, a development pipeline which is as good as we have known it, and a number of new sectors and services either already in the portfolio, or planned to be added to the portfolio, which offer attractive prospects for future growth. In our Mainland Europe operations we have new management teams in key markets, we are raising brand awareness through higher investment in marketing, and cultural change across the business means that we are working together more efficiently and consistently for the benefit of customers. Profit progress in Mainland Europe will follow.

Acquisitions have played an important role in our progress to date. We expect acquisitions to be equally important in the Group's future development. In the fragmented markets in which we operate there are many opportunities for both infill and larger acquisitions. We monitor market developments very closely and routinely have a number of potential acquisitions under active review at any one time.

Wincanton has doubled its market capitalisation since demerger in 2001 and the Group's Total Shareholder Return over the period has outperformed both the FTSE-100 and FTSE-250 indices. This excellent share price and dividend performance represents our challenging benchmark for the next five years.

Strategy

The European market is our core geographic focus, our home market. It is a market of 490 million consumers. It has a substantial manufacturing and retailing infrastructure and significant national, cross-border and international flows of raw materials, finished products and services. Six of the world's ten largest trade flows, as identified by recent market research on global forwarding volumes, are intra-European movements in the consumer goods, industrial, high-tech, automotive, chemical and agricultural industries. It is business-critical trade flows such as these that Wincanton manages on behalf of customers. Europe is a geographic market in which the Group is building a leading presence and which offers substantial opportunities for future growth. There is neither a customer need nor a financial imperative for Wincanton to have a global presence.

The Group's existing activities across Europe give a competitive advantage in an industry which remains fragmented, with large numbers of small operators and a very limited number of Pan-European or global service providers. We have more significant scale and a broader geographic reach than these small operators and a higher degree of service specialisation and customer focus than the diversified global service providers in our sector.

We have a strong portfolio of customers across Europe, including long-standing relationships with many of the world's major retailers and manufacturers. Maintaining and enhancing supply chain efficiency is business-critical to our customers. We have a proven track record of growth with these customers and are now able to serve their needs on a national, regional and Pan-European basis. We have successfully expanded our geographic presence without losing either the customer service ethos or the people culture which represent the core of our business offering.

Changes in legislation, strategy, technology and the economy lead to both tactical and strategic change in the supply chain needs of our customers. We continue to invest in our people, our services, our systems technology and our processes to ensure that we offer the innovation, operational excellence and value which deliver the solutions to meet these changing customer needs and enable us to compete successfully in our chosen markets.

Our strong profit and cash flow performance gives us the financial capacity to take advantage of new opportunities. We actively consider opportunities to expand our portfolio >

Expanding our markets

Building solutions for construction:
Wincanton provides a range of supply chain solutions to the construction industry, offering national coverage within the UK through a co-ordinated network of depots.

As the construction sector continues to experience growth from housing new builds, commercial developments and large-scale infrastructure projects, efficient, sustainable supply chain strategies have become a key industry benchmark. There is a growing need to balance criteria such as reliable service and tight cost-control with an increasing focus on sustainability.

Since the acquisition of RDL in 2006, Wincanton has established a leading position in construction logistics, offering a number of key supply chain services that help customers streamline business processes.

With increased legislative and environmental pressure being placed on the construction sector, the development of construction consolidation centres is one area in which the industry is looking for innovation. Wincanton is well-placed to meet these demands with its proven track record of operating such centres for its retail and industrial customers.

Sites across the UK

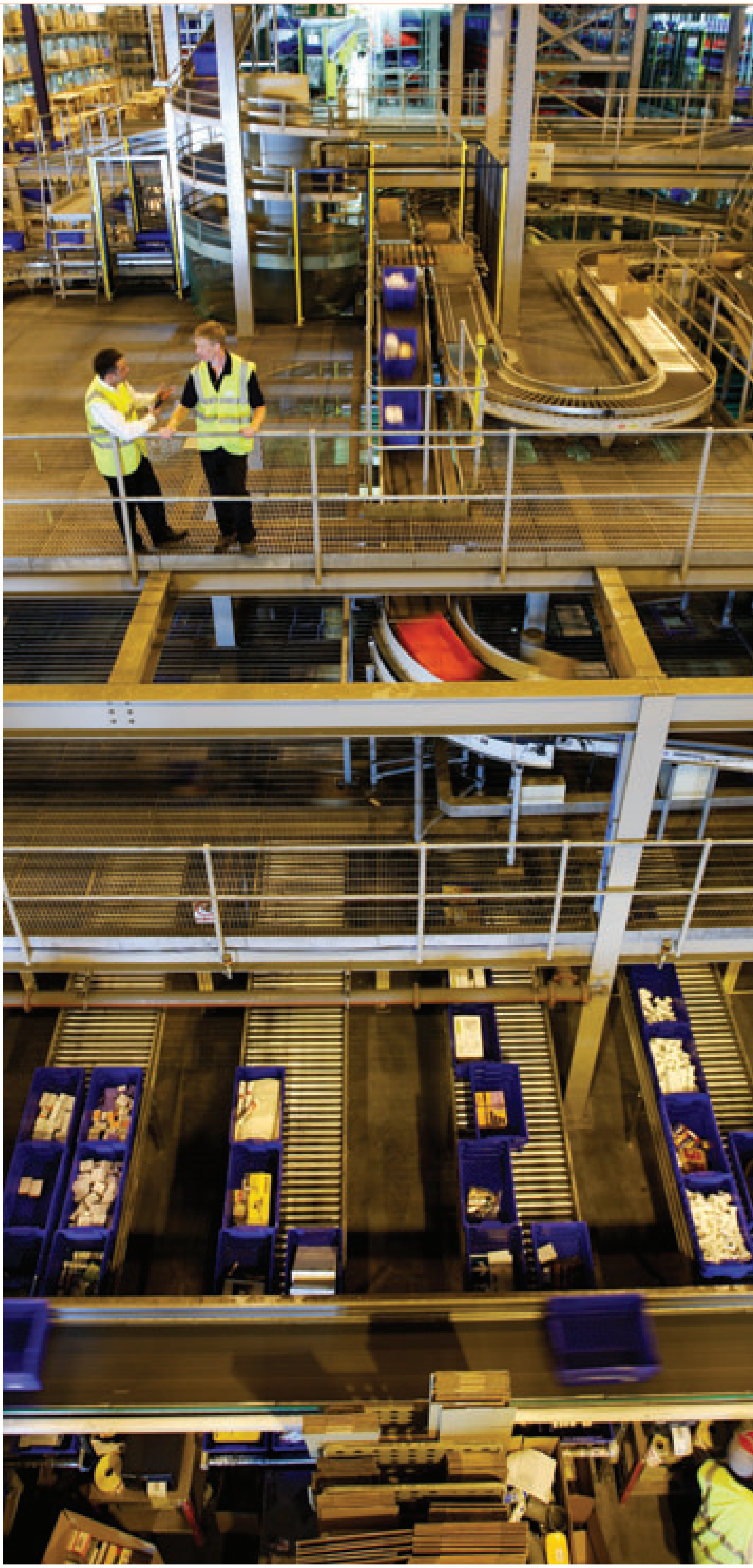
45

Complex load planning (loads p.a.)

325,000

Progressive

Construction consolidation centres



Creative solutions for our clients

Delivering the tools for the trade: Wincanton's presence in the retail sector continues to expand with the announcement of a five-year contract with Screwfix, part of the Kingfisher Group.

Screwfix – the UK's largest direct and online supplier of trade tools, accessories and hardware products – awarded Wincanton the contract to manage its distribution centres in Stafford and Trentham. With over 30 years' experience in the industry, Screwfix dispatches tens of thousands of parcels every week for next day and weekend delivery to tradesmen, handymen and serious DIY enthusiasts all over the UK.

The new 550,000 sq ft Stafford facility will support the launch of Screwfix's new trade counter format, whilst the distribution operation at the 300,000 sq ft Trentham site will service Screwfix's catalogue business, offering next-day delivery to the customer. With an updated Screwfix catalogue distributed each quarter, Wincanton's picking systems will process nearly 5,000 product line changes a year.

Wincanton will manage a vast range of products, providing a professional service to stores and end-users.

Distribution operations

300,000 sq ft

Stock line

15,000 items

Parcels delivered weekly

10,000+

of services and sector expertise, both organically and through acquisition. Acquisitions are also expected to contribute to the further strengthening and expansion of our geographic presence across Europe.

We serve a well diversified customer base, deliver a wide range of business-critical solutions and offer a Pan-European presence which is already amongst the best in the sector. We have a clear vision and strategy which we believe will generate further value for shareholders by continuing to add value for customers. We see growth opportunities both in our existing portfolio of customers, sectors and services and in newly-targeted customers, sectors and services identified through our rigorous business development and strategy processes.

We look to the future with confidence.

2006/07 Summary

Our strong customer base, our growing range of services, our expansion into new sectors and our geographic coverage again provided attractive opportunities for the Group.

In challenging markets, Wincanton once more made good overall profit progress, building further on the Group's track record of consistent profitable growth. Strong continuing momentum in our UK & Ireland business more than compensated for difficulties in certain operations in Mainland Europe. At this stage, the UK & Ireland operations continue to be the key driver of Wincanton's performance, representing some 92 per cent of our reported underlying operating profit.

As indicated in our half-year results to 30 September 2006, our second half performance in Mainland Europe was an improvement on the first half but the result for the full year was nonetheless below the prior year.

We are continuing to invest to ensure both that our UK & Ireland business can maintain and enhance its current growth momentum and that we can deliver meaningful profit growth in our Mainland Europe businesses.

UK & Ireland

Performance highlights

Our UK & Ireland business reported underlying operating profit of £22.0m in the second half, an increase of 12.2 per cent on the same period last year and a 10.0 per cent increase on the £20.0m reported in the first half of this financial year, to give a full-year underlying operating profit of £42.0m, an annual increase of 11.1 per cent. Turnover in the UK & Ireland increased in the year by 5.0 per cent, to £1,214.5m.

2006/07 was another very active year with our retail customers against a background of continuing change, with increasing focus on areas such as inbound supply chain management, the accelerating growth into non-food products of our grocery customers, the rapid expansion into multi-channel retailing of many of our general merchandise customers and a growing awareness of the supply chain implications of new reverse and recycling legislation for all our retail customers.

We have positioned ourselves well, both organically and through acquisition, to anticipate and respond to these changing requirements. We are investing in inland ports to reduce container management costs for those of our customers who are major importers. We have been awarded a number of new contracts by grocery customers expanding their non-food offering. We have acquired to build national coverage in two-man home delivery, and we have continued to invest to develop our waste recycling capabilities.

Contract wins and renewals in the year with our retail customers included a very significant five-year contract renewal and extension with Somerfield, a three-year non-food warehousing operation for Asda, a new direct import centre for Argos, a new composite distribution centre for Sainsbury's and a significant expansion of our Comet activities through the award of their transport operations. Our inland container port secured volumes from customers such as Dixons and Argos, we were awarded a second automated warehousing facility for Screwfix and also a new non-food operation for Dunnes Stores in Ireland. The most significant contract renewal in the period in the retail sector was the food procurement and service delivery operation for Punch Taverns which was renewed for a further 10 years.

We are seeing similar changes to the future requirements of our existing manufacturing and industrial customers, and are also identifying new sectors and activities with service and growth potential for Wincanton. Many of our existing customers in these areas, from consumer goods companies to petroleum distributors, are considering outsourcing further internal processes, including elements of their production processes, and are keen to consider collaboration with other manufacturers, particularly in the area of optimising transport networks and resources. In terms of new activities, having previously identified the construction and building materials sectors as offering opportunity for Wincanton, we acquired and have successfully integrated RDL Distribution. RDL is a leader in its industry and brings us a national network capable of further significant product and customer expansion.

Contract gains and renewals with manufacturing and industrial customers included a new primary transport contract for Britvic, a substantial co-packing and manufacturing operation for Nestlé Purina and new business with CEMEX UK, which confirmed the potential for further expansion of our customer base in the construction industry. Other wins in these sectors included a nationwide, specialist bulk fuel operation for the MoD, distribution of bathroom fittings for Jacuzzi and a regional warehouse operation for Carlsberg Tetley. The toy distribution and rework operation for Mattel was successfully renewed and relocated in the year.

Towards the end of the financial year we announced a strategic joint venture with Kerry Logistics, a major Hong Kong-based logistics and freight forwarding company. The joint venture will allow us to offer full inbound supply chain management services, including >

UK & Ireland

Underlying operating profit

£42.0m

Revenue

£1,214.5m

Number of employees

21,145

Jeff Anderson
MD Manufacturing

Gordon Scott
MD Industrial

Vic Strafford
MD Pullman Fleet Services

Martin Taylor
MD Retail

Building momentum in Mainland Europe

Wincanton supports the growing home shopping market: The growth of the Kiala network across France has sparked a revolution in the home shopping market. Offering a flexible solution for the delivery and return of parcels, Kiala removes the customer service issues of delivering home shopping, whilst providing retailers with predictability and visibility as well as reducing transportation costs.

To support the growth of the brand – and in particular handle seasonal fluctuations – Wincanton created a hub capable of handling the 65,000 parcels a day that Kiala process, 15,000 of which are returns. The hub enables Kiala to service its 3,500 delivery and collection points, offering an efficient service, full track and trace facilities with the flexibility to meet the requirements of customers and retailers.

Parcels delivered daily

65,000

Returned parcels daily

15,000

Delivery and collection points

3,500

> warehousing and consolidation services in the markets of origin, to those existing or potential customers who may wish to re-organise or re-focus their current inbound requirements.

Our portfolio of ancillary support services also made progress in the year, although the results of Pullman Fleet Services, our contract maintenance business, were affected by start-up costs on new business. Pullman nonetheless delivered new business with customers such as Tesco.com, Kerry Foods DTS and Sainsbury's. Two substantial wins, in the second half of the year, both with leading financial institutions, will generate significant new volume for our recently-expanded document and media storage facility in London. Our waste-recycling business has been positioning itself with retailers, manufacturers, local authorities and recycling compliance schemes for the implementation of the new European recycling directive and we remain confident that this is another area of high growth potential for the Group. Our in-store services unit also secured further business with B&Q and new business with Staples, and Consilium, our consultancy operation, was awarded assignments by, amongst others, B&Q, Chevron, British Bakeries and Wyevale Garden Centres. We are actively considering opportunities in Mainland Europe for a number of these ancillary support services.

Mainland Europe
Performance highlights
We reported a weaker first half this year in our Mainland Europe activities, principally as a consequence of margin pressure in our transport management activities caused by a shortage of sub-contractor capacity. Price increases to customers subsequently mitigated this pressure and, although contract start-up costs affected our performance in Central and Eastern Europe, profitability in the second half did improve as expected.

One of the most critical factors in our ability to report substantial profit progress in Mainland Europe will be the generation of higher volumes through our existing asset infrastructure. Under-utilised sites in Germany and France, for example, are holding back profit improvement in the short-term but will contribute materially to future profit progress when new business volume is delivered. With this aim we have been restructuring our sales and business development teams, investing in marketing to raise brand awareness and reinforcing the 'Four Pillars' approach to customer service and development which has been, and continues to be, so important to our success in the UK & Ireland.

Underlying operating profit of £3.5m, down on last year's £4.2m, is still significantly below what we believe to represent the profit potential of these businesses. Although some of our operations are expected, structurally, to deliver lower margins, we are nonetheless committed to delivering a significant improvement on the sub-one per cent margin reported on this year's turnover of £718.6m. It is our objective to increase our margin in Mainland Europe to not less than 2 per cent over the next three years, with further progress anticipated in the longer term.

Germany accounts for 68 per cent of our turnover in Mainland Europe, France for 16 per cent, and Poland for a further six per cent. These are the countries in which we have the best developed infrastructures, in which we have been reinforcing our management teams and on which we are focusing our marketing and business development initiatives. We have a geographic presence in other countries, and an operational reach across the whole of Mainland Europe and beyond, but these three countries in Mainland Europe represent our principal areas of focus at this stage.

Our German business has a strong domestic road network which guarantees overnight delivery throughout the country, a market leading intermodal and freight management business on the Rhine and a growing portfolio of contract logistics customers. Our Polish business also offers national transport capability, warehousing capability at key strategic locations and an ability to manage pan-regional contracts across Central and Eastern Europe. Our recently-enlarged French business has warehousing capacity on a national scale, both own transport and transport management capability and sector expertise which complements many areas of our UK & Ireland operations.

Whilst the quantum of wins and renewals in Mainland Europe is not of the same scale as the UK & Ireland, the year has seen good new business being secured across all our major markets. Examples of this success include a national paper products distribution contract for Zanders in Germany and a Pan-European parts collection contract for Pininfarina managed through our international transport hub in the Netherlands. In Central Europe, and in Poland in particular, the year has seen a high level of business wins with new customers such as Rieber Foods, industrial silicone company Selena, and consumer good manufacturer Cussons. A growing number of customers are recognising our cross-border capabilities, secure in the knowledge that they will benefit from the same, consistently high, quality of service in all our markets. New business in the year with customers such as JohnsonDiversey in Poland and SSL International in Hungary is testament to our investment in operational excellence across the whole Group and to the growth potential of this Pan-European customer management approach.

As previously indicated, further action was required to address our loss-making activities in Spain. The decision was taken to substantially exit our existing activities in Spain, closing three sites but leaving an operation in Tarragona to manage Group transport flows to and from the Iberian Peninsula. The sites vacated were freehold properties which were subsequently sold, broadly covering both the profit and cash costs of closure.

We believe that good profit progress can be delivered over time in Mainland Europe. If results cannot be improved as anticipated we will not hesitate >

Mainland Europe
Underlying operating profit
£3.5m
Revenue
£718.6m
Number of employees
6,125

Fiona Durousseaud
General Manager France
Karl Nutzinger
MD Germany
Ryszard Warzocha
MD Central and Eastern Europe

> to take steps to address under-performance as we have done this year in Spain.

Wincanton Group

Consolidated results

Total revenue for the Group for the financial year was 6.8 per cent higher than the previous year, at £1,933.1m, and with underlying operating profit of £45.5m, up 8.3 per cent, accounting margin increased to 2.4 per cent. Underlying operating profit is stated before exceptionals and amortisation of acquired intangibles.

The level of revenue growth and accounting margin are not amongst the Group's key financial performance measures due to the 'cost plus' or 'open book' nature of much of Wincanton's underlying business model. Our key financial measures are the net rate of growth in underlying operating profit, up 8.3 per cent in the year, free cash flow generation and return on capital. These latter measures demonstrate the further progress made this year, with positive cash inflow of £72.2m after net capital expenditure. Return on capital improved from 35.1 per cent to 55.2 per cent.

The revenues of the Group increased in the year by £123.8m as a consequence of the acquisitions made plus new business wins, net of business losses. In the year annualised new wins and renewals of £395m were achieved; £305m in the UK & Ireland and £90m in Mainland Europe. 72.5 per cent of the wins were with existing customers, building on our track record of growing business and market share with our blue-chip customer base.

This year, as is the case in most years, we have had ground to make up for both contract losses and fee pressure on renewals, but the very strong underlying new business momentum has nonetheless allowed the Group to make good net progress.

Net financing costs

The net financing costs of the Group of £9.9m are marginally higher than in 2005/06. This is after outflows in excess of £60m for acquisitions and incremental pension contributions since March last year. Strong financial controls and cash flow management remain key areas of focus across the Group. The average borrowing rate in the year was 5.0 per cent, up on the previous year due to the rise in market rates in the period. Net financing costs are 4.6 times covered by underlying operating profit.

Exceptionals

The net exceptional credit for the year of £0.2m was the result of exceptional costs of £6.0m, offset by profits from surplus property disposals and the sale and leaseback of the Group's head office building in Chippenham of £6.2m.

The key exceptional costs arose from the £2.2m integration of our two UK acquisitions, the net costs of exit from Spain of £1.0m (after £3.8m of profits from the sales of property) and the further costs of reorganisations, integration and site closure programmes in the French and German businesses, of £1.8m and £1.0m respectively. The Chippenham property deal, which took advantage of the reducing yields on quality UK office space, delivered a cash inflow of £14.2m and a profit of £5.0m. The building, completed in 2005, was originally funded on-balance sheet in anticipation of further favourable moves in property values. Sales of other surplus properties contributed the balance of £1.2m. We expect our current programme of disposal of surplus properties to be completed in the new financial year.

Wincanton retains operational freehold properties on its balance sheet with a net book value of some £60m. These properties have not been subject to revaluation.

Taxation

The Group's underlying accounting tax rate of 31.2 per cent is consistent with prior years and gives rise to a charge of £11.1m. The overall tax rate of 29.4 per cent (2006: 26.8 per cent) is also consistent and is at a reduced level due to the level of capital profits covered by past capital losses. The current cash tax rate of 4.6 per cent is reduced principally due to the tax impact of the incremental pension contributions. The Group's activities are across the UK and Europe where tax rates vary between 40 per cent to 12.5 per cent. The level of brought-forward plus current year unrecognised losses may reduce the level of the Group's accounting tax rate in future years.

Minority interest, earnings and dividend

The Group has a small number of activities in its Mainland European operations with minority shareholdings, although these were reduced in the year with the acquisition of one such minority interest, in Germany, for £0.1m. The profits attributable to minorities were £0.1m (2006: £0.2m) in the year, primarily arising in the 25.8 per cent minority share in the Rhinecontainer BV operation.

The level of underlying earnings per share (EPS) of 21.0p was 9.4 per cent greater than the prior year 19.2p.

A final dividend of 9.29p per share is proposed, to give a full year total of 13.55p; an 8.1 per cent increase on the 12.54p proposed and paid in respect of 2005/06. This level of dividend growth, relative to underlying EPS growth, is considered to be consistent with our declared strategy of pursuing a progressive dividend policy. As in previous years, the dividend increase proposed represents a rate of increase significantly in excess of inflation.

The dividend cover for this level of full year dividend is 1.55 times, broadly equal to the prior year 1.53 times. Given Wincanton's track record of consistent profitable growth, and confidence in the Group's ability to continue building on this track record, this is considered to be an appropriate and sustainable level of dividend cover.

Cash flow and net debt

The Group recognises the cash return on investment and a consistently high level of free cash flow generation as key performance measures. After a £1.2m working capital inflow the total free cash inflow including capital expenditure was £72.2m (2006: £54.4m).

The two UK acquisitions led to cash outflows of £29.7m in the year, with further payments in respect of RDL expected in the current and future years of up to £5.0m subject to 'earn out' performance.

Capital expenditure is clearly a significant cash flow item for the Group and considerable management focus is directed at whether to buy or 'operating lease' assets for use in solutions for customers. In the year a further £29.5m of capital expenditure, equal to 92 per cent of the depreciation charge for the year, was incurred and £31.1m of additional vehicle and plant operating lease commitments taken on. Since demerger the Group's ratio of capital spend to depreciation has been approximately 80 per cent. This year's expenditure was split as to £22.5m on expansion projects and £7.0m on replacements, compared to £28.6m and £10.9m respectively in the prior year. Highlights of this spend in the UK were £5.1m for the fit-out of a second large warehouse for Argos in Kettering, £1.2m for racking and other fit-out at our expanding document storage facility in Dagenham and £1.8m for specialist milk collection tankers for First Milk. In Mainland Europe, whilst individual projects were smaller, the cumulative total spend on projects greater than £0.3m was £1.6m in France and £2.6m in Germany. These projects covered warehouse fit-out and IT projects, the latter including a new 'point of delivery' track and trace system which is expected to improve accuracy and efficiency in the German road network.

The additional vehicle and plant operating lease commitments taken on related to £12.2m for expansion projects and £18.9m for replacements. These projects were for a diverse range of customers and activities, including a national transport structure for Britvic and a fleet of home delivery vehicles for Tesco.com.

The Group's operating lease commitments in respect of land and buildings, which are determined to the first available break date after the sub-letting of properties surplus >

Opportunities for growth

Supporting Volkswagen drive to growth:
When one of Europe's largest vehicle manufacturers was looking for a partner to distribute its 'non-production' material across seven European locations, it was Wincanton who was able to meet their demands.

Working with seven Volkswagen factories across Germany and Slovakia, Wincanton developed a dedicated location to handle the wide variety of goods ranging from workshop equipment, tools, engines, packaging materials and rejected goods that needed to be distributed in an efficient and time critical manner. The dedicated Wincanton location has also been designed to accommodate future growth which will ultimately allow packed goods to be distributed to the factories alongside the non-production material.

The partnership with Volkswagen builds on Wincanton's experience gained from working with some of the biggest names in the European automotive sector, providing inbound and outbound solutions as well as post-production facilities, including parts and accessories warehousing and distribution, as well as multi-modal vehicle distribution.

"The deciding factor besides the quality of our service was our experience in the automotive sector... Wincanton is the perfect partner for this challenge."

Ensuring consistency of operational performance

Cleaning up in Poland with Cussons: Since 2000, Wincanton's operation in Poland has been providing comprehensive domestic transport services across the country for this brand leader in domestic cleaning and maintenance products.

The last seven years has seen the relationship grow from strength to strength, with Wincanton providing new solutions to meet the expansion of the Cussons brand in Poland. Today the list of services provided by Wincanton includes: bulk transportation to retailers, cross-docking, warehouse management as well as the storage and preparation of export shipments to other Eastern European Countries.

Relationship

Seven years of partnership

Pallets handled per month

3,300

> to requirements, are substantially offset by contractual commitments of customers, as are a significant proportion of the Group's commitments in respect of vehicles and plant.

All expansion, replacement and acquisition spend proposals are appraised using discounted cash flow models and subject to authorisation at appropriate levels in the Group up to and including the main Board. The projected implementation timescale and returns on projects are subsequently scrutinised at the same level after the first operational year. All of the capital backchecks in the year either met or exceeded their projected rate of return.

There were substantial cash inflows from the disposal of assets in the year, totalling £32.2m. The site closures in Spain generated £10.4m, office relocations and sales of surplus operational sites £2.5m, and the sale of the Group's head office building in Chippenham £14.2m. The sale of the Chippenham head office is further evidence of our policy of making the most efficient use of the Group's asset base and financial resources to focus available liquidity on Wincanton's many opportunities for both organic growth and further acquisitions.

The aforementioned cash flow items, plus the £31.0m of incremental pension contributions paid, were offset by strong operational cash flows. As a result the Group's net debt brought forward of £60.6m was not materially higher at this year end at £65.8m. This is reported after deducting £27.4m of cash held in the Group's captive insurer (last year £29.8m) to cover the potential claims underwritten by that company.

The Group continued to enjoy solid banking support, with £210m of committed funds from a banking syndicate, due for renewal in 2010, plus $150m of seven and 10-year funding raised from the US private placement market in late 2005 and subsequently swapped into floating rate sterling and euro liabilities. £168m of this total of £297m of committed facilities was undrawn at 31 March 2007. The Group also has £25m of uncommitted money market facilities now in place which, together with the approximately £40m of overdraft facilities currently available, give further flexibility in the day-to-day management of the net 'drawn down' position.

The scale of the Group and the size of individual operations means that the working capital position can vary significantly over a monthly cycle. Flexibility of funding, based on an appropriate mix of committed and uncommitted facilities with a range of maturities, helps to reduce overall borrowing costs.

The Group has a mix of sterling and euro denominated bank debt and derivatives (to convert the US$ placement funds) which match the currencies of the Group's assets. Interest rate exposures have been limited by the purchase of a €100m 4.3 per cent cap and a £30m 6.3 per cent cap.

The central Treasury function monitors all currency and interest rate exposures and ensures appropriate hedge arrangements are in place. The Group operates sterling and euro 'pools' such that surplus cash is netted against overdrawn balances, to maximise the efficiency of short term liquidity. No speculative trading is carried out and all financial instrument trades are designed to meet the operational needs of the business.

Return on capital employed
Return on capital employed is another of the Group's key performance measures. At 31 March 2007 this return improved further to 55.2 per cent, from 35.1 per cent in the prior year and 29.8 per cent in the year before. Capital employed at £82.5m has been consistently reduced in recent years (2006: £119.7m, 2005: £132.1m) as the measures outlined above to maximise the efficiency of the Group's funding, and the 'asset light' business model which enables the Group to deliver significant growth without extensive utilisation of balance sheet capacity, have progressively reduced our balance sheet commitments.

Goodwill and intangibles
The two acquisitions in the second half of the year gave rise to an additional £47.1m of goodwill and acquired intangibles. The first year anniversary review of the balance sheet of the 2005 French acquisition necessitated an increase of £2.9m in the goodwill recognised. Acquired intangibles are being amortised over their useful lives of between one and 15 years and the charge of £3.2m is shown separately in the income statement.

Pensions
This key area for the Group continues to receive substantial management attention, not least as a consequence of a likely increase in the fund's liabilities following a review of longevity assumptions as part of the forthcoming triennial valuation in 2008. At the start of the financial year the second part of the £40.0m 'upfront' payment was made to the Scheme (£23.0m) which, together with the further £8.0m annual contribution, is expected to progressively address the past service deficit. Following wide consultation it has also been agreed with employees that certain changes would be made to future benefits which has led to a reduction in the deficit. Through this combination of cash injection by the Group and changes to employee benefits, the Scheme deficit has been reduced from £116.3m last year to £72.1m at 31 March 2007, £50.5m net of deferred tax. No further measures are currently contemplated, pending the outcome of the 2008 valuation and consideration of the prevailing market conditions at that time.

Risks
The Group has a well developed structure and set of processes for identifying and mitigating the key business risks it faces. These are described in detail in the Corporate governance report on page 25. Certain of these key risks are also discussed elsewhere in this Business review.

The Group's ability to source new contracts, at an appropriate financial return for an acceptable level of risk, represents the principal area of commercial risk. Both new and existing contracts must then perform consistently within the demanding performance requirements of our customers. This is the Group's principal area of operational risk. As a service business delivering high levels of added-value to our customers, our principal human resource risk lies in the sourcing, motivation and retention of sufficient numbers of quality people to meet the demands of both our current business and our future growth. Wincanton's principal strategic risk is the requirement to continue to identify sufficient new areas of potential growth, both organically and through acquisition, to enable the Group to continue to build on its strong track record of profit growth and cash flow generation.

PGN
Since the previous Annual Report the dispute involving PGN, a jointly owned entity of the Group, has progressed to arbitration and whilst the outcome is still unknown, the Group remains confident of recovery, as a minimum, of the year end trading assets of £7.4m. Final judgement in respect of the arbitration is currently expected no later than the third quarter of the new financial year.

Social, ethical and environmental (SEE) responsibility is an important area of focus for Wincanton. The Group has made good progress in establishing policies and in identifying opportunities and risks in this area. During 2007/8, we will finalise our plans for the next stage of the implementation of our SEE strategy across the Group.

SEE Governance

The Wincanton Board owns our SEE strategy and is ultimately responsible for ensuring the proper governance of SEE risks. Nigel Sullivan is the Board member responsible for overseeing the implementation of the SEE strategy.

The Safety, Health and Environment (SHE) committee, is chaired by Nigel Sullivan and attended by Graeme McFaull. It has responsibility, amongst other things, for reporting back to the Board on all aspects of SEE. As a result of the increased focus on SEE issues, the SHE committee has set up a Social and Environmental sub-committee chaired by Nigel Sullivan. The terms of reference of the sub-committee include the management of the Group's impact on the environment and the communities in which we operate and the ethical manner in which we conduct our business.

Safety

Commitment to health and safety excellence remains a key priority for the Group. Progress in this area is on the agenda at every Board meeting. The Group continues to play an active part in UK national strategic SHE committees run by The Health and Safety Executive (HSE), the Institute of Occupational Safety and Health (IOSH), RoadSafe and the Freight Transport Association (FTA).

Initiatives

In April 2007, the 'Safeguard' IT system was introduced to simplify health and safety reporting across the Group. Safeguard automates record keeping, reduces bureaucracy and allows improved access to data. It covers the recording of all accidents and allows online investigation, minimum safety standard reporting, risk assessments, major incident reporting and monthly reports. It will also record SEE specific data.

The first 'Driver of the Year' competition was held in June 2006 to recognise and promote ongoing excellence. It attracted over 1,200 entries from the UK & Ireland business and the winner was rewarded with funding to climb Mount Everest.

In France, our sites are encouraged to have leading health and safety practices. Our site in Marseille was rewarded for having the longest record of no accidents and our multi-user site in Lyon was rewarded for showing the most creativity in the prevention of accidents and improving working conditions.

Across the Group the recordable lost-time accident rate (RIDDOR equivalent) fell by an average 17 per cent. This is the fifth year in a row for Mainland Europe, and the ninth year for UK & Ireland. In the UK & Ireland, 21 sites have gone for more than a year without a lost-time accident, 15 have gone for more than two years and 10 for more than three years.

The Group is addressing occupational road risk for all employees who use a car in the course of their duties. The Group is providing them with a three-phase training programme including driving workshops, in-car risk assessments and a development programme.

People

The Group is committed to being an 'employer of choice' through its attention to people development. In February 2007, the Group launched an HR Management System which sets out minimum standards of People Management across the Group and outlines HR policies at Group, country and contract or site level. Minimum standards cover equality; fairness and diversity; employee relations; resourcing; reward and recognition; conditions of employment; and performance and development.

Initiatives

An 'Early Intervention' initiative was rolled out across the UK & Ireland business during May 2006. The initiative offers rehabilitation to any employee who has sustained an injury in the workplace and assists re-entry to the workplace. So far, over 300 employees have been treated.

On 1 April 2007, Wincanton launched the government's Childcare Voucher Scheme in the UK in conjunction with Allsave Limited. The scheme can be used by both male and female employees for childcare with approved nurseries, child minders and nannies or after school clubs for children up to the age of 15.

Our Corby Distribution Centre opened a Learning Centre to provide access to resources and training enabling our employees to work, more easily, towards achieving NVQs.

Driver training external assessments to NVQ levels two and three (2009), 'Driving Goods Vehicles', have been launched as a means of formalising our internal training and enhancing the qualifications of LGV drivers without formal qualifications.

Achievements in the year

- 82 per cent of our drivers are trained to Wincanton Driving Development programme standards
- 0.25 million tonnes of plastic, cardboard, glass and wood were recycled
- 17 per cent reduction in lost time accidents across all operations in the UK & Ireland
- 44,000 days' training undertaken

Environmental

During the year, we commissioned industry consultants, Maplecroft, to carry out a detailed environmental study and audit of our activities and arrangements. The results enabled us to revise the 'Wincanton Environmental Policy' and launch the environmental management manual in all operating sites. At the same time, we have acknowledged that the heightened climate change agenda presents both challenges and opportunities for the Group. Environmental responsibility is becoming increasingly critical for our customers and it is an area on which we are judged when tendering for new business and retaining existing business. In response to this, we have taken the first steps towards establishing policies on energy efficiency and biofuel usage and sourcing, which will be launched in 2007/08.

Initiatives

This year the Group achieved ISO14001 accreditation at seven sites in the UK and eight sites in Germany passed their audit to retain their accreditation. ISO14001 focuses on implementing more environmentally efficient initiatives such as reducing energy wastage, increasing recycling and re-use and improving waste management.

This year Sainsbury's selected Wincanton to operate its new depot in Northampton. This will be Europe's most energy efficient distribution centre, using just half the energy of similar buildings. The depot represents a milestone in environmentally-friendly design in both its build and operation with Sainsbury's working with its partners to reduce the carbon footprint as far as possible.

An ongoing network collaboration project has delivered significant reductions in empty vehicle running and encouraged cooperation between retailers and manufacturers on complementary transport routes. Our UK fleet is also equipped with telematics and routing and scheduling technology to identify the most efficient routes. >

Continuous improvement in safety

In July 2006, a warehouse safety campaign was launched across the UK & Ireland business to raise the level of health and safety awareness in the warehouse environment. SHELA, the robotic Safety, Health and the Environment Learning Aid was launched as the campaign's mascot to guide staff at over 150 Wincanton and Pullman Fleet Services sites through the programme.

We have given every warehouse and workshop employee a copy of the Warehouse Handbook, outlining Wincanton's key safety principles. A different safety-briefing theme runs on site each month focusing on issues including fire hazards, potential injuries in the workplace, 'slips, trips and falls' and safe working procedures.

Since the launch of the SHELA campaign, the average accident rate across our warehouses has improved by 18 per cent.

Links to Education

In Poland, the 'Wincanton Logistics Forum' has been established to forge links with leading universities and to promote best practice in the logistics industry. The Logistics Forum's Council includes professors from leading Polish academic institutions, representatives from our customer base and members of our own management team. Its role is to provide an informal sounding board for new ideas from employees, young professionals or students and to judge the prestigious 'Breeding Ground for New Talents' contest. In this annual competition, Polish universities nominate their most promising students from logistics-related courses to win internships in our Polish operations together with a fully-financed trip to a logistics summer school outside Poland. The Forum also organises industry workshops for employees, customers, academics and the wider industry to debate the latest thinking in logistics.

> We have developed a comprehensive solution to manage our customers' obligations under the Waste Electrical and Electronic Equipment Directive which comes into effect on 1 July 2007. This involves collection and drop-off services as well as recycling through our plant in Billingham.

All of Wincanton's 150 driver trainers, assessors, and mentors use a standardised approach to improving driver awareness and defensive driving techniques. This results in safer operation, reduced stress levels and optimised fuel use. Fuel efficiency training takes account of the UK Government's SAFED (Safe and Fuel Efficient Driving) programme, which has been shown to deliver fuel savings of up to 10 per cent in both LGV and van operations.

The Carbon Trust carried out two site audits to identify opportunities to improve energy efficiency in our heating, lighting, refrigeration and air compression systems. As a result, two pilot schemes were implemented at our Gloucester National Distribution Centre and Matalan Corby site in order to measure the impact on carbon emissions and costs. The success of these projects has provided the basis for the development of best practice guidelines which will be shared across the Group in 2007/08. This year, we have switched to renewable energy sources at our Head Office in Chippenham and the recycling operation in Billingham.

Social

We continue to regard links with the community and charities as an important part of Wincanton's culture, both at individual site and country level. This year, our UK employees raised a total of £41,000 for charities within the workplace. Several of them have undertaken similar activities in their own time. Many of our sites have also created opportunities for employees to work with the local community in schools, hospitals and charitable organisations.

Initiatives

In our continued support of Transaid, we seconded an employee to Ghana for two weeks to help the leaders of four Women's Street Trader Co-operatives plan an ambitious transport project and set up a small fleet of vehicles. We also partnered with Schmitz Cargobull to lease a 'Transaid' trailer, which raised £10,000 for the charity.

The Wincanton Community Programme was launched in September 2006 in conjunction with Sportmatch. To build on our sponsorship of Bath Rugby, a community Tag Rugby programme was implemented in the South West region with 19 schools. This has provided an introduction to the sport for over 900 children.

Our B&Q site in Coventry won the Coventry Evening Telegraph Business Award in 2006 for 'Best Community Initiative' in recognition of a scheme set up to donate plants for the interior and grounds of Coventry's University Hospital.

Group policies established in the year

- Environmental management policy
- Quality policy
- Food safety management system
- HR management system, including the following minimum standards:
  - equality, fairness and diversity;
  - employee relations;
  - resourcing;
  - reward and recognition;
  - conditions of employment; and
  - performance and development.

Identifying SEE priorities

We use our internal risk assessment processes to help identify opportunities and challenges associated with corporate responsibility. This year, we added strength to our internal risk assessment process by encouraging and gaining more involvement from functional and operational teams across the business. We also discuss SEE issues with our shareholders.

This year, employee relations, business ethics, health and safety and environmental impact were identified as the four priority SEE related risk areas. These risks are detailed below along with a summary of how we manage them. We are also developing a range of performance indicators that will enable us to monitor and improve our performance across these key risk areas.

Employee relations

Risk area: The deterioration of relations with employees and employee representatives resulting in disruption to operations and failure to meet customer expectations.

Wincanton response: Our HR policies are designed to ensure that we consistently live up to our core values. Our personnel procedures and European Works Council are designed to ensure our employee interests are protected. We actively encourage local management to develop and sustain relations at a local level, providing support through regular senior level meetings held with the Trade Unions and other employee representatives.

Risk area: Insufficient investment in employee training leading to insufficient skills or inadequate succession planning resulting in a shortage of properly qualified managers.

Wincanton response: a capability review is undertaken on an annual basis. The results help to develop our succession planning processes across all business areas and to continue the development of a wide range of internally delivered training programmes.

Business ethics

Risk area: Unethical behaviour by employees could damage our reputation, customer relations or cause financial loss.

Wincanton response: We have a robust Code of Ethics and a 'whistle-blowing' policy designed to encourage appropriate behaviour by our employees at all levels.

Health and safety

Risk area: A significant failure in health and safety performance affecting the public, our employees, our customers or other third parties, could disrupt business operations.

Wincanton response: Wincanton has a strong health and safety culture with monthly safety reviews completed at a local level, and central review of local health and safety management carried out by the central SHE department and monthly Executive review.

Risk area: A major road accident involving a vehicle carrying a hazardous load or causing significant third party damage could adversely affect Wincanton's reputation and subsequently result in financial loss.

Wincanton response: We employ fully qualified drivers and managers, who are all properly trained. We have also pioneered several significant initiatives to reduce accident levels, including:

- introduction of wheel nut indicators across the whole LGV fleet;
- AWAKE (driver tiredness campaign);
- pre-employment driver assessments;
- 'Bridge strike' awareness programme;
- company car users assessment programme;
- fitting of rollover prevention systems on all new ADR (hazardous goods) trailers; and
- reinforcement of the Wincanton ADR Emergency Response System.

Environmental impact

Risk area: A failure to demonstrate a robust policy and measured reduction in the environmental impact of our operations could damage the Group's reputation and have a negative impact on our ability to win new business and retain existing business.

Wincanton response: The SHE committee, through the Social and Environmental sub-committee, looks critically at how Wincanton's environmental impact can be managed. We are also looking to progress the management of areas such as energy and water consumption, greenhouse gas emissions and recycling.

David Malpas CBE
Chairman
David was formerly Chairman of Allianz Dresdner Income Growth Investment Trust, having retired as Managing Director of Tesco in 1997. He became a non-executive Director of Wincanton in June 2001.

Graeme McFaull
Chief Executive
Graeme joined Wincanton in 1994 as Finance Director of the Retail Division following finance roles with Geest, Cargill and Pepsico. He has held several Managing Directorships within Wincanton since 1999, most recently running the UK & Ireland business. He became Chief Executive in December 2005. Graeme is a Fellow and Vice-President of the Chartered Institute of Logistics and Transport.

Gerard Connell
Group Finance Director
Gerard trained with Price Waterhouse and then worked in the City, becoming a Managing Director of Bankers Trust and a Regional Director of Hill Samuel. He joined Wincanton in September 2000 to help prepare the Company for demerger. Gerard is also the Senior Independent non-executive Director and Chairman of the Audit Committee, Pennon Group Plc.

Nigel Sullivan
Group Human Resources Director
Nigel joined Wincanton as Group Human Resources Director in November 2002 from Marconi plc. Prior to that Nigel held a number of human resources positions with Nortel Networks and Rover Group. He was appointed to the Board in January 2004.

Philip Cox
Non-executive Director
Philip is Chief Executive Officer of International Power Plc, having previously been Group Finance Director of Siebe. He became a non-executive Director of Wincanton in June 2001.

Dr Walter Hasselkus
Non-executive Director
Walter is a non-executive Director of DAF Trucks NV, Chairman of the Supervisory Board of Ehlebracht AG, non-executive Director of W.E.T. Holding (Lux) S.A. and Supervisory Board Member of W.E.T. AG. From 1996 to 1998 he was a member of the Board of Management of BMW AG and Chairman and CEO of Rover Group. He became a non-executive Director of Wincanton in January 2004.

David Edmonds CBE
Non-executive Director
David is Chairman of the Board of NHS Direct and a Board member of the Legal Services Commission. He is a non-executive Director of Hammerson PLC and William Hill PLC. He is Chairman of NHS Shared Business Services and a Trustee of the Social Market Foundation. Prior to 2003, he held a series of executive posts in government departments and in the NatWest Group. He became a non-executive Director of Wincanton in December 2004 and is the Senior Independent Director.

Jonson Cox
Non-executive Director
Jonson became a non-executive Director of Wincanton in October 2005. He is currently Group Chief Executive of Anglian Water Group Plc and Morrison plc. Previous senior positions include Chief Executive of Valpak Limited, a business services company, Chief Operating Officer of Railtrack Group plc and Managing Director of Kelda Group plc (formerly Yorkshire Water plc). His early career was with Royal Dutch Shell.

Nomination Committee
David Edmonds
David Malpas (Chairman)
Graeme McFaull

Remuneration Committee
Jonson Cox
Philip Cox
David Edmonds (Chairman)
Walter Hasselkus
David Malpas

Audit Committee
Jonson Cox
Philip Cox (Chairman)
David Edmonds
Walter Hasselkus
David Malpas

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2007.

Principal activities

Wincanton is a contract logistics services business which designs, implements and operates a range of supply chain management solutions.

Acquisitions

On 5 October and 10 October 2006 respectively, the Group acquired Lane Group plc and RDL Holdings Limited for a total cost of £34.7m including £5.0m of contingent consideration, payable dependent upon the future performance of the acquired RDL business.

Results and Dividends

A review of the activities of the Group during the financial year, analyses of revenue and profit and an indication of likely future developments are presented in the Business review on pages 6 to 15, and the Corporate responsibility report on pages 16 to 19 which are incorporated into this Directors' report by reference. The Group profit attributable to shareholders for the financial year amounted to £22.9m. An interim dividend of 4.26p per share was paid on 10 January 2007. Subject to shareholders' approval at the Annual General Meeting (AGM) to be held at 11.30 am on Thursday 19 July 2007 at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE, a final dividend of 9.29p per share will be paid on 10 August 2007 to those shareholders on the register of members of Wincanton plc at 13 July 2007. Under the requirements of Adopted IFRS this dividend is not provided until declared and therefore the total profit for the year of £23.0m, including £0.1m relating to minority interests, has been transferred to reserves.

Policy and practice on payment of creditors

The Group does not have a formal code that it follows with regard to payments to suppliers. It agrees payment terms with its suppliers when it enters into binding purchase contracts for the supply of goods and services. Its suppliers are, in that way, made aware of these terms. The Group seeks to abide by these payment terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

At the year end there were 54 days (2006: 54 days) purchases in the Group's trade creditors.

Directors

The names and biographies of the current Directors of the Company are shown on page 20. Details of corporate governance policy are set out on pages 23 to 25. Directors' beneficial interests in the Company's share capital as at 31 March 2007 and the date of this report are set out in the Directors' remuneration report on pages 26 to 29. At the AGM, Wincanton plc will seek the re-election as Directors of P G Cox, Dr W Hasselkus and G McFaull who are resigning under the rotation provisions of the Articles of the Company. The Company supports their re-election.

Employees

The Group uses a number of ways to provide employees with information on matters of interest to them. These include a report to employees dealing with Group and segmental results, an intranet, a quarterly in-house newsletter and briefing and consultative meetings.

In December 2005, a European Works Council was set up with the aim of bringing together employee representatives from across Europe, so that they can be informed and consulted by management on the Group's plans and performance. Employee representatives are also able to meet their colleagues from other countries, exchanging information about the Group and working conditions across Europe.

The Group has established a variety of option schemes and share incentive plans to align the interests of employees with those of shareholders and to support Wincanton in the development of its business objectives. Grants of options were last made in December 2006 under the Executive Schemes to qualifying senior managers.

Wincanton is committed to a policy of equal opportunities in employment by which the Group has and continues to:

- select, recruit, develop and promote the very best people basing its judgement solely on suitability for the job;
- ensure that all applicants and employees receive fair and equal treatment irrespective of sex, marital status, age, nationality, colour, race, ethnicity, national origin, disability or gender reassignment;
- encourage diversity in its workforce, reflecting, where practicable, the diversity of the working population;
- maintain a working environment free from sexual and racial harassment and intimidation; and
- ensure that all employment conditions and job requirements reflect its commitment to equal opportunities.

Where people become disabled during the course of their employment, every practical effort is made to retain their services, make adjustments and to provide retraining if necessary. All employees are eligible for appropriate training, career development and promotion and disabled people are not treated any differently.

Political and charitable contributions

In accordance with its policy, the Group made no political contributions during the year. Donations to charities amounted to £14,000 (2006: £15,000).

Share capital and reserves

Details of the authorised and issued share capital and reserves of the Company are shown in note 6 to the Wincanton plc Company financial statements on page 66.

Annual General Meeting

At the AGM, the Directors of Wincanton plc will propose the following: to seek to renew the authority to disapply shareholders' pre-emption rights in certain circumstances; to approve the Company's power to buy back a proportion of the Company's share capital; to allow the Directors to allot shares; to approve the rules of the Wincanton plc Performance Share Plan 2007; to amend the rules of the Wincanton plc Share Match Incentive Scheme 2003; and to approve the making of certain payments that may fall to be classified as donations to political parties.

Substantial interests

At the date of this report, the Company has been notified that Legal and General Group plc has a direct holding and Morgan Stanley Investment Management Limited, Newton Investment Management Limited and Rathbone Brothers Plc have indirect holdings representing 3.92%, 5.69%, 6.47% and 7.54%, respectively, of the issued share capital of the Company. These holdings are stated as at the date of notification to the Company.

During the year the Company did not purchase any of its own shares, except to meet its obligations to employees under the Share Incentive Plan. The only own shares held throughout the year were held in the Employee Benefit Trust which, as at 31 March 2007, held 3,080,661 (2006: 3,500,000) 10 pence shares representing 2.56% of the issued share capital.

Research and development

During the year the Group was active in the development of new products and supply chain services to support current and future customer requirements.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group overall have adequate resources to continue operating for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

Auditors

In accordance with Section 384 of the Companies Act 1985 and with corporate governance best practice, separate resolutions for the re-appointment of KPMG Audit Plc as auditors of the Company and for the approval of their remuneration are to be proposed at the forthcoming AGM.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the parent Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the parent Company's auditors are aware of that information.

By order of the Board

C F Phillips
Secretary
Methuen Park
Chippenham
Wiltshire
SN14 0WT
6 June 2007

Introduction

The Company is committed to high standards of corporate governance and supports the principles laid down in the revised Combined Code on Corporate Governance ('the Code') as issued by the Financial Reporting Council on 23 July 2003. This statement describes how the principles of the Code are applied and reports on the Company's compliance with the Code's provisions.

Board of Directors

The Board currently has eight members, comprising the non-executive Chairman, Chief Executive, Group Finance Director, Group Human Resources Director and four further non-executive Directors. All of the Directors bring strong judgement to the Board's deliberations. The Board is of sufficient size and diversity that the balance of skills and experience is considered to be appropriate for the requirements of the business. The non-executive Directors are all independent of management and free from any business or other relationship, including those relationships and circumstances referred to in provision A.3.1 of the Code, that could materially interfere with the exercise of independent and objective judgement. The Company considers that, on appointment, the Chairman was independent (for the purposes of provision A.3.1 of the Code) and furthermore the preceding comments regarding freedom from business or other relationships also apply to him. However, after appointment, the Code specifies that the Chairman ceases to be classed as independent. The non-executive Directors have each been appointed for a three-year term. The senior non-executive Director is D A Edmonds.

At all times during the year there has been a majority of non-executive independent Directors on the Board, excluding the Chairman.

The biographical details of the Board members are set out on page 20. The Directors have all occupied, or occupy, senior positions in UK listed companies (or, in the case of Dr W Hasselkus, German listed companies) and have substantial experience in business. The non-executive Directors do not participate in any of the Group's pension schemes or in any of the Group's bonus, share option or other incentive schemes. All Directors must stand for election at the first AGM after they are appointed. The Articles provide that all Directors will stand for re-election at least every three years.

The Board is collectively responsible for the proper management of the Company. The Board normally meets 10 times each financial year and has a formal schedule of matters reserved to it for decision-making, including the approval of annual and interim results, annual budgets, material acquisitions and disposals, material agreements and major capital commitments. The Secretary maintains a record of attendance at Board meetings and Committee meetings, further details of which are set out on page 25. The non-executive Directors held separate meetings with the Chairman during the year without the Executive Directors being present.

Board members are given appropriate documentation in advance of each Board or Committee meeting. This normally includes a detailed report on current trading and full papers on matters where the Board will be required to make a decision or give its approval. Reports are presented to the Board periodically on matters such as pensions, insurance and treasury. Health and safety is reviewed at every Board meeting and other specific business-related presentations are given when appropriate.

There is an established procedure for the preparation and review, at least annually, by the Board of medium-term plans and annual budgets for business units. Each business unit reports monthly on its performance against its agreed budget. The Board receives a monthly update on performance and reviews significant variances on a monthly basis. All major investment decisions are subject to post-completion reviews.

In line with agreed procedures, the Chairman has conducted interviews with each Director and assessed their individual performance. The Chairman has carried out an evaluation of the performance of the Board as a whole and of each Committee and led by the senior non-executive Director, the non-executive Directors have assessed the performance of the Chairman. The conclusions of those assessments have been presented to the Board by the Chairman and the senior non-executive Director. The evaluation process is designed to cover Board processes, the structure and capability of the Board, strategic alignment, Board dynamics and the skills brought to the Board by each Director.

The Board has approved a procedure for Directors to take, at the Company's expense, independent professional advice if necessary. In addition, the Directors have direct access to the advice and services of the Company Secretary, who is charged by the Board with ensuring that Board procedures are followed. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary and Group Human Resources Director take joint responsibility for preparing and implementing an induction programme for Board appointees, including guidance as to their duties, responsibilities and liabilities as a Director of the Company and business familiarisation. Business familiarisation involves Directors visiting sites in both the UK and elsewhere in Europe, and giving the Directors the opportunity to meet senior managers around the business. They also have the opportunity to discuss organisational, operational and administrative matters. Every Director has access to appropriate training as required subsequent to appointment. The Company provides Directors and officers insurance cover, in line with normal market practice, for the benefit of Directors in respect of claims arising in the performance of their duties.

The different roles of the Chairman and Chief Executive are acknowledged. A responsibility statement for each of those roles has been agreed with the Chairman and Chief Executive respectively and adopted by the Board. The non-executive Chairman is primarily responsible for the workings of the Board and ensuring that its strategic and supervisory role is achieved. The Board is responsible for high-level decision-making and approval of significant expenditure and there is a formal listing of matters reserved for Board approval. The Board has delegated appropriate responsibilities to the Chief Executive, the Group Finance Director and the Group Human Resources Director who are responsible for the day-to-day running of the business, carrying out the agreed strategy and implementing specific Board decisions relating to the operation of the Group.

Board Committees

There are a number of standing Committees of the Board to which various matters are delegated. The Committees all have formal Terms of Reference that have been approved by the Board and that are available for inspection at the Company's registered office. Brief details are set out below:

The Nomination Committee comprises D A Edmonds and G McFaull, under the chairmanship of A D Malpas. The Combined Code provision A.4.1 requires that a majority of members of the Nomination Committee should be independent non-executive Directors. The Company does not comply with this provision of the Combined Code. However, the Board feels that the small size of the Committee is best placed to act quickly and efficiently on its behalf. The Committee meets as necessary and is responsible for considering and recommending to the Board persons who are appropriate for appointment as Executive and non-executive Directors. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. This process involves the Nomination Committee interviewing suitable candidates who are both proposed by existing Board members and by an external search company. Careful consideration is given to ensure that appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board is maintained. When dealing with the appointment of a successor to the Chairman, the senior non-executive Director will chair the Committee instead of the Chairman. When the Committee has found a suitable candidate, the Chairman of the Committee will make a proposal to the whole Board and the appointment is the responsibility of the whole Board following recommendation from the Committee.

The Remuneration Committee comprises J Cox, P G Cox, Dr W Hasselkus and A D Malpas, under the chairmanship of D A Edmonds. It is noted that Code provision B.2.1 requires that all members of the Remuneration Committee be independent and although the Chairman, A D Malpas, was considered independent at the date of appointment, the Code considers him no longer independent following his appointment. Therefore the Company does not comply with this provision of the Code, however, given his experience, the Board believes that the Chairman adds considerably to the effectiveness of this Committee. The terms of the revised Combined Code issued by the Financial Reporting Council in June 2006, which is expected to apply for the financial year to 31 March 2008, allow the Chairman to be a member of the Committee. The Remuneration Committee is responsible, within a framework established by the Board overall, for setting the remuneration of senior executives, including the Executive Directors and senior management. It is also responsible for granting executive options, long-term incentive plan awards, pension rights and any compensation packages and determining the terms of any compensation package in the event of early termination of the contract of any Director or senior executive. It meets at least three times a year. Full details of its activities and of Directors' remuneration are set out in the Directors' remuneration report on pages 26 to 29. Those pages detail compliance with the legal requirements with regard to remuneration matters. The Chairman of the Committee reports the outcome of meetings to the Board.

The Audit Committee comprises J Cox, D A Edmonds, Dr W Hasselkus and A D Malpas, under the chairmanship of P G Cox, who is the former Chief Financial Officer and currently the Chief Executive of International Power plc and, as such, has the requisite recent and relevant financial experience. The Combined Code provision C.3.1 requires that all members of the Audit Committee should be independent non-executive Directors. The Company does not comply with this provision of the Combined Code. However, the Board feels that the experience of the Chairman is beneficial in ensuring that the Audit Committee carries out its duties in line with its terms of reference. The Committee is responsible for:

- reviewing the annual and interim financial statements before they are presented to the Board;
- monitoring and reviewing the effectiveness of the Group's systems of internal control;
- agreeing internal and external audit plans;
- receiving reports from external auditors' and from the Head of Internal Audit and dealing with any significant control issues arising;
- monitoring and reviewing the external auditors' independence and objectivity and the effectiveness of the external audit process;
- making recommendations for the appointment, re-appointment and removal of the external auditors and approving their remuneration and terms of engagement; and
- developing and implementing policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of such services by the external audit firm.

The Audit Committee also reviews the arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or otherwise. The Committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of any such matters and for overseeing the appropriate follow-up action, where required.

It is a specific responsibility of the Audit Committee to ensure that an appropriate relationship is maintained between the Company and its auditors. The Company has a policy of controlling the provision of non-audit services by the external auditors in order to maintain their independence and ensure that their objectivity and independence are safeguarded. This control is exercised by ensuring non-audit projects, where fees are expected to exceed £150,000, are subject to the prior approval of the Chairman of the Audit Committee and the Group Finance Director. If non-audit project fees are expected to exceed £250,000 the prior approval of the Board is required. The Committee meets at least three times each year. The Chairman of the Committee reports the outcome of meetings to the Board and the Board receives the minutes of all Audit Committee meetings.

The Audit Committee met three times in the year and discharged its responsibilities as set out above through the matters considered at those meetings.

Attendance at meetings
The Company Secretary maintains a register of attendance of Directors at Board and Committee meetings and the record of attendance during the year ended 31 March 2007 is as follows:

	Board	Nomination Committee	Remuneration Committee	Audit Committee
G D Connell	10	n/a	n/a	3[1]
G McFaull	10	–	4[1]	3[1]
N Sullivan	10	n/a	4[1]	1[1]
J Cox	10	n/a	4	2
P G Cox	10	n/a	4	3
D A Edmonds	9	–	4	2
Dr W Hasselkus	9	n/a	4	2
A D Malpas	9	–	3	2
Total number of meetings	**10**	**–**	**4**	**3**

[1] Attended at the invitation of the Committee

Shareholder relations
The Company is committed to maintaining good communications with shareholders. Senior executives, including the Chairman, Chief Executive and Group Finance Director, have dialogue with individual institutional shareholders in order to develop an understanding of their views. Although the other non-executive Directors are available to major shareholders to listen to their views, no such meetings have taken place during the year and, to that extent, the Company has not complied with provision D.1.1 of the Code. Twice a year general presentations are given to analysts and investors covering the annual and interim results. The Company Secretary generally deals with questions from individual shareholders. All shareholders have the opportunity to ask questions at the Company's AGM, which all Directors attend. At the AGM, the Chief Executive will give a statement on the Company's performance during the year, together with a statement on current trading conditions. The Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer questions at the AGM. The Chairman will advise shareholders on proxy voting details. In addition, the Group's website containing published information and press releases can be found at www.wincanton.co.uk.

Internal control and risk
The respective responsibilities of the Directors and Auditors in connection with the financial statements are explained on pages 30 and 31. The Board, through the Audit Committee, is responsible for the Group's system of internal control and for reviewing its effectiveness.

An ongoing process for identifying, evaluating and managing significant risks faced by the Group has been in place throughout the year which accords with the Turnbull guidance on internal control. The Audit Committee has, as part of its review process, considered the Group's system of internal control throughout the year. The system of internal control is designed to manage rather than eliminate risk of failure to meet business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

The key elements of the control system are as follows:

- the Group has an organisational structure with established lines of accountability as well as clearly-defined levels of authority;

- the Group has issued manuals, including the Group's Code of Ethics, which provide details of the key policies and procedures to be followed and the overall environment in which the business is expected to operate; and

- the Group has a system of control self-certification, that provides a documented trail of accountability against the internal control policies and procedures.

This process is facilitated by the Internal Audit Department who also provide a degree of assurance as to the operation and validity of the system of internal control. These processes and systems continue to be extended to encompass the sites and operations of the enlarged Group.

All types of risk applicable to the business are regularly reviewed. In addition, a formal risk assessment review is carried out on an annual basis to highlight key risks to the business and to consider action that can reasonably and cost-effectively be taken to reduce them. This review, which accords with the Code, is considered by the Board.

The Group's Internal Audit Department is involved in the review and testing of the internal control system and of key risks across the Group, in accordance with the annual programme agreed with the Audit Committee. From time to time it undertakes ad-hoc assignments requested by senior executives or the Audit Committee, the findings of which are discussed with the Audit Committee.

Compliance
The Directors consider that, with the exception of the three issues related to Committee membership and the issue related to shareholder relations specifically identified in this report, the Company has been in compliance with the provisions of the Code throughout the year ended 31 March 2007 and to the date of this report. Where the Company has departed from the requirements of the Code, the Board has addressed this and feels that the reasons are justified.

Introduction
This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002.

Consideration of matters relating to Directors' remuneration
The remuneration policy is set by the Board and is described below. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy. The names of the Directors who were members of the Remuneration Committee during the period relevant to the year ended 31 March 2007 are set out on page 24.

Except when matters concerning their own positions are being considered, the Chief Executive and Group Human Resources Director are normally invited to attend the meetings to assist the Committee. Any matter affecting the Chairman would be discussed by the Remuneration Committee without the Chairman present.

The Remuneration Committee has access to independent advice where it considers it appropriate. During the year, such advice was received from PricewaterhouseCoopers who were appointed by the Committee and who also provided similar advice to the Company in respect of other senior managers.

Remuneration policy
The Committee gives full consideration to the following:

- the importance of recruitment, motivation and retention of high-quality management; and

- the culture of linking reward to overall corporate and individual employees' performance.

The Remuneration Committee monitors practices in other companies to ensure that it remains in touch with current best practice in the market, whilst accepting its obligations to continue to honour pre-existing contractual commitments.

The base salaries of Executive Directors are, and will continue to be, reviewed annually, having regard to personal performance, Group and business unit performance and competitive market practice, supported by research through external independent surveys.

Subject to an overriding discretion by the Remuneration Committee, after taking an overall view of the Company's performance, annual bonuses may be earned by Executive Directors based on the achievement of pre-agreed targets for profit after tax (excluding amortisation of acquired intangibles, impairment of goodwill and exceptionals) in the year, and the Remuneration Committee's assessment of strategic and personal performance. The maximum bonus has been capped at 75% of basic salary following consultation with major shareholders.

The current Executive Share Option Schemes are set up generally in accordance with guidelines published by the bodies representing institutional investors. When Executive Scheme grants are made, a performance condition is set by the Remuneration Committee, which must normally be met before any executive options can be exercised.

The performance condition used for all grants of executive options, being those detailed in the following table requires that, before any such options can normally be exercised, the average annual growth in the Group's underlying earnings per share as published in the audited accounts must, in a three-year period equal or exceed the average annual growth in the Government's Retail Price Index plus 3.0% over the same period. The relevant three-year periods are, for each of these groups of option grants, as follows:

Date of grant	Vesting period
June and September 2001	any three consecutive financial years within the period 1 April 2001 to 31 March 2006
July and December 2002	any three consecutive financial years within the period 1 April 2002 to 31 March 2007
March 2004	the three consecutive financial years ended 31 March 2006
December 2004	the three consecutive financial years ended 31 March 2007
June, July and December 2005	the three consecutive financial years ended 31 March 2008
July and December 2006	the three consecutive financial years ended 31 March 2009

These performance conditions are considered appropriate and in line with market practice. They seek to achieve commonality of goals between option holders and shareholders. Performance conditions are monitored via the publication of the underlying basic earnings per share figures in the annual accounts.

The grant of executive options is on a discretionary basis within the limits set down in the rules of the Executive Share Option Schemes with emphasis on performance and job responsibilities. It is the policy of the Remuneration Committee to consider carefully the need to incentivise senior management and the spread of time over which options are granted to ensure an appropriate long-term incentive. The Committee keeps under review the structure and mix of incentives overall.

Executive options held at 31 March 2007 were granted under the Executive Share Option Schemes 2001 and the Share Match Incentive Scheme 2003. Save in respect of those granted before 31 March 2003, executive options do not have the benefit of re-testing against the performance condition. Other than in respect of the Sharesave Option Scheme, options are not granted at a discount.

Directors' contracts
The Executive Directors, other than N Sullivan, have each entered into a service contract dated 23 March 2001. N Sullivan's service contract is dated 7 November 2002 and his employment commenced on 5 November 2002. He was appointed an Executive Director of the Company with effect from 1 January 2004. Each of the Executive Directors may terminate his service contract on six months' notice, whereas the notice period receivable from the Company is 12 months.

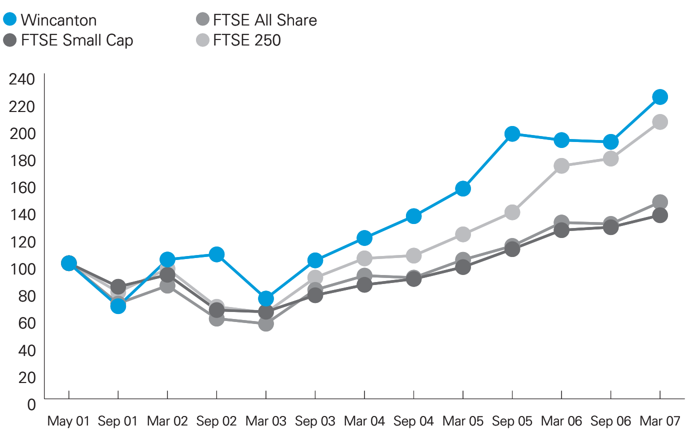
The termination conditions for Executive Directors under these continuing service contracts are as follows: 12 months' basic salary together with compensation for the value of other benefits to which he is entitled for the period of 12 months from the date on which employment terminated. It is intended that future appointments to the Board will have notice periods of 12 months or less, except where longer periods are required in order to attract appropriate candidates. Although in such cases, it would be expected that the notice period reduce to 12 months or less following the expiry of the initial period. The Executive Directors are each entitled to the following benefits pursuant to their service contracts: a company car or a car allowance in lieu of a company car, company sick pay in accordance with Wincanton's sick pay and absence policy, 25 days' paid holiday, the right to participate in Wincanton's private health insurance arrangements and payment of the annual membership subscription to a relevant professional body. The Chairman is entitled to a fixed fee of £115,000 per annum and no other benefits. The appointment may be terminated by either the Company or the Chairman giving 12 months' notice.

The non-executive Directors, other than the Chairman, received a basic fee of £40,000 each per annum, and Chairmen of Committees received a fee of £7,500 per annum per Committee. The appointments of A D Malpas and P G Cox were originally made for a three-year term, under letters dated 4 June 2001, on which date their appointments commenced. Those appointments were each renewed, on the same terms, for a further period of three years on 8 June 2004 and again on 5 June 2007. The letter of appointment of Dr W Hasselkus is dated 22 December 2003 and his appointment commenced on 1 January 2004, also for a three-year term. His appointment was renewed, on the same terms, for a further period of three years with effect from 1 January 2007. The letter of appointment of D A Edmonds is dated 14 December 2004 and his appointment commenced on that date, also for a three-year term. The letter of appointment of J Cox is dated 21 October 2005 and his appointment commenced on that date, also for a three-year term. These appointments may be terminated by either the Company or the non-executive Director giving 12 months' notice in the case of P G Cox and 6 months' notice in the case of J Cox, D A Edmonds and Dr W Hasselkus.

The non-executive Directors do not participate in any incentive, pension or benefit schemes and their appointments are subject to a performance review every year.

Total shareholder return

The following graph charts the total cumulative shareholder return of the Company since the date of first listing of the Company's shares on the London Stock Exchange on 18 May 2001, against the FTSE All Share, FTSE Small Cap and FTSE 250 indices in which the Company's shares are listed.



Source: Thomson Financial Datastream

Directors' shareholdings

The Directors' interests in the shares of the Company, including all partnership and dividend shares purchased under the terms of the Company's Share Incentive Plan and shares lodged under the terms of the Share Match Incentive Scheme, at 31 March 2007 were:

	31 March 2007 Number	31 March 2006 Number
G D Connell	**69,084**	58,438
G McFaull*	**34,426**	21,194
N Sullivan*	**12,747**	5,557
J Cox	**2,052**	2,000
P G Cox	**5,000**	5,000
D A Edmonds	**5,000**	5,000
Dr W Hasselkus	**5,000**	5,000
A D Malpas	**48,750**	48,750

Under the terms of the Company's Share Incentive Plan 2003, the total number of Matching Shares awarded at 31 March 2007, which are subject to forfeiture under the Rules of the Plan, for each of G McFaull and N Sullivan is 244. These were awarded on a basis of one Matching Share for every four partnership shares acquired.

There were no changes in the Directors' personal holdings between 1 April 2007 and 6 June 2007 except for the 67 partnership shares purchased by and the 16 Matching Shares awarded to each of the Directors marked * in the table above as a result of their membership of the Company's Share Incentive Plan 2003. None of the Directors held any shares non-beneficially nor had any interest in the shares of any subsidiary undertakings.

The Auditors are required to report on the information contained in the following sections of the Directors' remuneration report.

Directors' remuneration

The remuneration of each of the Directors of the Company for the year ended 31 March 2007 was:

	Salary/ fees £'000	**Performance bonus £'000**	**Benefits £'000**	**2007 Total £'000**	2006 Total £'000
P Bateman[1]	–	–	–	–	606
P H Brown[2]	–	–	–	–	480
G D Connell	**341**	**220**	**17**	**578**	549
G McFaull	**421**	**274**	**31**	**726**	618
N Sullivan	**226**	**150**	**16**	**392**	358
V W Benjamin[3]	–	–	–	–	39
J Cox[4]	**40**	–	–	**40**	20
P G Cox	**48**	–	–	**48**	41
D A Edmonds	**48**	–	–	**48**	40
Dr W Hasselkus	**40**	–	–	**40**	35
A D Malpas	**115**	–	–	**115**	89
	1,279	**644**	**64**	**1,987**	2,875

[1] Retired 14 December 2005
[2] Resigned 7 February 2006
[3] Retired 21 July 2005
[4] Appointed 21 October 2005

Those Directors receiving the performance bonus are required to take at least 25% of that entitlement as shares under the terms of the Share Match Incentive Scheme 2003 (see details below).

Under the terms of the Share Match Incentive Scheme 2003, as approved by shareholders at the AGM in 2003, Directors who have earned a performance bonus in the year are required to apply 25% of their annual bonus to acquire shares. These shares are lodged with the Scheme trustees and are matched, on a one-for-one basis, with nil price share options that, subject to satisfying the performance condition set at the date of the initial award, vest at the end of a three-year qualifying period. Directors also have a discretion to purchase shares with all or part of the balance of the bonus for a further award of matched nil price share options at the end of the three-year qualifying period, but on a two-for-one basis, subject to a more stringent performance condition, also set at the date of the initial award.

Under the terms of the Share Match Incentive Scheme 2003, G D Connell, G McFaull and N Sullivan acquired shares in June 2005 and July 2006, which are included in the table on page 27. Accordingly, they became entitled to nil price matching share options which are included in the table on page 29.

It is Group policy not to give Directors expense allowances, but to reimburse them for all expenses incurred in the performance of their duties. Other than as disclosed in the previous year in respect of P H Brown, none of the Directors received compensation for loss of office in either the current or preceding year. Benefits relate principally to the provision of company cars and medical insurance cover.

G D Connell is a non-executive Director of Pennon Group plc. The retention of the fees of £43,458 for the year ended 31 March 2007 (2006: £38,500) by him has been approved.

Directors' pensions

During the year pension benefits accrued to the following three Executive Directors (2006: four) of the Company:

	Accrued benefit at 31 March 2007 £'000	Increase in accrued benefits excluding inflation £'000	Increase in accrued benefits including inflation £'000	Transfer value of increase in accrued benefit excluding inflation £'000	Transfer value of accrued benefits at 1 April 2006 £'000	Transfer value of accrued benefits at 31 March 2007 £'000	Increase in transfer value net of Directors' contributions £'000
G D Connell	**112**	**19**	**22**	**236**	1,250	**1,409**	**156**
G McFaull	**142**	**38**	**44**	**420**	1,206	**1,552**	**345**
N Sullivan	**28**	**8**	**9**	**75**	189	**252**	**60**

Executive Directors are members of the Wincanton Defined Benefit Scheme which is now closed to new entrants. Executive Directors are generally eligible for a pension of up to two-thirds of base salary at normal retirement age of 60 normally after 20 years of qualifying service (for which purpose previous service with Uniq plc will qualify). The current ages of G D Connell, G McFaull and N Sullivan are 49, 45 and 40, respectively. Pensions for Executive Directors were provided so far as possible through the Wincanton Scheme and in respect of G D Connell, G McFaull, and N Sullivan, also through the use of unfunded arrangements. The aim of such unfunded arrangements is to provide broadly similar benefits to those that would otherwise be payable from the Wincanton Scheme had the individuals not been subject to the maximum permitted earnings as provided by HMRC before 6 April 2006 and as continued in relation to the Wincanton Scheme by a deed executed on 23 March 2006. Following consultation with members of the Scheme, with effect from 1 April 2006 contributions are now being made by the Executive Directors in respect of these pension arrangements.

During the year, clarifications and amendments to the unfunded arrangements as specified in the above named Executive Directors' Service Agreements were made as a result of a review following tax changes introduced to pension schemes by the Government on 6 April 2006. The level of benefit was not altered but a deed amending the service contracts was agreed which gave effect to the clarifications and the mechanisms as to how and when the accrued unfunded benefits would be paid out either as a pension or as a lump sum.

Non-executive Directors are not eligible to participate in any Group pension arrangement.

The value of bonuses, other benefits and share options or other long-term incentives do not form part of pensionable salary. The pension scheme and/or purchased life policies provide for the payment of benefits on death or disability. On death, a two-thirds spouse's pension is due. Children's allowances to a maximum, including spouse's pension, of 100% of the Executive's pension may be payable.

The increase in transfer values in the above table reflects the full impact of changes in pensionable salaries of the Executive Directors in the preceding year.

Directors' options under the Wincanton plc Executive schemes

Name/Date of grant	Balance 31 March 2006	Options granted in year	Balance at 31 March 2007	Exercise price pence	Date from which exercisable	Expiry date
G D Connell						
June 2001	263,157	**–**	**263,157**	**190**	**18.06.04**	**18.06.11**
December 2002	50,000	**–**	**50,000**	**193**	**12.12.05**	**12.12.12**
December 2004	106,367	**–**	**106,367**	**269**	**15.12.07**	**15.12.14**
June 2005	6,183	**–**	**6,183**	**–**	**29.06.08**	**29.12.08**
December 2005	94,030	**–**	**94,030**	**335**	**13.12.08**	**13.12.15**
July 2006	–	**10,646**	**10,646**	**–**	**13.07.09**	**13.01.10**
December 2006	–	**99,423**	**99,423**	**347**	**13.12.09**	**13.12.16**
G McFaull						
June 2001	211,842	**–**	**211,842**	**190**	**18.06.04**	**18.06.11**
December 2002	50,000	**–**	**50,000**	**193**	**12.12.05**	**12.12.12**
December 2004	96,654	**–**	**96,654**	**269**	**15.12.07**	**15.12.14**
June 2005	5,661	**–**	**5,661**	**–**	**29.06.08**	**29.12.08**
December 2005	117,910	**–**	**117,910**	**335**	**13.12.08**	**13.12.15**
July 2006	–	**12,743**	**12,743**	**–**	**13.07.09**	**13.01.10**
December 2006	–	**123,919**	**123,919**	**347**	**13.12.09**	**13.12.16**
N Sullivan						
December 2002	125,000	**–**	**125,000**	**193**	**12.12.05**	**12.12.12**
December 2004	71,004	**–**	**71,004**	**269**	**15.12.07**	**15.12.14**
June 2005	4,024	**–**	**4,024**	**–**	**29.06.08**	**29.12.08**
December 2005	59,850	**–**	**59,850**	**335**	**13.12.08**	**13.12.15**
July 2006	–	**6,701**	**6,701**	**–**	**13.07.09**	**13.01.10**
December 2006	–	**67,723**	**67,723**	**347**	**13.12.09**	**13.12.16**

Details of the performance criteria of these options are given on page 26 under Remuneration policy. Grants of options to Executive Directors are, in the absence of exceptional circumstances, limited to a single multiple of their individual annual salary at the time of the grant.

The Company's register of Directors' interests (which is open to inspection) contains full details of Directors' shareholdings, options and awards. No options were exercised by Directors in the year ended 31 March 2007 and there have been no changes in the number of share options held by them between 1 April 2007 and 6 June 2007.

The highest and lowest prices of the Company's shares during the year were 385.0p and 295.0p respectively. The price at the year end was 372.25p.

This remuneration report was approved by the Board of Directors on 6 June 2007 and was signed on its behalf by:

C F Phillips
Secretary
Methuen Park
Chippenham
Wiltshire
SN14 0WT

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements, in accordance with applicable law and regulations.

UK company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards (UK GAAP).

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group. The Companies Act 1985 provides, in relation to such financial statements, that references in the relevant part of the Act to financial statements, giving a true and fair view are references to their achieving a fair presentation.

The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent Company financial statements, state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the Group and parent Company financial statements (the 'financial statements') of Wincanton plc for the year ended 31 March 2007 which comprise the Consolidated income statement, the Consolidated statement of recognised income and expense, the Consolidated and parent Company balance sheets, the Consolidated statement of cash flows, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent Company financial statements and the Directors' remuneration report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice 'UK GAAP') are set out in the Statement of Directors' responsibilities on page 30.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Business review which is cross referenced from the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2007 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 March 2007;
- the parent Company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
100 Temple Street
Bristol
BS1 6AG

6 June 2007

	Note	Total 2007 £m	Total 2006 £m
Revenue	2	**1,933.1**	1,809.3
Underlying operating profit		**45.5**	42.0
Amortisation of acquired intangibles	2	**(3.2)**	(1.0)
Exceptional restructuring costs	3	**(6.0)**	(8.1)
Exceptional property profits	3	**6.2**	8.1
Operating profit	3	**42.5**	41.0
Financial income	5	**33.7**	26.6
Financial expenses	5	**(43.6)**	(36.3)
Net financing costs		**(9.9)**	(9.7)
Share of results of associates	13	**–**	–
Profit before tax		**32.6**	31.3
Income tax expense	6	**(9.6)**	(8.4)
Profit for the year		**23.0**	22.9
Attributable to			
– equity shareholders of Wincanton plc		**22.9**	22.7
– minority interests		**0.1**	0.2
Profit for the year		**23.0**	22.9
Earnings per share			
– basic	7	**19.7p**	19.9p
– diluted	7	**19.4p**	19.5p
Dividends declared and paid in the year (£m)	8	**14.9**	13.3

Consolidated statement of recognised income and expense for the year ended 31 March 2007

	Note	2007 £m	2006 £m
Actuarial gains/(losses) on defined benefit pension schemes (net of deferred tax)		**9.4**	(46.7)
Net foreign exchange gain on investment in foreign subsidiaries net of hedged items		**–**	0.3
Tax taken directly to equity	6	**0.7**	0.7
Net gain/(loss) recognised directly in equity		**10.1**	(45.7)
Profit for the year		**23.0**	22.9
Total recognised income and expense for the year	23	**33.1**	(22.8)
Attributable to			
– equity shareholders of Wincanton plc		**33.0**	(23.0)
– minority interests		**0.1**	0.2
Total recognised income and expense for the year		**33.1**	(22.8)

Consolidated balance sheet at 31 March 2007

	Note	2007 £m	2006 Restated £m
Non-current assets			
Goodwill and intangible assets	9	**113.2**	71.7
Property, plant and equipment	10	**211.4**	232.5
Investments	11	**0.6**	0.8
Deferred tax assets	15	**11.8**	32.3
		337.0	337.3
Current assets			
Inventories	16	**8.2**	7.4
Trade and other receivables	17	**331.1**	310.8
Cash and cash equivalents	18	**60.9**	56.1
		400.2	374.3
Current liabilities			
Income tax payable		**(4.4)**	(5.6)
Borrowings	19	**(1.6)**	(3.2)
Trade and other payables	20	**(444.1)**	(412.9)
Employee benefits	26	**(7.7)**	(7.5)
Provisions	21	**(20.1)**	(16.5)
		(477.9)	(445.7)
Net current liabilities		**(77.7)**	(71.4)
Total assets less current liabilities		**259.3**	265.9
Non-current liabilities			
Borrowings	19	**(125.1)**	(113.5)
Other payables	20	**(5.0)**	(1.3)
Employee benefits	26	**(99.6)**	(144.8)
Provisions	21	**(42.0)**	(42.9)
Deferred tax liabilities	15	**(1.3)**	(1.1)
		(273.0)	(303.6)
Net liabilities		**(13.7)**	(37.7)
Equity			
Issued share capital	23	**12.0**	11.8
Share premium	23	**9.6**	6.5
Merger reserve	23	**3.5**	3.5
Translation reserve	23	**2.7**	2.7
Retained earnings	23	**(41.8)**	(62.5)
Equity deficit attributable to shareholders of Wincanton plc		**(14.0)**	(38.0)
Minority interest	23	**0.3**	0.3
Total equity deficit		**(13.7)**	(37.7)

These financial statements were approved by the Board of Directors on 6 June 2007 and were signed on its behalf by:

G McFaull
Chief Executive

G D Connell
Group Finance Director

Consolidated statement of cash flows for the year ended 31 March 2007

	2007 £m	2006 £m
Operating activities		
Profit before tax	**32.6**	31.3
Adjustments for		
– depreciation and amortisation	**35.1**	33.8
– interest expense	**9.9**	9.7
– profit on sale of property, plant and equipment	**(9.3)**	(8.1)
– share-based payments fair value charges	**1.6**	1.1
Operating profit before changes in working capital and provisions	**69.9**	67.8
Increase in trade and other receivables	**(10.3)**	(2.8)
Increase in inventories	**(0.4)**	(1.1)
Increase in trade and other payables	**15.0**	9.0
Decrease in provisions	**(3.1)**	(1.1)
Decrease in employee benefits	**(29.6)**	(17.3)
Income taxes paid	**(1.4)**	(3.0)
Cash generated from operations	**(29.8)**	(16.3)
Cash flows from operating activities	**40.1**	51.5
Investing activities		
Proceeds from sale of property, plant and equipment	**32.2**	24.0
Proceeds from sale of unlisted trade investments	**0.1**	–
Interest received	**1.7**	2.0
Acquisitions net of cash acquired and debt repaid on acquisition	**(29.7)**	(21.4)
Acquisition of property, plant and equipment	**(29.5)**	(40.3)
Interest paid	**(10.9)**	(7.6)
Cash flows from investing activities	**(36.1)**	(43.3)
Financing activities		
Proceeds from the issue of share capital	**3.1**	2.2
Disposal of own shares on exercise of options	**1.2**	–
Increase/(decrease) in borrowings	**13.4**	(1.5)
Payment of finance lease liabilities	**(1.6)**	(1.5)
Dividends paid to minority interest in subsidiary undertakings	**(0.1)**	(0.3)
Equity dividends paid	**(14.9)**	(13.3)
Cash flows from financing activities	**1.1**	(14.4)
Net increase/(decrease) in cash and cash equivalents	**5.1**	(6.2)
Cash and cash equivalents at beginning of year	**56.1**	61.9
Effect of exchange rate fluctuations on cash held	**(0.3)**	0.4
Cash and cash equivalents at end of year	**60.9**	56.1
Represented by		
– cash at bank and in hand	**33.5**	26.3
– restricted cash, being deposits held by the Group's captive insurer	**27.4**	29.8
	60.9	56.1

1 Accounting policies

Statement of compliance

Wincanton plc is a company incorporated in the UK. The Group's consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'), plus proportionately consolidate the Group's interest in jointly controlled entities and equity account the Group's interest in associates.

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the International Accounting Standards Board (IASB) and by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS (Adopted IFRS).

The following standards or interpretations issued by the IASB or the IFRIC have been adopted by the EU but only become effective for accounting periods commencing after 31 March 2007:

IFRS 7, Financial instruments: Disclosures, and the related amendment to IAS 1, Presentation of financial statements – Capital disclosures. IFRS 7 and the amendment to IAS 1 are effective for annual periods beginning on or after 1 January 2007 and the Group plans to apply these from 1 April 2007. These will impact only upon the disclosures made by the Group in relation to financial instruments.

The following standards are not yet effective and have not yet been adopted by the EU and therefore cannot be adopted early by the Group:

IFRIC 10, Interim Financial Reporting and Impairment, is effective for annual periods beginning on or after 1 November 2006 and will be applied by the Group from 1 April 2007. IFRIC 10 prohibits impairment losses on goodwill, investments in equity instruments and financial assets held at cost recognised in an interim period to be reversed at a subsequent balance sheet date.

IFRIC 11, IFRS2: Group and Treasury Share Transactions, is effective for annual periods beginning on or after 1 March 2007 and will be applied by the Group from 1 April 2007. The interpretation requires that a share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation is accounted for as an equity-settled share-based payment transaction under IFRS 2.

IFRS 8, Operating Segments, is effective for annual periods beginning on or after 1 January 2009 and the Group plans to apply it from 1 April 2009. The standard requires the presentation of segmental information based on internal reports used by the Group's Board in order to allocate resources and make decisions about operating matters.

The Group does not currently believe the adoption of these standards or interpretations will have a significant effect on the consolidated results or financial position of the Group.

The Company has elected to prepare its parent Company financial statements in accordance with UK Accounting Standards; these are presented on pages 63 to 66 and these present information about the Company as a separate entity and not about its group.

Basis of preparation

The Group and parent Company financial statements are presented in pounds sterling, rounded to the nearest hundred thousand. They are prepared on the historical cost basis except where assets or liabilities are required to be stated at their fair value.

The preparation of Group financial statements under Adopted IFRS and parent Company financial statements under UK Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and/or in future periods if applicable. Judgements made by management in the application of Adopted IFRS that have significant effect on the Group financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes to these consolidated financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements with the exception of IFRIC 4 'Determining whether an arrangement contains a lease' which was adopted on 1 April 2006 but which has had an impact only upon operating lease disclosures.

Basis of consolidation

The consolidated Group financial statements include the financial statements of the Company and its subsidiary undertakings made up to the balance sheet date. When the Company acquired the Wincanton group of companies upon demerger from the former parent in May 2001, the changes in group structure were accounted for using the principles of merger accounting available under UK GAAP at the time. Businesses acquired or disposed of since then have been accounted for using acquisition accounting principles from or up to the date control passed.

On transition to Adopted IFRS Wincanton elected to apply the exemptions under IFRS 1 neither to restate any pre-transition business combinations under IFRS 3 nor to identify the translation differences arising prior to 1 April 2004 and to attribute these to the result of any disposals of those entities. Acquisitions post transition have been accounted for under IFRS 3 and any translation differences arising after 1 April 2004 will be separately identified and accounted for.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from or up to the date that control passed.

Associates are those entities in which the Group has significant influence, but not control. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from or up to the date that significant influence passes. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the assets, liabilities, revenue and expenses which are included with items of a similar nature on a line-by-line basis, from or up to the date that joint control passes.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. In respect of acquisitions that have occurred since the transition to IFRS on 1 April 2004, goodwill represents the difference between the fair value of consideration given for the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

In accordance with IFRS 3 'Business Combinations', the fair value adjustments relating to acquisitions in the prior year are, if applicable, reviewed and revised and these adjustments are reflected at the date of acquisition and the prior year balance sheet restated accordingly. Details of such adjustments are given in the Acquisitions note to the financial statements.

In respect of acquisitions prior to transition to IFRS, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP. Wincanton elected on transition to IFRS to apply the exemption under IFRS 1 that the classification and accounting treatment of business combinations that occurred prior to 1 April 2004 was not reconsidered in preparing the opening IFRS balance sheet at 1 April 2004.

Goodwill is stated at cost less any impairment losses (see below). Goodwill is allocated to cash-generating units and under Adopted IFRS is no longer amortised but is tested annually for impairment (see below). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Other intangible assets

Intangible assets arising under a business combination (acquired intangible assets) are capitalised at fair value as determined at the date of acquisition and are stated at that fair value less accumulated amortisation (see below) and impairment losses (see below).

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of acquired intangible assets from the date they are acquired. The estimated useful lives are as follows:

Customer relationships	8 to 15 years
Software rights	1 to 5 years
Trademarks and logos	1 to 5 years

The cost of computer software purchased or developed in-house which has the capacity to generate economic benefits for a period in excess of one year is capitalised as an intangible asset. Amortisation is charged to the income statement on a straight-line basis over the following estimated useful lives:

Computer software costs	3 to 5 years

Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see below). The cost of tangible assets includes directly attributable costs, including appropriate commissioning costs. The cost of financing the construction of major properties is included in their capitalised cost. The interest rate applied represents the actual finance costs incurred on the funds borrowed specifically to construct the asset.

Plant and equipment acquired by way of finance lease is stated at deemed cost, being an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see below). Lease payments are accounted for as described in the accounting policy on expenses. Finance leases are those under the terms of which the Group assumes substantially all the risks and rewards of ownership.

Subsequent expenditure

The Group recognises in the carrying amount of an item of property, plant and equipment the costs incurred in replacing part of such an item if it is probable that the future economic benefits will flow to the Group and when the cost can be measured reliably. All other such costs, including the derecognition of the replaced part of the item, are expensed in the income statement as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. The estimated useful lives are as follows:

Freehold and long leasehold buildings	50 years
Short leasehold improvements	life of lease
Plant and equipment, furniture and fittings	5 to 25 years
Office machinery and computers	3 to 5 years
Motor vehicles	5 to 10 years

The range of useful economic lives given reflects the fact that assets held for specific contracts are depreciated over the lives of those contracts.

The residual value of tangible assets, if significant, is reassessed annually.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Trade and other receivables

Trade and other receivables are stated at their fair value on initial recognition (discounted if material) and subsequently at amortised cost, i.e. less any impairment losses (see below).

Cash and cash equivalents
Cash and cash equivalents comprises cash balances, restricted cash and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management process are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other payables
Trade and other payables are stated at fair value at initial recognition and subsequently at amortised cost.

Foreign currency
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on such translation are recognised in the income statement.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

The Group has taken advantage of the exemption available under IFRS 1 to deem the cumulative translation differences for all investments in foreign operations to be zero at 1 April 2004, the date of transition to Adopted IFRS. Exchange differences arising after 1 April 2004 from the translation of the net investment in foreign operations, and of related hedges are taken to a translation reserve. They are released into the income statement upon disposal.

Employee benefits
The Group operates defined contribution and defined benefit pension schemes. The assets of these schemes are held separately from those of the Group.

Defined contribution schemes
Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Defined benefit schemes
The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method.

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately the expense is recognised immediately in the income statement.

All actuarial gains and losses as at 1 April 2004, the date of transition to Adopted IFRS, have been recognised in equity under the provisions of IAS 19 'Employee Benefits' (Revised). Any actuarial gains and losses that arise subsequent to 1 April 2004 in calculating the Group's obligation in respect of a scheme are recognised in full through equity in the statement of recognised income and expense.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

Share-based payment transactions
From 1 April 2004 the Group has applied the requirements of IFRS 2 'Share-based Payments' to the grants of options made under the Executive and Sharesave option schemes. In accordance with the transition provisions, IFRS 2 has been applied to all grants after 7 November 2002 that had not vested as at 1 January 2005.

The Group issues options under equity-settled share-based incentive schemes to certain employees which are measured at the date of grant as the fair value of the employee services required in exchange for the grant. The fair value determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. This estimate is revised each year to take account of changes in non-market circumstances.

The Directors have established that fair value is most appropriately measured by the use of a Binomial pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A number of shares in the Company are held in trust on behalf of employees who hold options under the Group's equity-settled share-based incentive schemes. Such shares are held by an employee benefit trust and are treated as treasury shares and shown in the balance sheet as a deduction from equity.

Other share schemes
Shares awarded on a matching basis to employees participating in the Company's Share Incentive Plan are purchased at the prevailing market rate and charged to the income statement each period as the employee makes an eligible contribution. The shares purchased are held in a separately administered offshore trust.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows.

The Group provides for insurance claims on an appropriate discounted basis depending on the expected timing of their settlement. Provision is made for the estimated costs of claims arising from past events based on the advice of the Group's external insurance advisors.

Impairment
The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The two exceptions are dealt with as per the separate applicable accounting policy.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the amount of goodwill allocated to the applicable cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount
The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss in respect of goodwill is not reversed. An impairment loss in respect of a receivable carried at amortised cost is reversed only to the extent that the carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised and if the reversal can be related objectively to an event occurring after the impairment was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Revenue recognition
Revenue from services rendered is recognised in the income statement on the delivery of those services based on the proportion of the total delivered at the balance sheet date. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Certain distribution contracts oblige Wincanton to purchase goods from third parties and sell them on to the customer at cost. As Wincanton is rewarded for the physical distribution service provided acting only as an agent in these buy/sell transactions, and as the sale and purchase of the goods have no impact on the operating profit, the amounts invoiced to customers and charged by suppliers for the sale and purchase of these goods are excluded from revenue and cost of sales. Trade and other receivables and payables relating to such transactions are included in the balance sheet.

Expenses
Lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

For finance leases the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs
Net financing costs comprise interest payable and other charges less interest income.

Interest payable on borrowings is calculated using the effective interest rate method. Other charges include bank charges and commission costs, discounts unwound, and losses on hedging instruments that are recognised in the income statement (see hedging accounting policy below).

Interest income includes interest receivable on funds invested and gains on hedging instruments, and these are recognised in the income statement as they accrue.

The interest expense component of finance lease payments is recognised in the income statement using the constant periodic rate of return method.

Net financing costs include the expected return on defined benefit pension scheme assets less the interest on defined benefit pension scheme obligations.

Taxation
Tax on profits or losses for the year comprises current and deferred tax and is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to accumulated profits of overseas subsidiaries to the extent that they will probably not be distributed. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segment reporting
Segment information is presented in respect of the Group's geographical segments, being the primary segmentation format based on the Group's management and internal reporting structure. As the secondary segment is the business of providing contract logistics services which encompasses the entire scope of Wincanton's operations, no further segmental analysis is required.

The geographical segments are those distinguishable components of the Group that are engaged in providing services within a particular economic environment which is subject to risks and rewards that are different from those of other segments.

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments which are accounted for as trading instruments are recognised initially and subsequently stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Fair value hedges
Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are also recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

Hedge of net investment in foreign operation
Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognised directly in equity. Any ineffective position is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Hedge of monetary assets and liabilities
Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Interest bearing borrowings which are designated hedged items in a fair value hedge arrangement are carried at fair value (see policy above).

Dividends
Dividends are recognised in the period in which they are declared, approved, or paid.

2 Segment information

Segment information is presented in respect of the Group's geographical segments, being the primary segmentation format based on the Group's management and internal reporting structure. As the secondary segment is the business of providing contract logistics services which encompasses the entire scope of Wincanton's operations, no further segmental analysis is required.

The Group operates in two principal geographical areas, the UK & Ireland, and Mainland Europe. In presenting information on the basis of geographical segments, segment revenue and assets are based on the geographical location of the business operations.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical segments

		UK & Ireland		Mainland Europe		Consolidated	
	Note	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Revenue		**1,214.5**	1,156.3	**718.6**	653.0	**1,933.1**	1,809.3
Underlying operating profit by segment		**42.0**	37.8	**3.5**	4.2	**45.5**	42.0
Amortisation of acquired intangibles		**(1.7)**	–	**(1.5)**	(1.0)	**(3.2)**	(1.0)
Exceptional restructuring costs		**(2.0)**	(3.9)	**(4.0)**	(4.2)	**(6.0)**	(8.1)
Exceptional property profits		**5.8**	8.0	**0.4**	0.1	**6.2**	8.1
Operating profit		**44.1**	41.9	**(1.6)**	(0.9)	**42.5**	41.0
Total assets		**457.4**	410.2	**279.8**	301.4	**737.2**	711.6
Total liabilities		**(574.1)**	(528.3)	**(176.8)**	(221.0)	**(750.9)**	(749.3)
Depreciation charges		**(21.5)**	(21.2)	**(8.4)**	(8.8)	**(29.9)**	(30.0)
Amortisation of software intangibles		**(1.1)**	(2.0)	**(0.9)**	(0.8)	**(2.0)**	(2.8)
Capital expenditure							
– property, plant and equipment	10	**20.3**	27.7	**8.3**	10.1	**28.6**	37.8
– software intangibles	9	**0.1**	–	**0.8**	0.6	**0.9**	0.6

In addition to the above external revenue, there were intra-segment sales of £1.6m from UK & Ireland to Mainland Europe (2006: £1.6m) and £1.4m from Mainland Europe to UK & Ireland (2006: £1.0m). All such sales are priced on an arm's-length basis.

The investments in and profits of associated undertakings are all included in the Mainland Europe segment.

3 Operating profit

The Group's results are analysed as follows:

	2007			2006		
	Underlying[1] £m	**Amortisation of acquired intangibles and exceptionals £m**	**Total £m**	Underlying[1] £m	Amortisation of acquired intangibles and exceptionals £m	Total £m
Revenue	**1,933.1**	**–**	**1,933.1**	1,809.3	–	1,809.3
Cost of sales	**(1,850.2)**	**(3.9)**	**(1,854.1)**	(1,728.4)	4.2	(1,724.2)
Gross profit	**82.9**	**(3.9)**	**79.0**	80.9	4.2	85.1
Administrative expenses	**(37.4)**	**0.9**	**(36.5)**	(38.9)	(5.2)	(44.1)
Operating profit	**45.5**	**(3.0)**	**42.5**	42.0	(1.0)	41.0

[1] Underlying operating profit is stated before amortisation of acquired intangibles and exceptionals

	2007 £m	2006 £m
Operating profit before net financing costs is stated after charging:		
Auditors' remuneration		
Audit fees for statutory audit services		
– parent company and consolidation	**0.1**	0.1
– subsidiary undertakings	**0.6**	0.6
Non-audit fees		
– fees paid to the Auditors and their associates for tax advisory services	**0.3**	0.2
– fees paid to the Auditors and their associates for assurance services	**0.1**	0.1
– fees paid to the Auditors and their associates for other services	**0.1**	0.1
Depreciation and other impairment amounts written off property, plant and equipment		
– owned	**29.4**	29.6
– leased	**0.5**	0.4
Amortisation and other amounts written off software intangibles	**2.0**	2.8
Operating lease rentals		
– plant and equipment	**43.3**	39.3
– land and buildings	**62.2**	52.8

In the prior year £0.2m was paid to the Auditors in respect of their services in connection with acquisitions which was capitalised as a cost of investment, current year £nil.

Exceptionals

	2007 £m	2006 £m
Exceptional restructuring costs		
Reorganisation of operating structures post-acquisition	**(4.0)**	(0.9)
Relocation of UK head office and business rationalisation	**0.2**	(4.2)
Closure and reorganisation of operations in Spain and Germany (2006: Germany)	**(2.2)**	(3.0)
	(6.0)	(8.1)
Exceptional property profits – sale of freehold land and buildings	**6.2**	8.1

4 Personnel expenses, including Directors

	Note	2007 £m	2006 £m
Wages and salaries		**596.6**	594.3
Share-based payments (including IFRS 2 fair value charges)		**2.3**	1.7
Social security contributions		**73.6**	70.2
Contributions to defined contribution pension schemes	26	**6.0**	5.3
Service costs of defined benefit pension schemes	26	**17.2**	17.1
		695.7	688.6

	2007	2006
Average number of persons employed by the Group (including Directors) during the year	**27,270**	27,450

Directors' emoluments

	2007 £'000	2006 £'000
Salaries	**988**	1,465
Bonuses	**644**	1,052
Other benefits	**64**	100
Non-executive Directors' fees	**291**	258
Total emoluments	**1,987**	2,875

Full details of each individual Director's emoluments, share options and pension entitlements are given in the Directors' remuneration report on pages 26 to 29.

5 Net financing costs

	Note	2007 £m	2006 £m
Interest income		**1.7**	2.0
Expected return on defined benefit pension scheme assets		**32.0**	24.6
		33.7	26.6
Interest expense		**(11.0)**	(8.2)
Finance charges payable in respect of finance leases		**(0.5)**	(0.5)
Interest on defined benefit pension scheme obligations		**(30.0)**	(26.0)
Unwinding of discount on insurance and other provisions	21	**(2.1)**	(2.0)
		(43.6)	(36.7)
Less finance costs capitalised		**–**	0.4
		(43.6)	(36.3)
Net financing costs		**(9.9)**	(9.7)

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

6 Income tax expense

	2007 £m	2006 £m
Recognised in the income statement		
Current tax expense		
Current year	**1.5**	2.3
Adjustments for prior years	**(1.5)**	(0.9)
	–	1.4
Deferred tax expense		
Current year	**8.8**	6.4
Adjustments for prior years	**0.8**	0.6
	9.6	7.0
Total income tax expense in the income statement	**9.6**	8.4
Reconciliation of effective tax rate		
Profit before tax	**32.6**	31.3
Income tax using the UK corporation tax rate of 30% (2006: 30%)	**9.8**	9.4
Effect of tax rates in foreign jurisdictions	**–**	(0.1)
Trading losses not utilised	**1.9**	1.2
Non-deductible expenditure	**0.7**	0.6
Capital profits offset by capital losses	**(2.1)**	(2.4)
Prior year adjustment		
– current tax	**(1.5)**	(0.9)
– deferred tax	**0.8**	0.6
Total tax charge for the year	**9.6**	8.4
Recognised in equity		
Tax taken directly to equity	**0.7**	0.7

7 Earnings per share

Earnings per share are calculated on the basis of earnings attributable to the equity shareholders of Wincanton plc of £22.9m (2006: £22.7m) and the weighted average of 116.1m (2006: 114.3m) shares which have been in issue throughout the year. The diluted earnings per share are calculated on the basis of an additional 1.8m (2006: 2.0m) 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 are calculated as follows:

	2007 millions	2006 millions
Weighted average number of ordinary shares		
Issued ordinary shares at the beginning of the year	**114.9**	113.9
Net effect of shares issued during the year	**1.2**	0.4
	116.1	114.3
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at the end of the year	**116.1**	114.3
Effect of share options on issue	**1.8**	2.0
	117.9	116.3

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

	2007 pence	2006 pence
Underlying earnings per share		
– basic	**21.0**	19.2
– diluted	**20.7**	18.9

Underlying earnings are determined as follows:

	2007 £m	2006 £m
Profit for the year attributable to the equity shareholders of Wincanton plc	**22.9**	22.7
Exceptional restructuring costs	**6.0**	8.1
Exceptional property profits	**(6.2)**	(8.1)
Amortisation of acquired intangibles	**3.2**	1.0
Tax on the above items	**(1.5)**	(1.7)
Underlying earnings	**24.4**	22.0

8 Dividends

Under Adopted IFRS dividends are only provided in the financial statements when they become a liability of the Company. The dividends per ordinary share paid in the year are the interim for the current year, paid on 10 January 2007 and the final for the year ended 31 March 2006, paid on 11 August 2006.

These are detailed in the following table:

	2007 £m	2006 £m
Interim dividend of 4.26p (2006: 3.94p) paid in 2007 and 2006 respectively	**5.0**	4.5
Final dividend of 8.60p for 2006 (2005: 7.74p) paid in 2007 and 2006 respectively	**9.9**	8.8
Total dividend paid in the year	**14.9**	13.3

The final dividend proposed for the year ended 31 March 2007 is 9.29p, which if approved will be paid on 10 August 2007 to shareholders on the register on 13 July 2007, total £10.9m.

9 Goodwill and intangible assets

	Goodwill restated £m	Acquired intangibles restated £m	Computer software costs £m	Total restated £m
Cost				
At 1 April 2005	43.4	3.5	29.9	76.8
Effect of movements in foreign exchange	0.4	0.1	0.1	0.6
Additions	14.1	9.2	0.6	23.9
At 31 March 2006	57.9	12.8	30.6	101.3
At 1 April 2006	**57.9**	**12.8**	**30.6**	**101.3**
Effect of movements in foreign exchange	**(0.6)**	**(0.3)**	**(0.2)**	**(1.1)**
Additions	**18.9**	**28.2**	**0.9**	**48.0**
Disposals	**–**	**–**	**(1.7)**	**(1.7)**
At 31 March 2007	**76.2**	**40.7**	**29.6**	**146.5**
Amortisation and impairment losses				
At 1 April 2005	(2.5)	(0.1)	(23.1)	(25.7)
Effect of movements in foreign exchange	–	–	(0.1)	(0.1)
Charge for year	–	(1.0)	(2.8)	(3.8)
At 31 March 2006	(2.5)	(1.1)	(26.0)	(29.6)
At 1 April 2006	**(2.5)**	**(1.1)**	**(26.0)**	**(29.6)**
Effect of movements in foreign exchange	**–**	**0.1**	**0.1**	**0.2**
Charge for year	**–**	**(3.2)**	**(2.0)**	**(5.2)**
Disposals	**–**	**–**	**1.3**	**1.3**
At 31 March 2007	**(2.5)**	**(4.2)**	**(26.6)**	**(33.3)**
Carrying value				
At 1 April 2005	40.9	3.4	6.8	51.1
At 31 March 2006 and 1 April 2006	55.4	11.7	4.6	71.7
At 31 March 2007	**73.7**	**36.5**	**3.0**	**113.2**

The amortisation charges above of £5.2m (2006: £3.8m) are recognised in the income statement within cost of sales £0.6m (2006: £1.3m) and administrative expenses £1.4m (2006: £1.5m) in respect of the computer software costs and as a separate line in respect of acquired intangibles. The acquired intangibles are primarily customer relationships of net book value £35.2m (2006: £11.4m).

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGU's) which are identified according to geographical segment as follows:

	2007 £m	2006 £m
UK & Ireland	**41.0**	22.1
Mainland Europe	**32.7**	33.3
	73.7	55.4

The UK & Ireland goodwill balance in the above table includes the goodwill arising in respect of the two UK acquisitions made in the year of RDL and Lane (see note 22). The goodwill in respect of the former currently remains capable of separate testing for impairment, however the Lane acquisition has been fully integrated into the existing Wincanton business and separate identification of future results and cash flows is already not practicable.

The prior year French acquisition has been integrated with the existing Wincanton business in France in the year and in testing for impairment the results and cash flows of the combined business have been utilised.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations are cash flow projections based on the financial budgets and forecasts approved by the Board for the forthcoming financial year and beyond. Cash flows beyond those 12 and further 48-month periods are extrapolated over a further 19 or 16 years respectively using the estimated growth rates and underlying inflation rates stated overleaf, which do not exceed the long-term average growth and inflation rates in the specific geographical areas where the CGU operates. A 20-year cash flow projection period is viewed as appropriate when considering the value-in-use of goodwill.

Key assumptions used for value-in-use calculations:

	UK & Ireland %	RDL %	France %	Mainland Europe %
Estimated growth rate	2.4	2.4	2.1	1.9
Underlying inflation rate	2.4	2.4	1.2	2.1
Discount rate[1]	11.0	11.0	11.0	11.0

[1] Pre-tax discount rate applied to the cash flow projections

Management determined the growth rate and underlying inflation rate based on expectations for market development and these are consistent with external forecasts and historical trends. The discount rates are pre-tax and reflect the relevant risks.

10 Property, plant and equipment

	Property £m	Plant and equipment restated £m	Total restated £m
Cost			
At 1 April 2005	152.2	216.4	368.6
Transfers	0.6	0.1	0.7
Effect of movements in foreign exchange	0.8	0.8	1.6
Additions	11.5	26.3	37.8
Acquisition and fair value adjustments	–	5.7	5.7
Disposals	(13.2)	(17.7)	(30.9)
At 31 March 2006	151.9	231.6	383.5
At 1 April 2006	**151.9**	**231.6**	**383.5**
Effect of movements in foreign exchange	**(1.0)**	**(1.4)**	**(2.4)**
Additions	**4.7**	**23.9**	**28.6**
Acquisition and fair value adjustments	**1.5**	**2.6**	**4.1**
Disposals	**(20.1)**	**(22.4)**	**(42.5)**
At 31 March 2007	**137.0**	**234.3**	**371.3**
Depreciation and impairment losses			
At 1 April 2005	(26.2)	(108.3)	(134.5)
Transfers	(0.4)	(0.1)	(0.5)
Effect of movements in foreign exchange	(0.2)	(0.7)	(0.9)
Charge for year	(4.2)	(25.8)	(30.0)
Disposals	1.7	13.2	14.9
At 31 March 2006	(29.3)	(121.7)	(151.0)
At 1 April 2006	**(29.3)**	**(121.7)**	**(151.0)**
Effect of movements in foreign exchange	**0.2**	**0.8**	**1.0**
Charge for year	**(4.7)**	**(25.2)**	**(29.9)**
Disposals	**2.1**	**17.9**	**20.0**
At 31 March 2007	**(31.7)**	**(128.2)**	**(159.9)**
Carrying amount			
At 1 April 2005	126.0	108.1	234.1
At 31 March 2006 and 1 April 2006	122.6	109.9	232.5
At 31 March 2007	**105.3**	**106.1**	**211.4**

Included in the total carrying amount of property, plant and equipment is £5.0m (2006: £7.7m) in respect of assets held under finance leases, and in cost is £4.4m (2006: £4.4m) in respect of capitalised finance costs.

The carrying amount of property comprises:

	2007 £m	2006 £m
Freehold	**76.2**	94.9
Long leasehold	**–**	–
Short leasehold	**29.1**	27.7
	105.3	122.6

11 Investments

	2007 £m	2006 £m
Group non-current investments		
Unlisted trade investments	**0.3**	0.5
Associates	**0.3**	0.3
	0.6	0.8

12 Investments in subsidiaries

The significant subsidiaries in the Wincanton group of companies, based on the scale of their activities, are as follows:

	Principal activity	% of equity held	Country of incorporation
Wincanton Holdings Limited	Contract logistics services	100	England and Wales
Wincanton Group Limited	Contract logistics services	100	England and Wales
Wincanton International Limited[1]	Intermediate holding company	100	England and Wales
Wincanton UK Limited[1]	Intermediate holding company	100	England and Wales
Wincanton Ireland Limited	Contract logistics services	100	Republic of Ireland
Risk Underwriting (Guernsey) Limited	Captive insurer	100	Guernsey
Wincanton GmbH	Contract logistics services	100	Germany
Rhenania Intermodal Transport GmbH	Contract logistics services	100	Germany
Wincanton Trans European (Deutschland) GmbH	Contract logistics services	100	Germany
Wincanton Mondia S.A.	Contract logistics services	100	France
Wincanton S.A.S	Contract logistics services	100	France
Wincanton B.V.	Contract logistics services	100	The Netherlands
Rhinecontainer B.V.	Contract logistics services	74.2	The Netherlands
Wincanton Trans European Hungary Kft	Contract logistics services	100	Hungary
Wincanton Polska Sp. z.o.o.	Contract logistics services	100	Poland
Wincanton Trans European CZ s.r.o.	Contract logistics services	100	Czech Republic
Rhenania Roba A.G.	Contract logistics services	100	Switzerland

[1] Direct subsidiaries of Wincanton plc

13 Investments in associates

Summary financial information for associates (100%)

	Country	% of ordinary equity held	Assets £m	Liabilities £m	Equity £m	Revenue £m	Profit/(Loss) £m
Year ended 31 March 2007							
Rhine-Ro-Ro Service BV	The Netherlands	33.3	**0.4**	**(0.1)**	**0.3**	**0.7**	**0.1**
OMYA Weil GmbH	Germany	26.0	**0.7**	**(0.2)**	**0.5**	**–**	**–**
Neuss Trimodal GmbH	Germany	25.0	**0.7**	**(0.4)**	**0.3**	**1.1**	**–**
Other	Germany		**0.3**	**(0.3)**	**–**	**0.3**	**–**
			2.1	**(1.0)**	**1.1**	**2.1**	**0.1**
Group share of results of associates							**–**

	Country	% of ordinary equity held	Assets £m	Liabilities £m	Equity £m	Revenue £m	Profit/(Loss) £m
Year ended 31 March 2006							
Rhine-Ro-Ro Service BV	The Netherlands	33.3	0.4	(0.2)	0.2	0.8	–
OMYA Weil GmbH	Germany	26.0	0.7	(0.2)	0.5	0.5	0.1
Neuss Trimodal GmbH	Germany	25.0	0.7	(0.4)	0.3	0.9	0.1
Other	Germany		0.3	(0.2)	0.1	0.2	–
			2.1	(1.0)	1.1	2.4	0.2
Group share of results of associates							–

14 Interests in jointly controlled entities

The Group has the following significant interests in jointly controlled entities:

	Principal activity	% of equity held	Country of incorporation
PGN Logistics Limited	Contract logistics services	50	England and Wales
Fenthol & Sandtmann GmbH	Contract logistics services	50	Germany
Weckerle Spedition & Logistik GmbH	Contract logistics services	50	Germany
Rhenania Wormser Lagerhaus und Speditions AG	Contract logistics services	50	Germany

Included in the consolidated financial statements are the following amounts representing the Group's share of the assets, liabilities, income and expenses of the Group's interests in jointly controlled entities:

	2007 £m	2006 £m
Non-current assets	**15.8**	5.3
Current assets	**11.9**	13.5
Current liabilities	**(9.4)**	(4.8)
Non-current liabilities	**(11.0)**	(7.2)
Net assets	**7.3**	6.8
Revenue	**71.6**	33.5
Operating profit	**2.0**	1.1
Net financing costs	**(0.2)**	(0.1)
Income tax expense	**(0.7)**	(0.4)
Profit for the year	**1.1**	0.6

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 £m	2006 restated £m	**2007 £m**	2006 restated £m	**2007 £m**	2006 restated £m
Property, plant and equipment	**(5.6)**	(8.0)	**(0.3)**	(0.3)	**(5.9)**	(8.3)
Employee benefits	**1.7**	1.6	**–**	–	**1.7**	1.6
Pension provisions	**23.4**	36.3	**–**	–	**23.4**	36.3
Losses carried forward	**–**	0.3	**–**	–	**–**	0.3
Other deferred tax assets	**4.1**	4.9	**–**	–	**4.1**	4.9
Other deferred tax liabilities	**(11.8)**	(2.8)	**(1.0)**	(0.8)	**(12.8)**	(3.6)
	11.8	32.3	**(1.3)**	(1.1)	**10.5**	31.2

Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	2007 £m	2006 £m
Losses carried forward	**23.1**	17.9
Capital losses	**1.7**	2.8
	24.8	20.7

Deferred tax assets have not been recognised in respect of the above losses carried forward due to the uncertainty of utilisation of these losses.

15 Deferred tax assets and liabilities continued

Movement in deferred tax assets and liabilities during the current year

	Balance 1 April 2006 restated £m	**Recognised in income £m**	**Other movements £m**	**Balance 31 March 2007 £m**
Property, plant and equipment	(8.3)	**2.1**	**0.3**	**(5.9)**
Employee benefits	1.6	**(0.6)**	**0.7**	**1.7**
Pension provisions	36.3	**(9.4)**	**(3.5)**	**23.4**
Losses carried forward	0.3	**(0.3)**	**–**	**–**
Other deferred tax assets	4.9	**(0.8)**	**–**	**4.1**
Other deferred tax liabilities	(3.6)	**(0.6)**	**(8.6)**	**(12.8)**
	31.2	**(9.6)**	**(11.1)**	**10.5**

The UK tax changes proposed in the Chancellor's Budget on 21 March 2007 would, based on 31 March 2007 balances, reduce the deferred tax asset in the future by approximately £2.8m if the changes are enacted as announced. Of this, £0.7m is attributable to the reduction in the UK rate of corporation tax from 30% to 28% from 1 April 2008, and £2.1m is attributable to the proposed withdrawal of Industrial Building Allowances from 1 April 2011.

16 Inventories

	2007 £m	2006 £m
Raw materials and consumables	**8.2**	7.4

17 Trade and other receivables

	2007 £m	2006 £m
Trade receivables	**255.2**	223.3
Other receivables	**8.1**	7.1
Prepayments and accrued income	**67.8**	80.4
	331.1	310.8

All receivables are due within one year, except for other receivables of £8.1m (2006: £7.1m) in respect of amounts recoverable from customers and others under contracts of more than one year, prepayments and accrued income of £0.1m (2006: £nil) and trade receivables of £8.1m (2006: £8.2m). The latter are expected to be fully recovered following the conclusion of the arbitration proceedings referred to in the Business review.

18 Cash and cash equivalents

	2007 £m	2006 £m
Cash at bank and in hand	**33.5**	26.3
Restricted cash deposits held by the Group's captive insurer	**27.4**	29.8
Cash and cash equivalents	**60.9**	56.1

19 Borrowings

	2007 £m	2006 £m
Current		
Bank loans and overdrafts	**1.0**	2.1
Finance lease liabilities	**0.6**	1.1
	1.6	3.2
Non-current		
Bank loans	**122.0**	109.3
Finance lease liabilities	**3.1**	4.2
	125.1	113.5

The Group's finance lease liabilities are payable as follows:

	2007			2006		
	Minimum lease payments £m	**Interest £m**	**Principal £m**	Minimum lease payments £m	Interest £m	Principal £m
Less than 1 year	**1.2**	**(0.6)**	**0.6**	1.5	(0.4)	1.1
Between 1 and 5 years	**4.2**	**(2.1)**	**2.1**	4.8	(1.6)	3.2
Over 5 years	**4.1**	**(3.1)**	**1.0**	5.5	(4.5)	1.0
	9.5	**(5.8)**	**3.7**	11.8	(6.5)	5.3

20 Trade and other payables

	2007 £m	2006 £m
Current		
Trade payables	**172.3**	152.5
Other taxes and social security	**43.5**	45.1
Other payables	**26.1**	14.0
Accruals and deferred income	**202.2**	201.3
	444.1	412.9
Non-current		
Other payables	**5.0**	1.3

21 Provisions

	Note	Insurance £m	Other provisions restated £m	Total restated £m
At 1 April 2006		37.2	22.2	59.4
Exchange adjustment		–	(0.2)	(0.2)
Provisions used during the year		(9.1)	(6.4)	(15.5)
Unwinding of discount	5	1.7	0.4	2.1
Provisions made during the year		9.3	3.2	12.5
Acquisition and fair value adjustments		0.3	3.5	3.8
At 31 March 2007		**39.4**	**22.7**	**62.1**
Current		11.5	8.6	20.1
Non-current		27.9	14.1	42.0
		39.4	**22.7**	**62.1**

The other provisions are held primarily in respect of leasehold property liabilities and for restructuring costs. The provisions for leasehold liabilities are determined by management as the best estimate of the expected costs of empty and under-utilised properties and are utilised over the relevant lease terms. The restructuring provisions are similarly determined and are expected to be utilised in the current financial year.

The Group owns 100% of the share capital of a captive insurer whose functions are to both insure and to reinsure 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 two to six years. The discount unwinding arises on the employers' liability policy which is discounted over a period of seven years at a rate based on the Bank of England base rate.

The assets of the captive consist of cash deposits held with various banks, typically on three month fixed interest deposits, see note 28.

22 Acquisitions

Current year acquisitions

In October 2006 the Group acquired the entire share capital of RDL Holdings Limited (RDL) and Lane Group plc (Lane) for £29.5m and £0.7m in cash respectively, of which £5.0m of the former is deferred pending 'earn out' performance. Both acquired entities operate in the UK and each provides contract logistics services; RDL to the building products and construction sector and Lane to the home delivery market.

In the six months since acquisition RDL contributed £1.4m and Lane £0.2m of operating profit. If the acquisitions had occurred on the first date of the year it is estimated that the totals of Group underlying operating profit and revenue would have been approximately £47m and £1,992m respectively.

The acquisitions have given rise to values of goodwill of £11.5m and £7.4m for RDL and Lane respectively, being the difference between the cash consideration payable and the net assets acquired at fair value.

The acquired net assets at acquisition are summarised in the combined table below:

	Acquiree's book value £m	Fair value adjustments £m	Acquisition amounts £m
Intangible assets	–	28.2	28.2
Property, plant and equipment	3.8	0.3	4.1
Deferred tax assets	–	0.5	0.5
Inventories	0.4	–	0.4
Trade and other receivables	13.0	–	13.0
Cash and cash equivalents	2.3	–	2.3
Income tax payable	(0.4)	–	(0.4)
Borrowings	(6.8)	–	(6.8)
Trade and other payables	(17.0)	(0.5)	(17.5)
Provisions	(0.3)	(3.5)	(3.8)
Deferred tax liabilities	(0.1)	(8.6)	(8.7)
Net identifiable assets and liabilities	(5.1)	16.4	11.3
Goodwill on acquisition			18.9
Consideration payable including expenses of £1.3m			30.2
Cash acquired and debt repaid on acquisition			4.5
			34.7
Less deferred consideration			(5.0)
Net cash outflow			**29.7**

The fair value adjustments above are required to align the accounting policies of the acquired businesses with those of the Group. These adjustments can, if necessary, be amended for up to 12 months following acquisition. The total goodwill of £18.9m arising on the acquisitions reflects the strategic importance of broadening Wincanton's business offering in these two growing sectors of the UK economy, the value of the management and workforce and some of the expected synergies to be gained as the acquired entities are fully integrated into the Group.

Prior year acquisitions

The fair value adjustments relating to the acquisition of Premium Logistics on 7 October 2005 have been reviewed and revised, as permitted under IFRS 3 'Business Combinations'. As a result the value of intangible assets recognised has been reduced and the fair values of property, plant and equipment and of provisions have been revised, to reflect the increased understanding of the contractual obligations acquired. An additional amount of goodwill has been recognised and in line with IFRS 3 these adjustments have been reflected at the date of acquisition and the prior year balance sheet restated accordingly.

These adjustments are set out in the following amended acquisition table:

	As reported at 31 March 2006				
	Acquiree's book value £m	Fair value adjustments £m	Acquisition amounts £m	Revisions to fair value adjustments £m	Restated acquisition amounts £m
Intangible assets	–	10.4	10.4	(1.2)	9.2
Property, plant and equipment	8.9	(1.4)	7.5	(2.2)	5.3
Deferred tax assets	0.3	2.7	3.0	1.3	4.3
Inventories	0.3	–	0.3	–	0.3
Trade and other receivables	23.5	–	23.5	–	23.5
Cash and cash equivalents	4.5	–	4.5	–	4.5
Income tax payable	(0.2)	–	(0.2)	–	(0.2)
Borrowings	(6.6)	–	(6.6)	–	(6.6)
Trade and other payables	(20.9)	–	(20.9)	–	(20.9)
Employee benefits	(2.0)	–	(2.0)	–	(2.0)
Provisions	(0.4)	(6.6)	(7.0)	(1.0)	(8.0)
Deferred tax liabilities	–	(3.5)	(3.5)	0.2	(3.3)
Net identifiable assets and liabilities	7.4	1.6	9.0	(2.9)	6.1
Goodwill on acquisition			11.3	2.9	14.2
Consideration payable including expenses of £1.2m			20.3	–	20.3
Net debt acquired			2.1	–	2.1
Net cash outflow			22.4	–	22.4

23 Capital and reserves

Reconciliation of movement in capital and reserves

	Issued share capital £m	Share premium £m	Merger reserve £m	Translation reserve £m	Retained earnings: IFRS 2 reserve £m	Retained earnings: Own shares £m	Retained earnings: Profit and loss £m	Total £m	Minority £m	Total equity deficit £m
Balance at 1 April 2005	11.7	4.4	3.5	2.4	0.5	(8.5)	(19.0)	(5.0)	0.4	(4.6)
Total recognised income and expense	–	–	–	0.3	–	–	(23.3)	(23.0)	0.2	(22.8)
Increase in IFRS 2 reserve	–	–	–	–	1.1	–	–	1.1	–	1.1
Shares issued	0.1	2.1	–	–	–	–	–	2.2	–	2.2
Dividends to shareholders	–	–	–	–	–	–	(13.3)	(13.3)	(0.3)	(13.6)
Balance at 31 March 2006	11.8	6.5	3.5	2.7	1.6	(8.5)	(55.6)	(38.0)	0.3	(37.7)
Balance at 1 April 2006	**11.8**	**6.5**	**3.5**	**2.7**	**1.6**	**(8.5)**	**(55.6)**	**(38.0)**	**0.3**	**(37.7)**
Total recognised income and expense	**–**	**–**	**–**	**–**	**–**	**–**	**33.0**	**33.0**	**0.1**	**33.1**
Increase in IFRS 2 reserve	**–**	**–**	**–**	**–**	**1.6**	**–**	**–**	**1.6**	**–**	**1.6**
Shares issued	**0.2**	**2.9**	**–**	**–**	**–**	**–**	**–**	**3.1**	**–**	**3.1**
Own shares disposed of on exercise of options	**–**	**0.2**	**–**	**–**	**–**	**1.0**	**–**	**1.2**	**–**	**1.2**
Dividends to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(14.9)**	**(14.9)**	**(0.1)**	**(15.0)**
Balance at 31 March 2007	**12.0**	**9.6**	**3.5**	**2.7**	**3.2**	**(7.5)**	**(37.5)**	**(14.0)**	**0.3**	**(13.7)**

During the year the Company issued shares, under both the Executive Share Option Schemes and the Sharesave Scheme, for consideration at the applicable exercise prices shown in note 27. During the year ended 31 March 2002, the Company established a Capital Redemption Reserve of £49,998 on redemption of redeemable preference shares.

The aggregate current and deferred tax relating to income and expenses taken directly to or transferred from equity is £(2.8)m (2006: £19.3m).

Share capital

	Ordinary shares 2007 million	Ordinary shares 2006 million
Allotted, called up and fully paid		
In issue at 1 April	**118.4**	117.4
Issued for cash	**1.8**	1.0
In issue at 31 March	**120.2**	118.4

At 31 March 2007 the authorised share capital comprised 159,999,980 (2006: 159,999,980) ordinary shares of 10p each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's shares that are held by the Group (see below), all rights are suspended until these shares are reissued.

Merger reserve

The merger reserve arose from the original acquisition of the then Wincanton group of companies by Wincanton plc on the demerger from the previous parent in May 2001, which was accounted for under merger accounting principles.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

IFRS 2 reserve

The IFRS 2 reserve comprises the charges made to the income statement in respect of share-based payments under the Group's share option schemes.

Own shares

The own shares reserve comprises the cost of the Company's shares held by the Group within an Employee Benefit Trust (EBT) established in Jersey and managed on its behalf by independent trustees. At 31 March 2007 the number of the Company's shares held by the Group had reduced to 3,080,661 (2006: 3,500,000) due to the settlement of options exercised. The EBT has waived the right to receive dividends in respect of these shares.

All of the shares in the EBT are held in respect of the Executive Share Option Schemes and at 31 March 2007 none of these were held in respect of vested options. The average cost of the shares held is 243p each and at the year end the market value of the shares held was £11.5m (2006: £11.3m).

24 Capital commitments

Capital commitments for the Group at the end of the financial year for which no provision has been made, are as follows:

	2007 £m	2006 £m
Contracted	**5.0**	11.4

25 Operating leases

Leases as lessee

The Group leases warehousing facilities, commercial vehicles and other logistics equipment for use in its operations. Typical lease periods for new warehouse rental contracts are between 5 and 15 years although older rental contracts are for longer periods with intervening break clauses. The average period for vehicles and equipment is 4 years. Wherever possible these commitments are mitigated by the existence of contractual commitments of customers for whom the properties are occupied and/or vehicles and plant are rented. The amounts charged to the income statement in the current and prior year are given in note 3.

The total future minimum lease payments under non-cancellable operating leases are detailed in the following tables:

	2007 Plant and equipment £m	2006 Plant and equipment £m
Leases expiring in:		
Less than one year	**45.0**	35.2
Between one and five years	**64.7**	52.3
More than five years	**5.4**	8.2
	115.1	95.7

	2007 Land and buildings £m	2006 Land and buildings £m
Leases expiring in:		
Less than one year	**62.9**	56.4
Between one and five years	**173.5**	172.5
More than five years	**282.4**	255.7
	518.8	484.6
Less contractual commitments	**(98.5)**	(94.5)
Net rental obligation	**420.3**	390.1

The above net rental obligation includes multi-user warehouses where the occupancy risk of the Group is further spread across a number of customers.

26 Employee benefits

The employee benefit liabilities of the Group consist primarily of the post-retirement obligations of the Group's pension arrangements. In addition certain employment contracts of employees in the Group give rise to holiday pay obligations which are deferred at the accounting year end due to the relative timing of the annual holiday year. These two elements are analysed in the table below and the pension arrangements discussed in detail:

	2007 £m	2006 £m
Holiday pay	**6.2**	5.9
Pension plans (see below)	**101.1**	146.4
	107.3	152.3
These employee benefits are split as follows		
Current	**7.7**	7.5
Non-current	**99.6**	144.8
	107.3	152.3

Pension schemes

Employees of Wincanton participated in both funded and unfunded pension arrangements in the UK, Ireland and in Mainland Europe during the year ended 31 March 2007, details of these are given below.

The principal Wincanton Scheme in the UK is a funded arrangement which has three defined benefit sections, plus a defined contribution section called the Wincanton Retirement Savings Section. 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. A small number of senior employees, who were subject to the statutory earnings cap on pensionable earnings prior to 6 April 2006, are entitled to participate in an unfunded unapproved arrangement in addition to accruing benefits from the main Scheme. The unfunded unapproved arrangement generally aims to supplement the benefits payable under the Wincanton Scheme so as to produce (when added to benefits from the Wincanton Scheme) benefits that would otherwise be payable from the Wincanton Scheme had they not been subject to the maximum permitted earnings as provided by HMRC before 6 April 2006 and as continued by a deed executed by the Trustees of the Wincanton Scheme on 23 March 2006. The pension cost in relation to this arrangement plus the defined benefit sections of the Wincanton Scheme is assessed in accordance with the advice of a qualified actuary using the projected unit method.

The latest formal actuarial valuation of the principal Wincanton Scheme was carried out as at 31 March 2005 by the Scheme actuary, Hymans Robertson, and as a result, the Group, in consultation with the pension fund trustees and Scheme actuary, has agreed a series of measures to address both the actuarial past service deficit and the level of future service cost of this defined benefit scheme. The measures in respect of the cost of future service accrual were subject to consultation with, and acceptance by, employees in the early part of the year ended 31 March 2007.

At the start of the financial year the final instalment, of £23m, of a £40m incremental cash contribution was made by the Group into the Scheme. In addition the Group has made an additional £8m cash contribution during the year (2006: £2m). These payments are designed to address the past service deficit of the Scheme. In the year commencing 1 April 2007, the Group contributions are expected to be approximately £21m, including an incremental cash contribution of £8m.

Contributions are made to a number of smaller pension arrangements for employees elsewhere in Mainland Europe, and Wincanton has assumed liability for certain historic unfunded pension obligations of the German business which closed to future service in the 1980s. The pension charge in respect of this arrangement represents interest on the unfunded obligations.

Pension scheme deficit

The assets and liabilities of the defined benefit schemes of the Group are calculated in accordance with IAS 19 'Employee Benefits' 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.

	2007 £m	2006 £m
Present value of unfunded defined benefit obligations	**(29.0)**	(30.1)
Present value of funded defined benefit obligations	**(598.4)**	(584.0)
Fair value of Scheme assets	**526.3**	467.7
Present value of net pension scheme obligations recognised (see above)	**(101.1)**	(146.4)

The movement in the above net pension scheme obligations in the year was the result of a reduction in liabilities due to the adoption of changes to the Scheme agreed with employees in the year and the further additional cash contributions made.

Movements in the present value of the defined benefit obligation

	2007			2006
	Wincanton Scheme £m	**Unfunded arrangements £m**	**Total £m**	Total £m
Opening defined benefit obligation	**584.0**	**30.1**	**614.1**	460.0
Current service costs	**16.6**	**0.6**	**17.2**	17.1
Interest cost	**28.8**	**1.2**	**30.0**	26.0
Actuarial (gains)/losses	**(17.5)**	**(1.1)**	**(18.6)**	125.7
Employee contributions	**6.1**	**–**	**6.1**	6.6
Benefits paid	**(19.6)**	**(1.5)**	**(21.1)**	(22.2)
Transfer in of unfunded arrangements on acquisition	**–**	**0.2**	**0.2**	0.8
Exchange adjustment	**–**	**(0.5)**	**(0.5)**	0.1
Closing defined benefit obligation	**598.4**	**29.0**	**627.4**	614.1

Movements in the fair value of Wincanton Scheme assets

	2007 £m	2006 £m
Opening fair value of Scheme assets	**467.7**	361.6
Expected return	**32.0**	24.6
Actuarial (losses)/gains	**(5.7)**	60.5
Employer contributions	**47.3**	36.6
Employee contributions	**6.1**	6.6
Benefits paid	**(21.1)**	(22.2)
Closing fair value of Scheme assets	**526.3**	467.7

Other pension costs charged in the income statement in arriving at operating profit

	2007 £m	2006 £m
Current service costs	**17.2**	17.1
Interest on pension scheme liabilities	**(30.0)**	(26.0)
Expected return on Scheme assets	**32.0**	24.6
	2.0	(1.4)

The above expense is recognised in the following lines in the income statement:

	2007 £m	2006 £m
Cost of sales	**12.0**	12.8
Administrative costs	**5.2**	4.3
	17.2	17.1
Net financing costs	**2.0**	(1.4)

The expected rates of return on the Wincanton Scheme assets are set at the beginning of the year, as follows:

	2008 Expected return on assets %	2007 Expected return on assets %	2006 Expected return on assets %
Equities	**8.00**	8.00	8.00
Corporate bonds	**5.50**	5.10	5.60
Government bonds	**4.50**	4.20	4.65
Property	**6.25**	–	–
Other	**5.25**	4.50	3.75
Overall expected rate of return	**6.68**	6.47	6.76

The expected rates of return on the Wincanton Scheme assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the Scheme's investment portfolio, net of investment management expenses. The assets of the Scheme are held in the following proportions as at 31 March 2007; equities (58%), corporate bonds (26%), government bonds (11%) and other (5%).

The actual return on assets during the year was £26.3m (2006: £85.1m).

26 Employee benefits continued

Liability for defined benefit obligations

The principal actuarial assumptions for the Wincanton Scheme and for the other unfunded arrangements at the balance sheet date (expressed as weighted averages) were as follows:

	2007 %	2006 %	2005 %
Price inflation rate	**3.1**	2.7	2.5
Discount rate	**5.5**	5.1	5.6
Pensionable salaries rate	**3.1**	3.7	3.5
Rate of increase of pensions in payment and deferred pensions			
– for service to 31 March 2006	**3.1**	2.7	2.5
– for service from 1 April 2006	**2.5**	2.3	n/a

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

	2007 Years	2006 Years
Male aged 65 today	**19.7**	19.6
Male aged 45 today	**21.0**	20.9
Female aged 65 today	**22.7**	22.6
Female aged 45 today	**23.9**	23.9

For the majority of Scheme members, increases in pensionable salaries are now capped at the same level as price inflation.

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
Price inflation	± 0.5%	± 9.3%
Discount rate	± 0.5%	± 10.1%
Mortality rate	+ 1 year	+ 2.9%

History

The net deficit in the schemes for the current and prior periods is as follows:

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Present value of defined benefit obligations	**(627.4)**	(614.1)	(460.0)	(400.5)	(397.3)
Fair value of assets in the Scheme	**526.3**	467.7	361.6	310.2	241.0
Deficit	**(101.1)**	(146.4)	(98.4)	(90.3)	(156.3)

Analysis of amount recognised in statement of recognised income and expense

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Actual return less expected return on Scheme assets	**(5.7)**	60.5	8.8	35.8	(75.8)
Actual gains and losses arising on pension scheme liabilities	**18.6**	(125.7)	(15.8)	36.4	(28.7)
Actuarial gain/(loss) recognised in statement of total recognised income and expense	**12.9**	(65.2)	(7.0)	72.2	(104.5)

The cumulative actuarial losses reported in the statement of recognised income and expense since the transition to Adopted IFRS on 1 April 2004 are £59.3m (2006: £72.2m).

Defined contribution schemes

The total expense relating to the Group's defined contribution schemes in the current year was £6.0m (2006: £5.3m)

27 Equity compensation benefits

Wincanton employees participate in Wincanton's Executive Share Option Scheme, Share Match Incentive Scheme and Sharesave Option Scheme.

The terms and conditions of the grants to date under these schemes are as follows:

Executive Schemes

Grant date	Number of options granted	Vesting conditions	Contractual life years
June 2001	2,966,959	3 years of service plus average annual growth rate for	All 10
September 2001	536,826	Adjusted EPS of RPI +3% in any 3 consecutive years	
July 2002	44,318	of the 5 years following the grant (starting with the year	
December 2002	1,621,000	including the grant)	
March 2004	250,000	3 years of service plus average annual growth rate for	All 10
December 2004	3,136,630	Adjusted EPS of RPI + 3% in the 3 consecutive years	except * being 3½
June 2005*	55,577	following the grant (starting with the year including the grant)	
July 2005	45,000		
December 2005	3,184,581		
July 2006*	76,702		
December 2006	2,925,065		
Total	14,842,658		

The Executive and Share Match Incentive Schemes are open to Directors and senior managers only. Upon exercise, all options granted under these Schemes are equity settled.

Sharesave Scheme

Grant date	Number of options granted	Vesting conditions	Contractual life years
June 2001 (3 year)	2,282,491	3 years of service	3½
June 2001 (5 year)	2,281,135	5 years of service	5½
December 2004	1,197,724	3 years of service	3½
Total	5,761,350		

The Sharesave scheme is open to all UK employees with 12 months' service at the grant date.

The Group schemes provide for a grant price equal to the average quoted market price of the Group shares for a short period immediately prior to the date of grant.

The number and weighted average exercise price of all share options extant under the Executive, Share Match Incentive and Sharesave Schemes are as follows:

	2007 Options	**2007** Weighted average exercise price pence	2006 Options	2006 Weighted average exercise price pence
Outstanding at beginning of period	**10,792,227**	**259**	8,963,742	224
Granted during the period	**3,057,344**	**332**	3,229,581	334
Lapsed during the period	**(718,614)**	**196**	(328,372)	226
Exercised during the period	**(2,234,272)**	**257**	(1,072,724)	203
Outstanding at the end of the period	**10,896,685**	**292**	10,792,227	259
Exercisable at the end of the period	**1,629,748**	**193**	1,249,216	190

The weighted average share price at the date of exercise for share options exercised during the period was 329p (2006: 324p). The options outstanding at 31 March 2007 had a range of exercise prices of between nil and 347p and a weighted average remaining contractual life of 8 years.

27 Equity compensation benefits continued

Under Adopted IFRS, the grants of options since 7 November 2002 are accounted for in accordance with IFRS 2 'Share-based payments', which requires the fair value of services received in return for share options granted to be recognised in the income statement over the vesting period. The fair value of these services is measured by reference to the fair value of the share options granted which is estimated using a Binomial pricing model. The 10-year contractual life of the options and the expectation of early exercise are incorporated into the model. The other key inputs used in the model for options granted in the current and prior year are as follows:

	2007	2006
Weighted average price at grant date	**343p**	334p
Expected volatility	**26.0%**	27.0%
Expected life	**5 years**	5 years
Risk free rate	**4.92%**	4.35%
Expected dividend yield	**4.00%**	5.00%

Expected volatility is determined wholly by calculating the historical volatility of the Group's share price over the period since demerger in May 2001. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of £2.3m (2006: £1.7m) in respect of the costs of equity settled and other share-based payment transactions during the year. At the year end liabilities of £0.7m (2006: £0.4m) were included in the balance sheet for these items.

28 Financial instruments

Financial risk management and treasury policies

The Group has a centralised treasury function which operates under Board-approved treasury policies and guidelines, covering funding, management of foreign exchange exposure and interest rate risk. All transactions entered into by the Wincanton treasury function are required to be in support of, or as a consequence of, underlying commercial transactions.

Liquidity risk

The Group has financed its growth in recent years through retained profit and bank loans. The Group's policy on funding capacity is to ensure that there is always sufficient long-term funding in place to meet foreseeable peak borrowing requirements.

There were no material changes to the Group's committed facilities during the year, following the refinancing carried out last year. The Group's core facilities are a £210m multi-currency syndicated bank loan which matures in November 2010; and US$150m private placement which has been swapped into sterling and euros, and matures in 2012 and 2015. During the year the Group has arranged £25m of uncommitted money market facilities, plus has approximately £40m of overdraft facilities in place.

Interest rate risk

The Group maintains a policy of using derivatives to achieve an appropriate balance between fixed, capped, and floating interest profiles, so as to limit the exposure to the cash cost of servicing its debt.

The majority of the Group's drawn debt at 31 March is in floating rate euros, derived from the US$ private placement. This floating rate exposure has not been fixed through the procurement of a suitable floating to fixed interest rate swap as IAS 39 does not allow hedge accounting of such an arrangement. Instead the Group has limited its interest rate exposures by the purchase of a €100m 4.3% cap and a £30m 6.3% cap.

Currency risk

As a Pan-European business a proportion of the Group's activities are denominated in currencies other than sterling, principally the euro. However, the transactional exposure of the Group is minimised as the vast majority of transactions are denominated in the relevant functional currency of the operation concerned.

In order to protect the sterling value of the balance sheet, the Group has financed its investment in overseas subsidiaries by borrowing in the applicable currency, principally euros. Although a proportion of this funding is obtained by borrowing euro and other currencies directly from the Group's committed facilities, a large element results from swapping the US$150m private placement into sterling, and then into euros. The underlying US$150m principal and all future cash flows are fully hedged; the fair values of the US$ principal, and the US$ / sterling swap move in line with each other, so there is no resulting adjustment to the Group's income statement. As part of the sterling / euro swap is used for the Group's net investment hedge, where changes in fair value are taken to reserves to offset the movement in the Group's euro denominated foreign investments, the currency risk of this instrument is minimised.

The Group makes use of foreign currency swaps to manage certain of its short-term trading currency requirements. At the year end, €10.8m had been swapped into sterling (2006 : nil). The fair values of foreign currency swaps are recognised as fair value derivatives and included within non-trade receivables and/or payables as applicable, see table below.

Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Deposits are only made with pre-approved counterparties. Credit evaluations are performed on all customers requiring credit. The Group does not generally require collateral in respect of financial assets. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Effective interest rates and re-pricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities the following table sets out the effective interest rates at 31 March and the periods in which they re-price.

	Effective interest rate %	Total £m	< 1 year £m	1 – 2 years £m	2 – 5 years £m	More than 5 years £m
2007						
Cash and cash equivalents						
Cash at bank and in hand	**2.5**	**33.5**	**33.5**			
Deposits held by captive	**5.3**	**27.4**	**27.4**	**–**	**–**	**–**
US$ private placement						
Unsecured bond issue fixed US$	**5.8**	**(75.9)**	**–**	**–**	**–**	**(75.9)**
US$/GBP fixed to floating swap derivative	**6.3**	**75.9**	**–**	**–**	**–**	**75.9**
GBP/Euro floating swap derivative	**4.7**	**(86.7)**	**–**	**–**	**–**	**(86.7)**
Bank loans and overdrafts						
GBP floating rate	**6.0**	**(11.3)**	**–**	**–**	**(11.3)**	**–**
Euro floating rate	**4.4**	**(12.5)**	**(1.0)**	**(0.4)**	**(9.9)**	**(1.2)**
Other European currencies floating rate	**4.4**	**(12.5)**	**–**	**–**	**(12.5)**	**–**
Finance lease liabilities						
GBP	**11.5**	**(3.4)**	**(0.5)**	**(0.7)**	**(1.2)**	**(1.0)**
Euro	**5.3**	**(0.3)**	**(0.1)**	**(0.1)**	**(0.1)**	**–**
		(65.8)	**59.3**	**(1.2)**	**(35.0)**	**(88.9)**

	Effective interest rate %	Total £m	< 1 year £m	1 – 2 years £m	2 – 5 years £m	More than 5 years £m
2006						
Cash and cash equivalents						
Cash at bank and in hand	2.0	26.3	26.3	–	–	–
Deposits held by captive	4.5	29.8	29.8	–	–	–
US$ private placement						
Unsecured bond issue fixed US$	5.8	(89.2)	–	–	–	(89.2)
US$/GBP fixed to floating swap derivative	5.5	89.2	–	–	–	89.2
GBP/Euro floating swap derivative	3.5	(88.4)	–	–	–	(88.4)
Bank loans and overdrafts						
GBP floating rate	5.5	(0.3)	(0.3)	–	–	–
Euro floating rate	3.2	(22.7)	(1.8)	(0.2)	(18.7)	(2.0)
Finance lease liabilities						
GBP	10.8	(3.4)	(0.6)	(0.5)	(1.7)	(0.6)
Euro	4.7	(1.9)	(0.5)	(0.3)	(0.7)	(0.4)
		(60.6)	52.9	(1.0)	(21.1)	(91.4)

28 Financial instruments continued

Fair values

The fair values of the Group's financial assets and liabilities, together with the carrying amounts shown in the balance sheet are given in the following table:

	2007 Carrying amount £m	2007 Fair value £m	2006 Carrying amount £m	2006 Fair value £m
Unlisted trade investments	**0.3**	**0.3**	0.5	0.5
Cash and cash equivalents	**60.9**	**60.9**	56.1	56.1
Forward exchange contracts				
Assets	**75.9**	**75.9**	89.2	89.2
Liabilities	**(86.7)**	**(86.7)**	(88.4)	(88.4)
Unsecured bond issues	**(75.9)**	**(75.9)**	(89.2)	(89.2)
Finance lease liabilities	**(3.7)**	**(3.7)**	(5.3)	(5.3)
Unsecured bank loans and overdrafts	**(36.3)**	**(36.3)**	(23.0)	(23.0)
Unrecognised losses		**–**		–

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the above table.

Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps broker quotes are used.

Interest-bearing loans and borrowings and unsecured bond issues

Fair value is calculated on discounted expected future principal and interest cash flows at market interest rates.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements.

29 Related parties

Identity of related parties

The Group has a controlling related party relationship with its parent company Wincanton plc. In addition the Group has related party relationships with its subsidiaries and associates, jointly controlled entities (note 14) and with its Executive and non-executive Directors.

Transactions with Executive and non-executive Directors

The interests of the Executive and non-executive Directors in the share capital of the Company, plus full details of the individual Director's emoluments, share options and pension entitlements are given in the Directors' remuneration report on pages 26 to 29.

The total of short-term employee remuneration and benefits receivable by the Directors is set out in note 4.

Other related party transactions

Associates

During the year ended 31 March 2007, associates purchased services from the Group in the amount of £0.4m (2006: £0.3m) and sold services to the Group in the amount of £4.9m (2006: £4.7m). At 31 March 2007, the outstanding balance between associates and the Group was £0.8m (2006: £0.8m). All transactions with associates are made on commercial terms.

Jointly controlled entities

During the year ended 31 March 2007, the jointly controlled entities purchased services from the Group in the amount of £8.7m (2006: £7.0m) and sold services to the Group in the amount of £8.2m (2006: £7.0m). At 31 March 2007, the outstanding balance between the jointly controlled entities and the Group was £0.6m (2006:£0.6m). All transactions with the jointly controlled entities are made on commercial terms.

In addition a loan balance existed between the jointly controlled entities and the Group as at 31 March 2007 of £0.5m (2006:£0.3m). All loans are provided on commercial terms and are to be settled in cash after more than one year.

30 Accounting estimates and judgements

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

The areas where policy selection is most critical for the Group are concerned with the accounting for pensions, determination of provisions, and the testing of goodwill for impairment. Information about the assumptions and risk factors relating to these issues are given in notes 26, 21 and 9 respectively.

	Note	2007 £m	2006 £m
Fixed assets			
Investments	2	**66.5**	80.9
		66.5	80.9
Current assets			
Debtors	3	**110.9**	80.3
Cash at bank and in hand		**2.4**	3.5
		113.3	83.8
Creditors: amounts falling due within one year	4	**(5.0)**	(3.9)
Net current assets		**108.3**	79.9
Total assets less current liabilities		**174.8**	160.8
Creditors: amounts falling due after more than one year	5	**(121.4)**	(105.8)
Net assets		**53.4**	55.0
Capital and reserves			
Called up share capital	6	**12.0**	11.8
Share premium account	6	**9.6**	6.5
Profit and loss account	6	**31.8**	36.7
Equity shareholders' funds	7	**53.4**	55.0

The financial statements were approved by the Board of Directors on 6 June 2007 and were signed on its behalf by

G McFaull
Chief Executive

G D Connell
Group Finance Director

1 Accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards.

Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Advantage has been taken of FRS 8 'Related party disclosures' not to disclose transactions with subsidiaries on the basis that all transactions were with members of the Group, 90% or more of whose voting rights were controlled.

Investments
Investments in subsidiaries are stated at cost and reviewed for impairment if there are indications that the carrying values may not be recoverable.

Foreign currencies
Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on such translation are recognised in the profit and loss account.

Investments in overseas subsidiaries are translated to sterling at the foreign exchange rates ruling at the balance sheet date and foreign exchange differences arising on translation are recognised directly in a separate component of equity. They are released into the profit and loss account upon disposal.

Taxation
The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes that have occurred but not reversed by the balance sheet date, except as otherwise required by FRS19 'Deferred Tax'.

Tax charges or credits arising on the retranslation of foreign currency borrowings used to finance or provide a hedge against equity investments in foreign enterprises are taken to the statement of total recognised gains and losses together with the exchange differences on the borrowings themselves.

Derivative financial instruments and hedge accounting
The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments which are accounted for as trading instruments are recognised initially and subsequently stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Fair value hedges
Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the profit and loss account. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are also recognised immediately in the profit and loss account (even if those gains would normally be recognised directly in reserves).

Hedge of monetary assets and liabilities
Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the profit and loss account.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis. Interest bearing borrowings which are designated hedged items in a fair value hedge arrangement are carried at fair value (see policy above).

Shares held by employee benefit trust
Shares in the Company held by the Wincanton plc Employee Share Trust are shown as a deduction from shareholders' equity at cost in accordance with UITF Abstract 38 'Accounting for ESOP trusts'.

2 Fixed asset investments

	2007 Shares in Group undertakings £m	2006 Shares in Group undertakings £m
Company		
Cost		
At beginning of year	**80.9**	56.5
Additions	**–**	24.2
Transfer to other Group undertaking	**(13.9)**	–
Effect of movements in foreign exchange	**(0.5)**	0.2
At end of year	**66.5**	80.9

A list of the subsidiaries of Wincanton plc is given in note 12 to the Group financial statements.

3 Debtors

	2007 £m	2006 £m
Amounts owed by Group undertakings	**101.4**	72.4
Other debtors	**9.0**	6.0
Prepayments and accrued income	**0.5**	1.9
	110.9	80.3

4 Creditors: amounts falling due within one year

	2007 £m	2006 £m
Bank loans and overdrafts	**3.2**	1.6
Accruals and deferred income	**1.8**	1.6
Amounts owed to Group undertakings	**–**	0.7
	5.0	3.9

5 Creditors: amounts falling due after more than one year

	2007 £m	2006 £m
Bank loans and overdrafts	**121.4**	105.8
	121.4	105.8

Included within bank loans and overdrafts above are amounts repayable after 5 years otherwise than by instalments of £86.7m (2006: £88.4m).

6 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £m	Share premium £m	Translation reserve £m	Profit and loss account: Reserve for own shares £m	Profit and loss account: Retained earnings £m	Total equity £m
Balance at 1 April 2005	11.7	4.4	–	(8.5)	47.1	54.7
Total recognised gains and losses	–	–	0.2	–	11.2	11.4
Shares issued due to options exercised by employees	0.1	2.1	–	–	–	2.2
Dividends paid to shareholders	–	–	–	–	(13.3)	(13.3)
Balance at 31 March 2006	11.8	6.5	0.2	(8.5)	45.0	55.0
Balance at 1 April 2006	**11.8**	**6.5**	**0.2**	**(8.5)**	**45.0**	**55.0**
Total recognised gains and losses	**–**	**–**	**(0.2)**	**–**	**9.2**	**9.0**
Shares issued due to options exercised by employees	**0.2**	**2.9**	**–**	**–**	**–**	**3.1**
Own shares disposed of on exercise of options	**–**	**0.2**	**–**	**1.0**	**–**	**1.2**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**(14.9)**	**(14.9)**
Balance at 31 March 2007	**12.0**	**9.6**	**–**	**(7.5)**	**39.3**	**53.4**

During the year the Company issued shares, under both the Executive Share Option Schemes and the Sharesave Scheme, for consideration at the applicable exercise prices shown in note 27 to the Group financial statements. During the year ended 31 March 2002, the Company established a Capital Redemption Reserve of £49,998 on redemption of redeemable preference shares.

Details of the Company's own shares, held within an Employee Benefit Trust, are given in note 23 to the Group financial statements.

Allotted, called up and fully paid	Ordinary shares 2007 millions	Ordinary shares 2006 millions
In issue at 1 April	**118.4**	117.4
Issued for cash	**1.8**	1.0
In issue at 31 March	**120.2**	118.4

At 31 March 2007 the authorised share capital comprised 159,999,980 (2006: 159,999,980) ordinary shares of 10p each.

As permitted by Section 230 (4) of the Companies Act 1985, the Company has not presented its own profit and loss account. The Directors' remuneration as disclosed in note 4 to the Group financial statements is borne by Wincanton plc, the Directors are the only employees of the Company. The Company has taken the exemption not to disclose non-audit fees incurred as these are included in note 3 to the Group financial statements.

7 Reconciliation of movement in shareholders' funds

	2007 £m	2006 £m
Profit for the financial year	**9.2**	11.2
Dividends declared and paid	**(14.9)**	(13.3)
Retained loss for the financial year	**(5.7)**	(2.1)
Exchange adjustments arising on foreign currency investments	**(0.2)**	0.2
Shares issued due to options exercised	**3.1**	2.2
Own shares disposed of on exercise of options	**1.2**	–
Net (decrease)/increase in shareholders' funds	**(1.6)**	0.3
Opening shareholders' funds	**55.0**	54.7
Closing shareholders' funds	**53.4**	55.0

As reported under Adopted IFRS

	2007 £m	2006 £m	2005 £m
Revenue	**1,933.1**	1,809.3	1,651.5
Underlying operating profit[1]	**45.5**	42.0	39.3
Net financing costs	**(9.9)**	(9.7)	(9.9)
Underlying profit before tax[1]	**35.6**	32.3	29.5
Profit before tax	**32.6**	31.3	27.6
Underlying profit after tax for the year[1]	**24.4**	22.0	18.6
Underlying earnings per share[1]	**21.0p**	19.2p	16.3p
Dividend per share	**13.55p**	12.54p	11.40p
Dividend cover[2]	**1.55 x**	1.53 x	1.43 x
Interest cover[2]	**4.6x**	4.3 x	4.0 x
Net debt	**(65.8)**	(60.6)	(56.5)
Capital employed[3]	**82.5**	119.7*	132.1
Return on capital employed[3]	**55.2%**	35.1%*	29.8%
Free cash flow[4]	**72.2**	55.4	52.6

1 Operating profit, and hence profit before and after tax is reported on an underlying basis, i.e. before exceptionals, amortisation of acquired intangibles and goodwill impairment. Underlying earnings per share is calculated on the same basis
2 Dividend cover is based on the underlying earnings per share as defined above and the dividend per share above. Interest cover is calculated using operating profit as defined above
3 Capital employed is defined as net assets/(liabilities) adjusted for goodwill, acquired intangibles, debt, tax, employee benefits and insurance provisions. Return on capital employed is calculated as underlying operating profit over capital employed
4 Free cash flow comprises EBITDA plus working capital and net capital expenditure flows
* Restated due to change on acquisition (see note 22)

As reported under UK GAAP

	2005 £m	2004 £m	2003 £m
Turnover	1,725.9	1,680.5	998.0
Operating profit[5]	44.5	43.2	33.3
Net interest payable and similar charges	(9.5)	(12.6)	(5.0)
Profit before taxation[5]	35.0	30.6	28.3
Profit before taxation (unadjusted)	35.2	22.4	26.7
Profit after taxation for the year[5]	20.0	18.4	18.9
Basic earnings per share[5]	17.5p	16.0p	16.5p
Dividend per share	11.40p	10.56p	10.06p
Dividend cover[6]	1.8x	1.7x	1.8x
Interest cover[6]	5.1x	3.8x	7.4x
Net debt	(53.0)	(75.3)	(147.7)
Capital employed[7]	135.8	149.4	238.5
Return on capital employed[7]	32.8%	28.9%	14.0%
Free cash flow[4]	61.2	104.9	56.1

5 Operating profit, and hence profit before and after taxation, is adjusted to exclude pension credit, goodwill amortisation and exceptional items. Basic earnings per share is calculated on the same basis
6 Interest cover is based on the profit before exceptional items and goodwill amortisation, but including pension credit, in line with the Group's banking facilities. Dividend cover is calculated on the same basis
7 Capital employed is defined as net assets/(liabilities) adjusted for goodwill, debt, taxation, dividends, pension and insurance provisions. Return on capital employed is calculated as operating profit before pension credit, goodwill amortisation and exceptional items over capital employed. In 2003 the Trans European acquisition reduced the return due to the inclusion of only three months of post-acquisition operating profit but the full amount of year-end capital employed

Except for 2005, Wincanton is not required to restate the above table to comply with Adopted IFRS.

Financial calendar

Annual General Meeting	To be held on 19 July at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE at 11.30 am
Ordinary dividends	
– interim 4.26p per share	Paid 10 January 2007
– final 9.29p per share	Payable 10 August 2007 to shareholders on the register at the close of business on 13 July 2007
Half year results	Interim announcement November 2007
Full year results	Preliminary announcement June 2008
Annual Report	Posted to shareholders at the end of June 2008

Annual Report
Copies can be obtained from the Company's address below.

Share registrar – Lloyds TSB
The Company's Registrar is Lloyds TSB Registrars. If you have any questions about your holding or wish to notify any change in your details, please contact the Registrar at: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 0870 600 3970. Whenever you contact the Registrar, please quote the full names in which your shares are held. Please advise the Registrar promptly of any change of address.

Dividend mandates
If you wish all further dividends to be paid directly into your bank or building society account, you should contact the Registrar for a dividend mandate form or complete the instructions attached to your dividend payment.

Share dealing service
Wincanton shares may be dealt through the Company's brokers. If you would like further information, you may contact the brokers at: Postal Dealing Service, JPMorgan Cazenove Limited, 20 Moorgate, London EC2R 6DA. Telephone: 020 7588 2828. Please note that to comply with legislation aimed at the control of money laundering, users of this service will be required to provide details of their identity.

Share price quotation
The Company's share price is quoted daily in national and regional newspapers as well as on BBC2 Ceefax, Channel 4 Teletext and via the Wincanton website, where it is regularly updated through the day.

Shareholders' enquiries
If you have an enquiry about the Company's business or about something affecting you as a shareholder (other than queries regarding shareholdings which are dealt with by Lloyds TSB Registrars) you are invited to contact the Company at the address below.

Unsolicited mail
The Company is obliged to make its Register available to other organisations. Shareholders wishing to limit the amount of unsolicited mail they may receive as a result should write to the Mailing Preference Service at DMA House, 70 Margaret Street, London SW1W 8SS, or online at www.mpsonline.org.uk.

ShareGift
If you hold only a few shares and feel that it would be uneconomical or simply not worthwhile to sell them, you could consider donating your shares to charity through ShareGift (registered charity 1052686). Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities. Donating shares to charity gives rise to neither a gain nor loss for UK Capital Gains Tax purposes and UK taxpayers may also be able to claim income relief on such gifts of shares. To find out more visit www.sharegift.org or call 020 7828 1151. Alternatively contact the Company's Registrar who can help arrange the transfer of your shares.

Electronic communications
As an alternative to receiving future Annual Reports through the post, you can choose to receive an email notifying you of their availability online and retrieve them directly from our website. For more information and to register, please visit www.shareview.co.uk.

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