Wincanton

More than you think

PRODUCTIVITY AND EFFICIENCY CUSTOMER PARTNERSHIPS LEADING EDGE TECHNOLOGY WORLD-CLASS SERVICE OPERATIONAL EXCELLENCE SECTOR EXPERTISE AND KNOWLEDGE PROJECT AND CHANGE MANAGEMENT LEVERAGING CUSTOMERS' ASSETS

DRIVING FOR GROWTH

OUR BUSINESS

Wincanton is a European market leader. We design, implement and manage supply chain solutions which are efficient, economical and environmentally sustainable.

Our services cover the entire supply chain, from raw materials to recycling, helping our customers to optimise their performance and compete with confidence in their chosen markets. Increasingly, our customers are looking to us to provide an even broader range of business support services.

The products and services we manage touch most parts of daily life.

Wincanton. More than you think.

OUR VISION

Is to be the first choice for our people, our customers and our shareholders.

Our people provide

> Integrity
> Mutual trust
> Passion
> Accountability
> Commitment
> Teamwork

Our customers receive

> Operational excellence
> Proactive partnership
> Innovation
> Productivity and cost efficiency
> Competitive advantage

Contents

Wincanton has leading positions in growth markets and has invested significantly in new activities with tremendous potential."

Graeme McFaull
Chief Executive

More than you think

Overview

FINANCIAL HIGHLIGHTS: A RESILIENT PERFORMANCE

> Strong customer relationships, contract base and sector diversity underpin resilient financial performance
> Asset-light business model continues to generate high levels of free cash flow
> Full-year dividend again maintained

UNDERLYING EBITDA	UNDERLYING OPERATING PROFIT
£93.2m 2009: £96.9m	£54.6m 2009: £59.6m

FREE CASH FLOW	RETURN ON CAPITAL EMPLOYED
£83.5m 2009: £57.5m	75.5% 2009: 52.4%

UNDERLYING EARNINGS PER SHARE	FULL YEAR DIVIDEND
20.9p 2009: 24.7p	14.91p 2009: 14.91p

Operating profit is reported on an underlying basis, i.e. including share of results of associates but before amortisation of acquired intangibles, any goodwill impairment and exceptionals. Underlying EBITDA and underlying earnings per share are calculated on the same basis.

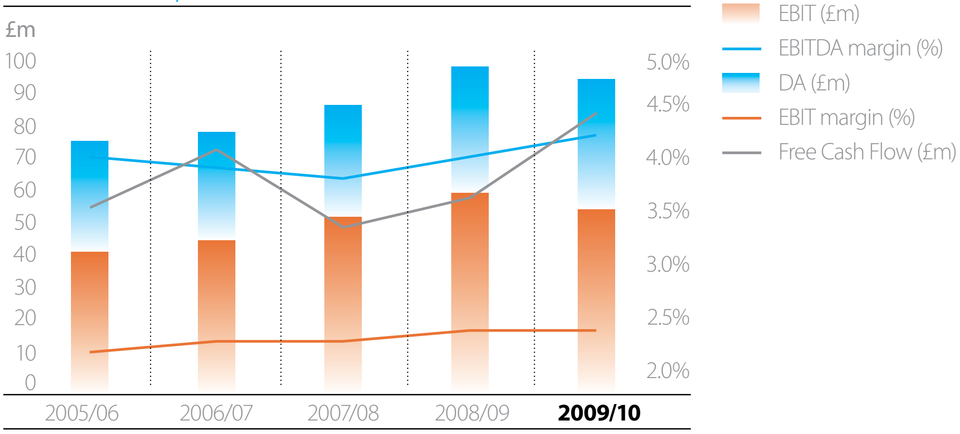
Free cash flow comprises underlying EBITDA plus working capital and net capital expenditure flows.

Return on capital employed is calculated as underlying operating profit over net assets/(liabilities) adjusted for goodwill, acquired intangibles, debt, tax, employee benefits and insurance provisions.

FINANCIAL HIGHLIGHTS: A STRONG TRACK RECORD

> Growth pre-recession and resilience in challenging markets
> Strong track record of profit and cash flow generation.
> Dividend CAGR of 8.0 per cent pre-recession, dividend maintained in 2008/09 and 2009/10

UNDERLYING EBIT, EBITDA AND FREE CASH FLOW



CHAIRMAN'S INTRODUCTION

Wincanton has performed well through the recession and is now well-placed for recovery and growth in the wider economy."

David Edmonds
Chairman

2009/10: ANOTHER RESILIENT PERFORMANCE

Wincanton has a blue chip customer base, leading market positions and a cash-generative business model. Its financial performance through the recession has proved the resilience of its operations, the breadth and diversity of its activities and the strength of its contract portfolio. It is this profit and cash flow resilience, together with the growth potential of the Group's businesses as we look to the future, that has given the Board the confidence to maintain the full-year dividend at 14.91p.

Underlying operating profit of £54.6m, although an 8.4 per cent reduction on last year, is a creditable performance given the severity of the economic recession that we have experienced. Underlying earnings before interest, tax and depreciation experienced a smaller, 3.8 per cent decline, to £93.2m although both our profit-to-cash flow conversion rates and returns on capital employed remained very high, at 153 per cent and 75.5 per cent respectively.

Wincanton invests in the skills of its people, in operational excellence and in the highest standards of customer service. Sustaining focus on these key areas creates, over time, a highly-skilled and motivated workforce, an industry-leading reputation for service quality and long-standing partnerships with our customers. My thanks, and those of the Directors, go to all the Group's employees, who have again demonstrated the commitment, expertise and enthusiasm which remain fundamental to the continuing success of Wincanton.

We are targeting an improvement in the Group's underlying performance next year and a return to growth.

STRATEGY: THREE PLATFORMS FOR GROWTH

We have three areas of strategic focus.

Our mainstream supply chain services activities in the UK remain strong and continue to demonstrate growth potential. We would expect these activities to grow faster than underlying GDP.

Our new sectors and services, of which there are currently seven, have all been set stretching targets of delivering £10m of annual profit contribution within the next five years. These new sectors and services have the potential to transform the scale and profitability of our operations in the UK & Ireland.

Our operations in Mainland Europe continue to offer geographic diversification for the Group and the opportunity to leverage customer relationships and sector expertise across borders. The restructuring of our German road network is nearing completion and we now expect to have a stronger and more stable platform for growth, enabling us to focus both on those countries in which we have critical mass and the continuing expansion of our Pan-European freight management and forwarding operations.

We have invested heavily in recent years in restructuring our business, increasing capacity in some of our newer activities and expanding the range of our operations through infill acquisitions. Our year-end net debt of £151.9m represents our substantive investment in these areas. We are now highly focused on ensuring that this investment delivers the profit and cash flow returns that will see Wincanton continue to build on its strong pre-recession track record of earnings and dividend growth.

OUTLOOK: RECOVERY AND GROWTH

As we start the new financial year, our development pipeline is encouraging and customer volumes give grounds for cautious optimism. We remain cautious about the economic outlook but are nonetheless targeting an improvement in underlying performance next year and a return to growth. Through next year and into the medium term, we expect Wincanton's portfolio of activities in the UK & Ireland to benefit strongly from economic recovery and from the substantial investments made in recent years in new capacity and in new sectors and services. We also anticipate a steady improvement in profitability in Mainland Europe.

The Board believes that the underlying strength of Wincanton has been demonstrated through the recession. It gives us a platform on which we can build growth.

David Edmonds
Chairman

Overview

GROWTH DRIVERS

We are successfully leveraging our skill base across customers, sectors and geographies, building on the strength of our core business and on our long-term partnerships.

The strategic focus

DELIVERING OUR GROWTH POTENTIAL

"Wincanton has leading positions in growth markets and has invested significantly in new activities with tremendous potential."

Graeme McFaull
Chief Executive

> Continuing opportunity in the UK & Ireland
> Attractive growth in new sectors and services
> Recovery and growth in Mainland Europe

The Wincanton business has changed very substantially in the last three to five years, and even more so since our demerger nearly 10 years ago. Prior to the recession, as a result of these changes, the Group was delivering double-digit percentage increases in earnings and a dividend stream that had grown by approximately 8 per cent per annum on average. Through the recession we have proved our resilience, continued to invest for the future and maintained our dividend payment to shareholders. We now have a portfolio of activities which will again deliver strong growth for Wincanton in the coming years.

UK & IRELAND:

A strong base and transformational opportunity

Wincanton is one of the UK & Ireland's leading providers of supply chain services. Operating profit of £48.4m on revenue of £1.3bn, although down by a little under 8 per cent, again confirms the strength and quality of our UK & Ireland operations. There was some pricing pressure in our existing activities, albeit mitigated by continuing new business momentum, but much of the year-on-year movement is attributable to either the effect of investment in new capacity or the impact of recession on activity levels in some of our new sectors and services.

The key drivers of our growth in the UK & Ireland over time, which again provided a strong and stable base for the business in the year to 31 March 2010, have been:

- Long-standing partnership with major customers; the average length of contractual relationship with our top 20 customers is approximately 12 years;
- A track record of delivering operational excellence, innovation and value; 2009/10 was another excellent year of performance against contract requirements, with average warehouse productivity improving some 7 per cent year-on-year;
- The ability to anticipate changing trends, developing new supply chain and business processing outsourcing solutions for our customers; approximately 65 per cent of contract gains in the year again came from existing customers;
- Industry-leading change management, project management and systems integration skills, which give customers the confidence to entrust us with the implementation of complex outsourcing processes;
- A cash-generative business model which funds growth through leases, with volume risk and cost fluctuations substantially underwritten by customers; and
- The determination to keep enhancing our portfolio of activities, successfully targeting and delivering growth opportunities in new sectors and services.

We expect all of these factors to continue to underpin and drive our growth in the future.

We now have a portfolio of activities which will again deliver strong growth for Wincanton in the coming years.

The strategic focus

DELIVERING OUR GROWTH POTENTIAL

Building on the strong base of our mainstream activities

Our mainstream activities in the UK & Ireland consist of supply chain services for large retailers, manufacturers and industrial companies principally related to fleet management, transport and warehousing activities. Over time, new services have been added as our customers' requirements have continued to evolve, taking us into areas such as call centres, procurement, training and facilities management.

There continues to be great opportunity for Wincanton to develop profitably from this strong base, as further evidenced by contract wins and renewals in the year to 31 March 2010:

- Our leadership in the retail sector saw M&S award one of the largest contracts in the UK this year to Wincanton. Best Buy also placed its confidence in Wincanton to support the delivery of its UK launch. Other contract wins and renewals in the year include Superquinn (a leading Irish food retailer) and primary transport for ASDA in North East England. Wincanton already operates for 9 out of the top 10 UK retailers, but only 12 out of the top 50. There is substantial scope for further market share gains in the retail sector, with a very limited number of competitors able to match Wincanton's track record in both complex solution design and implementation and the operational excellence which assures consistently high levels of service post-implementation.
- In vehicle and fleet management we are working with our customers to combine the benefits of the traditional shared user and dedicated models to deliver collaborative, sustainable transport solutions. Wincanton has visibility and management control over a combined vehicle fleet in excess of 8,000 vehicles; giving the market-leading scale necessary to provide the service quality and reliability which are fundamental to customers. Collaborative transport models have been successfully trialled in the year for both leading retailers and manufacturers, including shared resource for High Street retailers and load consolidation amongst manufacturers in different industries. Customer wins and renewals in the year in vehicle and fleet management included WH Smith, GSK, Britvic, Chevron and Air Products.

There continues to be great opportunity for Wincanton to develop profitably from this strong base.

- As our relationships with customers broaden and develop we will seek to continue to expand our service offering, potentially taking us further into other areas of business process outsourcing. We were already active in 2009/10 with customers including J Sainsbury, Argos, Homebase and Chevron in delivering services such as facilities management, cleaning, training, procurement and call centres and believe there will be profitable opportunity to consolidate and further develop our current services in such fields.
- Other sector opportunities will also develop. Our Pullman Fleet Services business, for example, one of the UK's leading independent vehicle maintenance and fleet management operations, is already actively exploring opportunities in the public sector.
- A joint venture has recently been established with Serco plc, targeting a number of public sector opportunities currently in the market. We believe there to be very attractive potential for Wincanton in the public sector and indeed in other industry verticals in which we have not historically had a major presence.

The further development and enhancement of our activities in the UK & Ireland remains an area of significant growth potential for Wincanton.

Transformational potential of new sectors and services

Where new service or sector opportunities are considered to have the potential to become significant new income streams in their own right, they become the focus of particular strategic challenge and operational focus.

Development in these new areas is based on the leveraging of our existing core skills, often with our existing customer base. The businesses are overseen within our Retail and Manufacturing business units in the UK, although generally with their own dedicated Managing Director, and are set separate targets for strategic purposes given their higher margin and growth profile.

Each of the activities has been set a target of delivering £10m of annual profit contribution within five years. Together in 2009/10, before central overhead allocation, they reported a profit contribution of £10.3m on revenue of £290.8m, with the result in the year impacted by losses in our shared user home delivery network prior to its closure and the costs of investment in increased capacity in records management, recycling and foodservice.

Against the background of our reported operating profit for the UK & Ireland of £48.4m in 2009/10, even if not all of the seven current activities meet their strategic target in full, these businesses clearly have the potential to transform the scale and profitability of the Group.

No significant further investment is currently either planned, or anticipated to be required, to deliver against the strategic targets set for these areas.

Construction: Our national network of shared user sites and vehicles offers a collaborative, sustainable and cost-effective alternative

Records Management: Our new capacity is being filled ahead of expectations

The activities currently included within this strategic grouping, and some of the further significant developments in the year in each, are summarised below:

- Foodservice: Investment in new facilities in the North West and the South East, development of the next generation of IT support systems and a transport solution based on Wincanton-designed specialist vehicles, have created an innovative new offering that brings a step change in the cost, efficiency and sustainability of supply chain services for major hotel, pub and restaurant groups. A substantial five-year contract award from one of the UK's fastest-growing restaurant groups provides the anchor customer for our new facility in the South East and the development pipeline over the next 18 months points to significant growth opportunity.
- Records management: We have invested in new capacity in London, Dublin, Scotland and the South West for documents, boxes and media tapes and expect to have full national coverage within the next 18-24 months. There are a limited number of competitors of national scale in the sector, and our facilities are at the forefront of security and fire suppression legislation. Our new capacity is being filled ahead of expectations and we are well-placed to continue to benefit from the overall growth expected in the industry. Wins and renewals in the year included Allied Irish Bank, Aviva, City of London Police, Friends Provident, Knight Frank and State Street. In total, just under 40 new contracts were signed in 2009/10, and there is particular interest going forward in our recently expanded media tapes facilities.
- Containers: By extending our services for customers back up the supply chain, from distribution centre to port, we are generating efficiency, visibility and service level improvements in the inbound supply chain of major manufacturers and retailers. Over 370,000 containers are moved every year, by road and by rail, through our national network of port and inland container terminals. New contract gains in the year included wins with existing customers such as Argos, Panasonic and Screwfix, confirming the considerable potential for further market share gains. These market share gains, particularly through the cross-selling of services into existing customers, combined with volume uplift through economic recovery in due course, will be the key drivers of growth in this activity.
- Construction: Our business in the construction sector focuses on providing high quality and reliable service, on a national basis, to large building product manufacturers, housebuilding and infrastructure companies and builders' merchants. Supply chain services for such customers have, traditionally, been either in-house or provided by a fragmented supplier base of small regional operators. Our national network of sites and vehicles offers a collaborative, sustainable and cost-effective alternative not previously available to companies in the sector. Contract wins and renewals were recorded in the year with Ibstock, Cemex and Speedy Hire, adding to our existing activities with groups such as Lafarge, Saint Gobain and Wavin. This is another activity in which economic recovery should add further momentum to market share gains.
- Home delivery: Home delivery represents the UK's fastest-growing retail distribution channel. Wincanton's services to customers in this sector include call centre operations, automated picking in e-fulfilment centres, two-man home delivery and installation and returns management. Already operating for customers such as Comet and Homebase, the major contract award in the year to manage M&S's home delivery operations confirms the strength of Wincanton's service offering in the marketplace. Now successfully implemented, including the integration of a new, leading-edge IT system, the contract is delivering significant cost and service level benefits to M&S.
- Defence: Fundamental supply chain changes are under way in the defence sector, as Government agencies are actively considering greater outsourcing and changes in procurement processes require major manufacturers to provide equipment on the basis of 'contracts for availability'. With an extensive track record of successful management of major procurement programmes, and a strong customer base amongst the leading sector manufacturers, Wincanton is extremely well-placed to benefit from these changes. Major wins and renewals in the year included contracts with BAE Systems, AgustaWestland and the Aircraft Carrier Alliance adding to existing operations for other groups such as Thales, General Dynamics, Rolls-Royce and VT Group. A further sign of progress in this area is the Framework Procurement Agreement now in place with BAE Systems making us a preferred logistics provider.
- Recycling: Legislation increasingly places the responsibility for recycling waste onto retailers and manufacturers. Our customers are facing major pressures to manage waste flows, whether paper and packaging from grocery retailers, white and brown goods from electrical retailers, or food waste from hotel and restaurant customers. By combining collection, sortation and the recycling of waste materials, particularly electronic and electrical equipment through our own processing sites, Wincanton is helping customers to address this significant new challenge to their existing supply chains.

These businesses clearly have the potential to transform the scale and profitability of the Group.

The strategic focus

DELIVERING OUR GROWTH POTENTIAL

MAINLAND EUROPE:

Recovery and growth

Mainland Europe reported operating profit of £6.2m on revenue of £856.5m in the financial year to 31 March 2010.

Our Mainland European strategy remains focused on:

- Offering national, cross-border and Pan-European services to our major customers. The growing list of customers for which we operate on a multi-country basis includes Goodyear, Dow, Honeywell, GSK, Danone, Panasonic, InBev, Velux and Nutreco. Multi-country relationships such as these not only offer opportunities for further growth but also, to differing degrees, help to secure important contracts in key national markets, not least in the UK & Ireland.
- A common link between these customers, in addition to domestic warehousing and transport operations as further discussed below, is our growing expertise in international transport and freight management, whether by road, rail, river or sea.
  - we are a market leader in the management of container traffic on the Rhine, with river-based activities also in France and Poland.
  - we move goods by rail across Europe working either with partners, or, in Germany, through our in-house rail operations.
  - we move goods by road on a Pan-European basis using a combination of our own managed activities in certain countries and partners in other countries in which we do not have a domestic presence.
  - we offer customs clearance and freight forwarding services at a number of locations across Europe including Le Havre, Strasbourg, Rotterdam, Basle, Hamburg and Gdansk.
  - our Dutch business has developed a particular expertise in freight management and forwarding into the former Soviet republics in Central Asia with extensive operations for the major structural steel companies such as Corus, Thyssen Krupp and Arcelor Mittal supporting the huge offshore oilfield investment programme in Kazakhstan.
- In addition to investing in this cross-border freight management expertise, we are continuing to develop critical mass in major economies such as Germany, France and Poland. In each of these countries we have extensive domestic operations and are progressively building a track record, customer base and market reputation which will enable us to win and implement the complex warehousing and supply chain contracts that have for many years been at the profitable core of our UK & Ireland operations.

Wins, renewals and successful contract implementations in the period included those for customers such as Wincor Nixdorf, Honeywell and John Deere in Germany, Total, Daikin, Goodyear and Eprus in France, and Danone, Electrolux, Panasonic, Kraft Foods and AMICA in Poland. We also have domestic operations in Holland, Hungary, the Czech Republic and Slovakia, either operating and winning new business independently, or helping to service Group customers on a regional basis. Wins and renewals in the period included Provimi in Holland, and Henkel and BAT in Hungary.

A major objective for us in the year was the restructuring of the loss-making activities within our German road transport business, involving a reduction in headcount of some 400 employees, the closure of five sites and the substantial scaling back of activities at a further four locations. This major programme of operational, customer and employee change was successfully delivered without disruption to our business or deterioration in service quality. We now have a more profitable and significantly stronger business base in Germany.

With the restructuring of our German road activities now implemented, and with the negative effects of our surplus space issues in France progressively reducing, we are in a position to focus on growth opportunities for the future without diverting management and financial resource to deal with the legacy issues of the past.

We will generate sustainable profit and cash flow performance from Mainland Europe.

Building a brand with high-quality credentials in a demanding service industry has not proved to be easy for us in Mainland Europe. The volume impact of the recession has pushed us backwards rather than forwards in our efforts to deliver growth from a more stable, efficient operational base. We continue to believe, nonetheless, that this growth can and will be delivered.

We expect to make progress again in 2010/11 towards our margin targets for Mainland Europe.

DRIVING FOR GROWTH IN OUR THREE KEY AREAS...

UK & Ireland

New sectors and services

Mainland Europe

By delivering our core strengths across the business

- > Operational excellence
- > Leading-edge technology
- > Project and change management
- > Leveraging customers' assets
- > World-class service
- > Customer partnerships
- > Sector expertise and knowledge
- > Productivity and efficiency

UK & Ireland
Continuing growth momentum

THE BUSINESS TODAY

Wincanton is a market leader in the provision of complex supply chain services.

With a presence across most sectors of the UK economy, Wincanton's customer base includes the country's major manufacturers and retailers, and the company has built an enviable reputation for innovation, operational excellence, value and partnership.

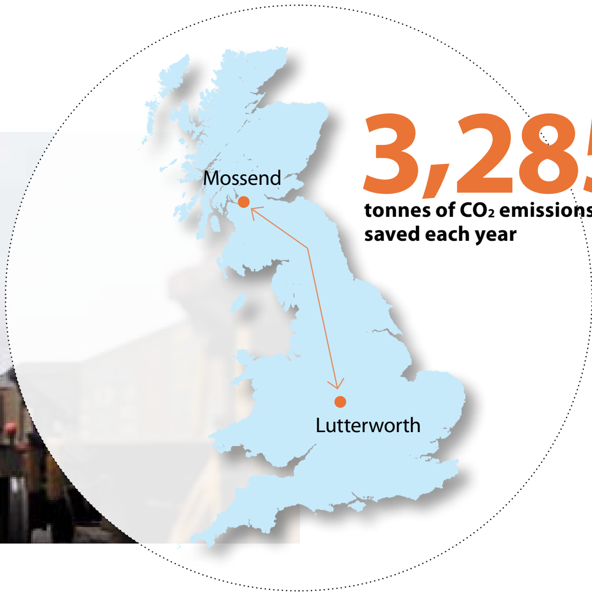
By working proactively with its customers, and by analysing and interpreting long-term market trends, Wincanton has created a portfolio of activities of increasing diversity, breadth and scale.

FUTURE GROWTH

Wincanton will:

> further develop and expand its strong existing customer partnerships
> continue to grow its share of existing markets
> broaden the scope of its current value-added offering by identifying new opportunities for service enhancement
> continue to identify growth potential in new sectors and industry verticals

1 million
bottles moved each day



3,285
tonnes of CO_2 emissions saved each year

FROM ROAD TO RAIL FOR BRITVIC

Through a partnership with Malcolm Logistics, Wincanton has introduced a daily rail route from the Midlands to Scotland for soft drinks manufacturer Britvic, moving an average of 1 million bottles each day from Britvic's plant in Lutterworth and taking 50 lorries off the roads. Working together we are able to utilise all the space on the train in both directions, delivering both environmental and cost benefits and reducing CO_2 emissions by 3,285 tonnes each year.

INVESTING IN NEW TECHNOLOGY

Wincanton and international building materials manufacturer Lafarge have launched a brand new fleet of 25 state-of-the-art teardrop trailers, helping to reduce CO_2 emissions and tackle climate change. Thanks to advances in aerodynamics, the new fleet will reduce fuel consumption by 8 per cent and has the ability to carry up to 16 per cent more cargo.

25
state-of-the-art teardrop trailers

12,000
product lines available at speed

BUILDING ON OUR PARTNERSHIP APPROACH WITH B&Q

Building on its nine-year partnership with B&Q, Wincanton has been awarded two new contracts during the last year to generate further efficiencies and increase productivity across the retailer's supply chain.

In the Republic of Ireland and Northern Ireland, Wincanton has extended its services to become B&Q's sole transport partner. The company expects to deliver over 4,000 loads per annum, including power tools, fixtures and fittings. This builds on existing contracts to distribute B&Q's horticultural products across Ireland and the UK.

Wincanton has also streamlined B&Q's home delivery operations in the North London and Essex regions, where it manages the warehousing and delivery of B&Q kitchens, bathrooms and bedroom furniture from a single site.

building on existing customer contracts

Wincanton expects to deliver over 4,000 loads per annum, including power tools, fixtures and fittings.

"Wincanton brings a really proactive approach to the table, every month coming up with new ideas and opportunities where we can look at improving our vehicle fill and reducing our emissions"

Paul Suchoparek
Operations Director, Area North adidas Group

Wincanton has invested over £1m in a new fleet of lighter weight tractor units to be used collaboratively by its customers HJ Heinz and adidas. The tractor units are coupled with a new generation of trailers that allow for improved load capacity while generating fewer CO_2 emissions – resulting in cost savings and increased productivity.

The Heinz and adidas contracts are managed from Wincanton's regional planning centre, which is geared towards maximising efficiencies through optimum vehicle usage.

Over the last year, adidas and Wincanton have also reviewed their end-to-end distribution process, resulting in 20 per cent more deliveries being made direct from the port to the customer's home, enhancing operational efficiency while minimising CO_2 emissions.

£1 million
invested in a new fleet

20%
more deliveries

More than you think

New sectors and services
Transformational growth opportunity

THE BUSINESS TODAY

Wincanton has identified a number of sectors and services offering high margin and high growth potential, including home delivery, foodservice and container logistics.

The company has invested in these areas, both organically and through acquisition, to create a strong market presence, a powerful service offering and capacity for growth.

Wincanton has set a target in each of the areas, currently seven in total, each to deliver £10m of profit contribution within five years.

FUTURE GROWTH

Wincanton will:

> **support these activities through high levels of operational and strategic focus**

> **work with our existing customer base to generate new business opportunities in these new sectors**

> **continue to identify and develop other high margin and high growth opportunities**

A new approach to foodservice

DELIVERING OPERATIONAL AND SERVICE BENEFITS

The foodservice industry supplies goods to restaurants and food outlets – from vegetables and fresh bread to napkins and beer glasses. But the traditional way of providing foodservice has its challenges. Many restaurants receive their deliveries piecemeal, throughout the day, diverting staff from doing what they do best, which is keeping their customers happy.

Wincanton's approach to foodservice is very different, and provides customers and prospective partners with major operational and service benefits, including significantly improved accuracy of delivery. And, by consolidating deliveries, the time and space required to accept and handle goods at the restaurants is enormously reduced.

Every week:

Wincanton foodservice vehicles make over

3,000

deliveries, carrying over 2,000 product lines – from fresh vegetables to wines, napkins and cutlery.

Every year:

Wincanton vehicles deliver

£125 million

worth of food items, including 14,000 tonnes of chips – enough to stretch around the world 4.5 times.

Centralised service:

Wincanton's centralised service, based around regional distribution centres, takes the equivalent of

480 vehicles

off the road.

200,000

M&S home deliveries in year one

MARKS & SPENCER HOME DELIVERY – LEADING BY EXAMPLE

In 2009, Wincanton won a five-year contract to run the Marks & Spencer home delivery service, geared to making 200,000 deliveries in its first year of operation.

Wincanton is able to achieve these volumes through a combination of advanced warehousing, brand new call centre technology and an end-to-end system capability. This integrated solution enables M&S to track customers' purchases and monitor service levels from the moment they make their order to final assembly in their home.

For M&S, operational efficiency has led to reduced inventory levels and brought greater levels of customer communication, transparency and accountability. Less than one year in, M&S's partnership with Wincanton has produced successful first-time deliveries.

YOUR M&S

Argos

DELIVERING SIGNIFICANT SAVINGS FOR ARGOS THROUGH A PARTNERSHIP APPROACH

Argos is the UK's biggest retailer-importer, bringing 35,000 containers a year into the country. In 2009 Wincanton signed a three-year contract to become the primary supplier of Argos' inbound supply chain, building on its 13-year partnership and existing warehousing and transport operations.

Working in close partnership with Argos, and through forming joint Argos/Wincanton teams, Wincanton has brought significant benefits and efficiencies.

By optimising Argos' fleet and drivers, supplemented by its own vehicles, Wincanton has generated significant savings for year one, and is poised to double the costs saved in year two. Furthermore, the retailer's environmental impact has been significantly reduced as a consequence of running fewer empty vehicles on the road.

35,000 Argos containers a year

Significant savings have been generated for year one with a clear approach in place to double this in year two.

More than you think

Mainland Europe
Delivering recovery and growth

THE BUSINESS TODAY

Wincanton has a strong domestic presence in the key European economies of Germany, France and Poland and good coverage of the Benelux and Central European economies.

It has a leading intermodal business, moving international freight by road, rail, river and sea, and growing Pan-European road transport capabilities through a combination of its own operations and a network of selected service partners.

Investment in branding, management resources and organisational restructuring has progressively created a stronger more stable platform for growth across the continent.

FUTURE GROWTH

Wincanton will:

> deliver the expected benefits of the restructuring of its German road activities

> grow consistently and profitably in its key national markets

> continue to develop its Pan-European intermodal and freight management capabilities

> build a profitable Mainland European business which contributes materially to the Group

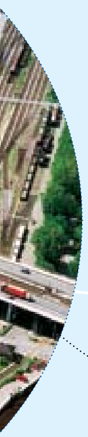
30% reduction in CO_2 emissions

30% REDUCTION IN CO_2 EMISSIONS FROM THE EUROPEAN SUPPLY CHAIN FOR TOP 10 INTERNATIONAL PHARMACEUTICAL COMPANY

Wincanton, which handles European freight management for one of the world's foremost pharmaceutical companies, has been actively working to shift freight management away from road journeys in favour of more carbon-efficient intermodal options such as rail and sea freight. CO_2 emissions will also be significantly reduced through the use of double-deck trailers, more efficient packaging schemes and improved delivery schedules.

WINCANTON HAS INSTALLED THE 1,000TH 'SMART REFUND' REVERSE VENDING MACHINE

The machines, designed and built by German manufacturer Wincor Nixdorf, process empty bottles and cans returned by customers for recycling and calculate cash refund values for each deposit. Wincanton is responsible for the entire logistics management for the machines, including installation, calibration and testing.



30 years of partnership

WINCANTON AND GOODYEAR

Wincanton's 30-year partnership with global tyre manufacturer Goodyear goes from strength-to-strength. Building on existing freight distribution operations throughout Central and Eastern Europe, Wincanton's distribution contract now extends to warehousing in Poland, where it manages Goodyear's 46,000m^2 operation in Tarnów near Krakow. Wincanton manages distribution to 1,500 locations in Poland and to eight European countries. New business was also added with Goodyear in France in 2009/10.

Wincanton manages Goodyear's

46,000m^2

warehouse in Tarnów, Poland

1,500

locations in Poland

30,000

the number of annual shipments made by Wincanton on behalf of German industrial component giant, Würth Industries. Using its extensive freight management operations in Germany, Wincanton has seen a 15-fold increase in business volumes since the partnership began 10 years ago.

More than you think

How we performed

A STRONG TRACK RECORD AND A BUSINESS MODEL FOR GROWTH

Our business model has delivered consistent profit and cash flow generation."

Gerard Connell
Group Finance Director

BUSINESS MODEL AND KEY PERFORMANCE MEASURES

Profit momentum, cash generation and high returns on capital employed drive share price appreciation and the distribution of a sustainable and growing dividend stream. These are therefore the Group's key measures and targets, facilitated by our asset-light business model.

- **Profit momentum:** We are constantly re-evaluating the services, customers, sectors and geographies which make up Wincanton's portfolio of businesses. We judge the progress being made by this portfolio, annually, on the basis of underlying profit performance and, over our rolling five-year strategy periods, against the stretching targets we set for cumulative operating profit growth.

  For the financial year to 31 March 2010 we are reporting a decline in underlying profit, principally related to the major recession in the economies in which we operate, but the underlying strength and diversity of our activities underpinned a solid operational and financial performance.

  Our strategy work looking forward supports our confidence that, over the next five-year rolling strategy period, the Wincanton portfolio of activities has very significant growth potential.

- **Cash generation and return on capital employed:** Much of the Group's growth is funded by leases underwritten by customer contracts, either in respect of vehicles or property. Many of our activities take place at customer sites requiring only minimal capital commitments by Wincanton.

  This asset-light approach to business expansion leads to good returns on individual projects and strong free cash flow generation for the Group overall.

  Free cash flow of £83.5m, being EBITDA of £93.2m adjusted for working capital movements and net capital expenditure/disposal flows, represented a cash flow to underlying operating profit conversion rate of 153 per cent in the year.

  Wincanton remains highly focused on sustaining and growing the high levels of free cash flow generation that have been a consistent feature of the Group's financial performance. In the financial year to 31 March 2010, the majority, by value, of individual projects approved are on track to either meet or exceed their projected rate of cash flow return.

  Year-end return on capital employed, at 75.5 per cent, also again confirmed Wincanton's ability to deliver strong results on an asset-light basis.

- **Dividend:** The Group's asset-light business model and strong cash generation enables it both to fund its growth and deliver a sustainable, and growing, dividend stream.

  Prior to the recession, the Wincanton dividend had grown by a compound annual growth rate of 8 per cent since the Group's demerger in 2001. Through the recession, profit and cash flow resilience has given the Board the confidence to sustain the dividend at pre-recession levels.

  In the financial year to 31 March 2010, the Board's recommendation is that the full-year dividend should again be maintained at 14.91p per share.

Wincanton remains highly focused on sustaining and growing the high levels of free cash flow generation that have been a consistent feature of the Group's financial performance.

2009/10 SUMMARY

Wincanton, on an underlying basis, reported EBITDA of £93.2m and operating profit of £54.6m on consolidated revenue of £2.2bn. These results were respectively 3.8 per cent, 8.4 per cent and 7.6 per cent below our performance in 2008/09. Group operating margin remained broadly unchanged at around 2.5 per cent.

The profit-to-cash flow conversion rate remained high at 153 per cent. Year end net debt was reduced from £176.4m last year to £151.9m as at 31 March 2010.

This represents a resilient performance at the EBITDA and operating profit levels and a cash flow performance that confirms the cash-generative strength of our business model.

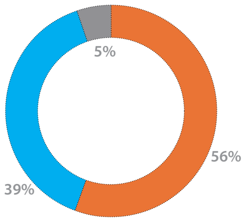
£2,182.9m

GROUP REVENUE

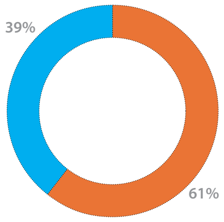
20.9p

UNDERLYING EARNINGS PER SHARE

UK & IRELAND REVENUE



UK & IRELAND REVENUE



The annualised revenue effect of new contract wins and renewals in the year totalled £280m, as compared to £250m in 2008/09. Approximately 65 per cent of new wins were generated from our existing customer base.

This high level of business expansion with existing customers has been a feature of our performance for many years, confirming the strength and depth of our customer base, the operational excellence of our performance and the innovation that we bring to our customer relationships. We help our customers to grow successfully and profitably and our business grows with theirs.

UK & IRELAND

The UK & Ireland businesses reported underlying operating profit of £48.4m on revenue of £1.3bn, and an operating margin of 3.7 per cent. This represents reductions of 7.8 per cent and 8.9 per cent respectively on the results in the financial year to 31 March 2009.

The Manufacturing business unit makes up approximately 40 per cent of UK & Ireland revenue, Retail approximately 55 per cent and Pullman Fleet Services some 5 per cent.

Revenue

Some 50 per cent of the revenue reduction is accounted for by the transfer of our chilled consolidation activities, with the balance split broadly between our Manufacturing and Retail business units.

Within Manufacturing, revenue from the full-year impact of contract gains with customers such as BP Gas, Marley, Procter & Gamble, Lafarge and BAE Systems offset the reduction in revenue from contracts either lost or from which we withdrew, and from contracts with two customers who went into administration in the period. Revenue within the Manufacturing business unit is split equally between open and closed book, with closed book contracts generally more exposed to adverse movements in customer volumes.

The contract base in the Retail business unit is made up of approximately 75 per cent open book contracts and 25 per cent closed book contracts. Net new business was won in Retail in the year, with the overall revenue decline being attributable to factors such as the closure of our shared user home delivery operations and network reconfiguration decisions by certain grocery retail customers.

Within the Retail and Manufacturing business units our new sectors and services contributed revenue of £290.8m, an increase on the £255.2m reported in the prior year, with most activities seeing market share gains which together more than mitigated the effects of volume pressure in certain activities as a result of the economic downturn.

Pullman Fleet Services, our market-leading vehicle maintenance and fleet management business, reported a slightly higher revenue performance this year than in 2008/09.

Operating profit

Generally speaking, our open book contract base, which represents 61 per cent of our UK & Ireland business, generates a substantially fixed fee, rather than volume-related, profit stream.

Underlying operating profit of £48.4m reflects a generally strong performance with good new business wins continuing to provide profit momentum in challenging markets. Most of the headline year-on-year reduction, from £52.5m in 2008/09, is accounted for within the Retail business unit, represented by a combination of the costs of empty space in certain shared user warehousing sites, last year's loss of Woolworths into administration, and lower results from certain of our new sectors and services.

Within the overall UK & Ireland result, the profit contribution from the new sectors and services, before the allocation of central overhead, declined from £12.5m last year to £10.3m in 2009/10. Consistent or growing levels of profitability in construction, containers and defence were more than offset in the year by a poor performance in our shared user home delivery network, subsequently closed, and the costs of increased capacity and/or new systems in foodservice, records management and recycling.

Pullman Fleet Services returned to profit growth this year following a strong new business performance, particularly in the management of home delivery fleets for major retailers.

MAINLAND EUROPE

Revenue and underlying operating profit of £856.5m and £6.2m were respectively 5.4 per cent and 12.7 per cent lower than in the financial year to 31 March 2009 in headline terms, although the underlying reductions were higher once movements in sterling/euro exchange rates are taken into consideration. Operating margin remained broadly unchanged at 0.7 per cent.

Given that most of our Mainland European businesses operate on a closed book basis, and that as a result profit contribution is more likely to be affected by changes in customer volumes, maintaining our headline margin is testament to the speed and effectiveness of the management action taken to offset the financial effects of operating in extremely difficult markets.

Revenue

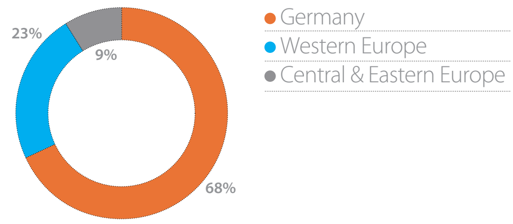
Germany contributed a little under 70 per cent of the Group's revenue in Mainland Europe, with 23 per cent generated in Western Europe (France and Benelux) and the balance in Central & Eastern Europe.

Revenue in the German business in 2009/10 was made up approximately as to 40 per cent from our road transport activities, 35 per cent from our intermodal activities on the Rhine and 25 per cent from contract logistics. All areas reported similar rates of reduction in activity levels. Western Europe experienced a slightly lower level of revenue decline, with growth in our international transport and freight management activities, particularly through our new hub on the Dutch/German border, offsetting the effects of reduced volumes within many of our warehousing operations. Our Central & Eastern European activities also saw generally weaker volumes in their domestic operations, mitigated by new business opportunities in international transport and freight management.

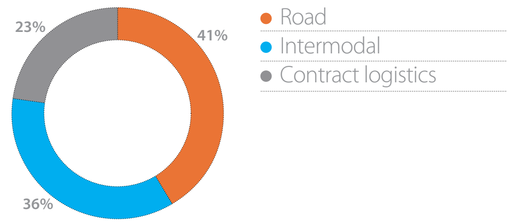
Over the next five-year rolling strategy period, the Wincanton portfolio of activities has very significant growth potential.

How we performed

MAINLAND EUROPE REVENUE



GERMANY REVENUE



Operating profit

Underlying operating profit in Germany was substantially unchanged on last year, with higher profitability in intermodal and contract logistics offset by increased losses in our road activities, pending implementation of the major restructuring programme which began to take effect in the final quarter.

Both the intermodal and contract logistics activities generate profit contribution margins broadly in line with those of the Group's activities in the UK & Ireland. Successful completion of the road restructuring programme, the benefits of which we expect to be delivered through the first half of the new financial year, will give a more stable, profitable business base to the German operations.

In Western Europe, our contract logistics activities continue to suffer from the costs of under-utilised space. Economic recession has clearly not assisted in this respect, given that market declines have led to competitor space becoming available at extremely aggressive prices. Our transport business also reported reduced profitability, with good performances in domestic and international freight management, substantially based on sub-contracted transport, held back by losses in our remaining in-house fleet in France. Western Europe overall recorded a small loss in the year.

Similar market trends were evident in Central & Eastern Europe, with highly competitive warehousing rates and lower customer volumes putting pressure on the space utilisation and profitability of our sites. The region nonetheless returned to profit this year with new business wins adding further momentum to the benefits of recent restructuring and reorganisation.

NET FINANCING COSTS

Net financing costs, at £19.9m, were 8.7 per cent higher than last year, with a first half charge of £8.0m increasing to £11.9m as a consequence of the arrangement fees, higher margins and commitment fees on our new banking facilities.

Our financing costs can be analysed into cash items, essentially the interest paid on our loans, and non-cash items, which consisted substantially in 2009/10 of the non-cash charge calculated, in accordance with IAS 19, on our pension fund assets and liabilities.

As illustrated in the table below, cash interest payable actually reduced in the period, with the benefit of lower base rates only offset from November onwards by increased margins on our new facilities. The largest negative swing in the year was the increase in our net pension charge from £1.2m in 2008/09 to £5.4m in 2009/10 principally as a result of lower notional returns on the pension fund assets based on their market value at 31 March 2009, which was significantly lower than at the comparable date in the prior year. Amortisation of fees on our new banking facilities also increased our net financing costs.

The combination of higher margins and fees on our new banking facilities, together with the increase in our non-cash pension charge, outweighed the benefit of lower underlying interest rates.

	£m 2009/10	£m 2008/09
Cash interest expense (net)	(11.6)	(14.5)
Arrangement fees amortisation	(1.4)	(0.8)
Pension financing item (net)	(5.4)	(1.2)
Other	(1.5)	(1.8)
	(19.9)	(18.3)

Financing costs, for the purpose of assessment of compliance with our banking covenants, are calculated on the basis of cash interest and exclude the non-cash items which made up approximately 40 per cent of our total net financing costs in 2009/10.

The average borrowing rate for the year on our core debt was 2.8 per cent. On the assumption that base rates remain at current levels in our new financial year we would expect this rate to increase to approximately 3.6 per cent as a consequence of the full year effect of our new banking facilities. We expect, however, that our non-cash pension charge will reduce in the same period as a result of a combination of the substantial increase in the market value of our pension fund assets and a reduction in corporate bond yields. The latter reduces the notional cost of servicing pension fund liabilities, although under IAS 19 it also increases the size of the liability.

Wincanton operates comfortably within the three financial ratio covenants agreed with the Group's bankers.

PRE-TAX PROFIT

Underlying pre-tax profit of £34.7m represents a 16 per cent reduction on the £41.3m reported in the financial year to 31 March 2009.

TAXATION

The Group's underlying rate of tax remains at 29.4 per cent (2009: 30.9 per cent), giving a charge of £10.0m. The rate largely reflects the standard rate of UK corporation tax of 28 per cent.

The overall rate of tax of 17.2 per cent (2009: 30.0 per cent) reflects the non-recognition of the tax effect of the exceptional restructuring charge in Germany, offset by release of a provision following agreement of past tax issues.

The current year cash tax rate has reduced to 10.3 per cent (2009: 31.5 per cent), mainly as a result of the deductibility of the additional pension payments in the UK of approximately £12m.

The Group's activities across the UK and Europe are subject to effective tax rates varying from 12.5 per cent to 38 per cent, but are most affected by the UK rate of 28 per cent. The Group's overall rate of tax is expected to remain at around the current level in future years, and will reduce as unrecognised tax losses, of which a significant element relate to our German operations, are progressively utilised.

EXCEPTIONALS

We reported exceptional restructuring and other costs of £3.8m at the half year to 30 September 2009, consisting of the final integration costs of £0.7m in respect of a company acquired in November 2008, and the £3.1m incurred in respect of the costs of closure of our shared user home delivery network.

Two further reorganisation and restructuring projects were implemented in the second half. A reorganisation of the senior management teams in our Retail and Manufacturing business units in the UK & Ireland gave rise to a charge of £1.8m. We also announced at the half year, and have now successfully executed, a major restructuring of our German road activities. A £14.9m charge was incurred in the second half in relation to this major programme.

The total exceptional charge in the year amounted to £20.5m. We anticipate a net exceptional profit in the new financial year on the basis of two asset disposals currently being considered.

We currently expect no further net charges in respect of either recession-led restructuring in the UK & Ireland or further strategic re-organisation programmes in Mainland Europe.

MINORITY INTEREST, ASSOCIATES, EARNINGS AND DIVIDEND

The Group has a small number of activities in its Mainland European operations with a third party minority shareholding, principally Rhinecontainer BV in which there is a 25.8 per cent minority stake. The profits attributable to these minorities increased slightly in the year, from £0.5m to £0.7m.

The Group holds a 20 per cent interest in a UK chilled consolidation business following the merger in March 2009 of its chilled consolidation activities with those of a competitor. We have representation on the Board, agreed dividend distribution rights and pre-emption rights in respect of any sale of the business. In these circumstances we believe it to be appropriate to report our share of the profit from this venture as part of our underlying operating profit, and therefore include it within the results reported above for our UK & Ireland operations.

Underlying earnings per share for the year were 15.4 per cent lower, at 20.9p per share, compared to last year's 24.7p per share.

It is proposed to maintain the full-year dividend at 14.91p. Given the 4.83p per share distributed at the half year, the final dividend would be 10.08p on this basis.

Full-year dividend maintained at 14.91p.

The dividend cover at this proposed level of full year dividend would reduce slightly from last year's 1.66 times to 1.40 times. Given the profit and cash flow resilience of the Group through the recession, the cash-generative nature of the Group's business model and its recovery and growth prospects, the Board nonetheless feels that it is appropriate to maintain the full-year dividend.

CAPITAL EXPENDITURE

Capital expenditure in the year totalled £32.8m, equivalent to approximately 85 per cent of depreciation. This marks a return to more normal levels of expenditure following a number of years of higher investment, primarily in our new sectors and services.

£3.4m and £11.4m of this year's spend related to expansion and replacement capital, respectively, in our mainstream UK & Ireland activities. Major projects included crane replacement in the automated warehouse run for GSK and new tankers for the Total lubricants operation. Some £8.8m was invested in further expansion of our new sectors and services, particularly in respect of significant new capacity for our records management activities and in systems for the home delivery contract for M&S. Expansion and replacement capital in our Mainland European activities accounted for £5.7m and £3.5m respectively. The principal investment projects in Mainland Europe were specialist warehouse fit-outs for two contract gains in France, with Millipore and Total.

Our investment programme in our new sectors and services is now substantially complete, with further spend in our new financial year only in relation to the capacity expansion in our foodservice and records management businesses. We are, however, over the next two years, investing in a major programme to renew and enhance our operational and back office support systems. This is likely to result in capital expenditure at, or a little above, depreciation.

Thereafter, we expect to return to a more strongly cash-generative profile, with capital expenditure well within deprecation.

LEASING

Operating leases represent a key element in the funding of the Group's growth, and new vehicle leasing commitments of £20.4m were entered into in the year. The principal new commitments entered into included new vehicles for Lafarge and M&S and replacements for our Total fuels and Musgrave operations. For the purposes of investment appraisal a memorandum value is generally attributed to leased assets.

More than half of these commitments are underwritten by the new contracts also entered into with customers, generally on a back-to-back basis.

Our banking agreements recognise that a substantial element of our leasing commitments are legally underwritten by our customers and, on this basis, allow us to deduct such leasing commitments from the calculation of fixed charge cover for covenant purposes.

NET DEBT

Year-end net debt, at £151.9m, was £24.5m lower than the £176.4m reported at 31 March 2009. The reduction reflects a continuing focus on cash flow and balance sheet management.

FINANCING AND COVENANTS

The Group concluded an agreement with its relationship banks in November 2009 to expand and extend its borrowing facilities for a further three-year period until November 2012. A decision was taken at the same time to draw down a further tranche of our US private placement programme, with a seven-year maturity. £270m has been committed to the Group under the banking facilities, and $35m, subsequently swapped back into sterling, under the private placement programme.

Taking into account the existing balance of the drawn placement of $150m plus some small bilateral lines, the committed funding available to the Group totals approximately £405m. In addition the Group has available up to a further £47m of uncommitted money market and overdraft facilities.

Wincanton takes a prudent view of what constitutes an appropriate level of headroom in terms of committed facilities and no reliance is placed on uncommitted lines to fund the Group's peak working capital requirements. £176m of our committed facilities were undrawn at 31 March 2010.

As previously noted, extremely difficult conditions in credit markets led to higher arrangement fees and margins under our new facilities.

The Group maintains a variety of swap and cap instruments to give an appropriate level of protection of its interest rate position. During the year to 31 March 2010 it had £15m of such arrangements in place, subsequently increased in April 2010 to cover some £70m of its borrowings for up to five years.

Wincanton operates comfortably within the three financial ratio covenants agreed with the Group's bankers. These ratios, calculated as defined in the loan agreement, and the Group's position at 31 March 2010 relative to these, are summarised in the table below:

	Covenant	At 31 March 2010
Adjusted net debt : EBITDA	<3.0 : 1	2.3 : 1
Adjusted net interest : EBITDA	>3.5 : 1	7.3 : 1
Fixed charge cover	>1.4 : 1	1.7 : 1

The Group operates sterling and euro 'pools' such that whenever possible surplus cash is netted against overdrafts and drawn debt, subject to agreed minimum levels, to maximise the efficiency of short-term liquidity. No speculative trading is authorised and all financial trades are designed to meet the operational needs of the business.

PENSIONS

The Group's total pension deficit, calculated on an IAS 19 basis, was £174.1m, or £132.0m net of deferred tax, at 31 March 2010 of which the principal Scheme amounted to £135.9m (£97.8m net).

Agreement was reached with the trustees of the principal Scheme, at the time of the last actuarial valuation in March 2008, to address the deficit over a recovery period of 14 years. Additional annual cash payments of £12m, uplifted annually for inflation, are being made to the Scheme on this basis.

Given that deficit recovery payments are deductible for tax purposes, the net incremental cash cost to the Group reduces to approximately £8.6m per annum.

New investment advisers have been appointed by the trustees who are reviewing both the asset allocation profile of the Scheme and opportunities to limit the interest and inflation rate risks within our liabilities.

We are confident that Wincanton has the financial strength to resolve the issue of the pension fund deficit prudently and progressively over time without constraining its ability to fund either the Group's growth or its policy of dividend distribution to shareholders.

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 statement on page 32 and the key risks are summarised in the table below.

Type of risk	Summary	Mitigation
Commercial	The sourcing of new contacts, at an appropriate financial return, for an acceptable level of risk.	Early-stage review of all new business opportunities and senior level sign-off of concept. All contracts require operational, commercial and legal sign-off against detailed check-lists. Acceptable parameters for contract negotiations clearly documented.
Operational	Failure to meet key performance indicators in contracts and not meet demanding performance requirements of customers.	Pre-contract due diligence verifies customer requirements and solution design. Wincanton-developed project management disciplines drive implementation phase. All contracts subject to operational and financial review.
Human Resource	The recruitment, motivation and retention of employees of the high quality required to meet the demands of both our current business and our future growth.	Competitive remuneration packages, including appropriate levels of performance incentivisation. Extensive programme of in-house and external training opportunities. Employee engagement and development programmes including regular questionnaires, feedback sessions and annual personal development reviews.
Strategic	The identification of new areas of opportunity for growth to enable the Group to build on its strong track record of profit growth and cash flow generation.	'Top down' strategy process reviews market opportunities and 'bottom up' customer account planning processes generates customer and sector-specific opportunities. Progress against strategic targets and delivery of customer initiatives forms part of regular business unit review. Group strategy subject to review, analysis, challenge and then approval by the Board.

Working responsibly

ACTIVELY WORKING TOWARDS A LOWER CARBON FUTURE

"Our corporate responsibility programme focuses on developing our people, creating a culture of workplace safety, promoting environmental sustainability and making a positive impact on our communities."

Nigel Sullivan
Group Human Resources Director

Corporate responsibility is governed through the Safety, Health and Environment (SHE) committee, with its chairman Nigel Sullivan, Group Human Resources Director, taking responsibility for social, ethical, safety and environmental issues and initiatives for Wincanton. Contributions from SHE committees in Poland, France and Germany ensure that policies and initiatives are applied consistently across the Group.

PEOPLE

We recognise that our people make a positive difference to the way we do business and the way we are perceived by our customers. Our approach, therefore, is not just to focus on their development, but also to engage colleagues in the goals of the business through inclusive communication programmes and formal recognition of the right behaviours. We measure engagement through our Group-wide survey, One Voice, which was launched in 2008 and followed up with action plans at every site or functional department to drive positive change. In early 2010 we finalised the scope of our second One Voice survey and hope to demonstrate clear progress in the results.

1,663 contestants entered
Driver of the Year 2009

Employee engagement

In early 2009, we launched a set of six behavioural values to provide a framework of reference across the business for our culture. IMPACT is an acronym for integrity, mutual trust, passion, accountability, commitment and teamwork. To build on the launch, we held workshops for junior and middle managers to explore how management behaviour has a direct impact on employee engagement, which in turn contributes to a stronger, more successful business and brand. Over 300 colleagues attended and were taken through 'the Wincanton journey' followed by interactive workshops on employee communication, reward and recognition and leadership behaviour. Our official reward and recognition voucher scheme 'I made an IMPACT' was also launched at these roadshows. The scheme is supported by an ongoing communication programme of success stories via the intranet and company magazines.

In early 2009, we launched a set of six behavioural values to provide a framework of reference across the business for our culture.

Training and development

Our Driving Development programme continues to gain industry-wide recognition. Wincanton is now an approved provider of the Driver Certificate of Professional Competence (DCPC), and we deliver this training at well over 100 in-house training centres across the UK. Since the DCPC legislation came into force in September 2009, we have provided training for over 2,300 drivers, which is an equivalent of over 16,000 hours of DCPC training. Running in parallel to this, we were proud to have awarded our 3,000th driver National Vocational Qualification (NVQ2/3 Driving Goods Vehicles), which is being delivered as part of a rolling programme across our transport sites. Both the DCPC and NVQ programmes augment and enhance our long-established driver training programme, designed to equip drivers with the necessary skills to safely and efficiently operate goods vehicles, across a plethora of load types, truck designs, and delivery venues.

The Learning and Development Framework, launched in March 2009 with the objective of creating greater consistency of skills and a career progression path in our warehouses, has now been introduced in 44 sites. A further 15 sites have started offering warehouse NVQs, bringing the UK total to 1,116 warehouse employees with an NVQ qualification.

To celebrate our success in driver and warehouse operational excellence, our annual driver and forklift driver of the year competition continues to grow. In 2009/10 the competition categories attracted 1,663 and 201 competitors respectively.

We are proud to have awarded our 3,000th driver NVQ.

Working responsibly

Drivers	KRAs	Annual targets	Operation
Significant environmental impacts Our ambition and principles Stakeholder and management priorities	Governance and management Performance measurement Energy use and climate change Waste and recycling Progressive product leadership	Based on KRAs, objectives and performance	Implemented, monitored and reviewed through group-wide environmental management system

Chartered Institute of Logistics and Transport collaboration

With our Chief Executive, Graeme McFaull appointed as president of the Chartered Institute of Logistics and Transport (CILT) in May 2009, we have forged closer links with the industry body on both training and fundraising activities. Wincanton and the CILT have developed the Pathway programme to improve the technical skills and competence of personnel at all levels within Wincanton. The existing graduate development scheme and other internal development programmes will gain accreditation to the CILT standard and become externally recognised as a professional development pathway.

Our colleagues have also provided an injection of enthusiasm and fundraising for the CILT's new charitable initiative, ASPIRE, which will provide opportunities for individuals to improve their skills and knowledge through training and development bursaries. An ASPIRE parcel was sponsored on a journey through many Wincanton sites. On reaching each destination, the parcel was accompanied by a presentation on ASPIRE and the CILT to encourage individual donations and generate a greater level of awareness of the Institute and its activities.

Professional accreditation

Following the accreditation of the Group Procurement team to the Chartered Institute of Purchasing and Supply (CIPS) 'Certification Excellence in Purchasing Policies and Procedures' in early 2009, Group Procurement Director Jane Scadding went on to win the CIPS purchasing and supply professional of the year in September 2009. This top award recognised her for implementing robust processes that reduce business risk and achieve real value. The introduction of her team to the formal CIPS training programme has also improved professional standards and quality.

HEALTH AND SAFETY

We have continued to perform at the forefront of our industry in health and safety, with lost time accidents falling in the UK & Ireland for the 10th consecutive year representing a 64 per cent reduction since inception. Wincanton is strategically committed to preventing all work-related injuries and illnesses, using the DuPont 'zero tolerance' principle. To deliver this commitment we operate a common framework to bring together all aspects of our Safety, Health and Environment (SHE) approach, supported by a set of 'Key Health and Safety Principles' and our minimum safety standards.

As well as carrying out regular audits and reporting monthly to the SHE committees, we are placing an increasing focus on awareness campaigns to drive long-term behavioural and cultural change. Through our Operational Excellence programme, sites are provided with our OpEx safety culture toolkit and go through a bi-annual self-assessment process to gauge progress. In order to keep health and safety front of mind, our warehouse employees receive monthly workplace briefings under the award-winning SHELA programme (SHE learning aid). Originally launched in the UK in 2007, the programme was extended across Poland, France and Germany in 2009/10, and also introduced as a tool in the driver safety programme in the UK & Ireland.

We have continued to perform at the forefront of our industry in health and safety, with lost time accidents falling in the UK & Ireland for the 10th consecutive year.

In addition to their internal responsibilities, our SHE professionals seek to influence the industry-wide agenda on behalf of Wincanton through representation on a total of eight national and international Health & Safety committees. These include three working groups within the Health & Safety Executive, board membership of RoadSafe and the Chair of the Retail & Distribution Group of the Institute of Occupational Safety & Health in the UK.

Award-winning performance

In 2009/10 Wincanton secured two prestigious awards from customers for Health and Safety excellence, recognising our first-class record and commitment to working in close partnership with customers to deliver industry-leading operations. In June 2009, Wincanton was named 'Most Admired Carrier in the Africa, Pakistan, Europe (AEP) region' by global brand Chevron, and became the first European supplier to win the award. We transport nearly three billion litres of fuel and travel around 15 million kilometres for Chevron annually under the contract. In August 2009, Wincanton was presented with a health and safety award by Esso Small Trucks in the UK for operating without a single lost time accident for two years.

In 2009/10 Wincanton secured two prestigious awards from customers for health and safety excellence.

Training and ongoing guidance

In order to attain minimum standards across the Group and ensure that our operational teams have the right skills, we operate a central SHE training programme. This operated at record levels in 2009/10, up by around 20 per cent on 2008/09 to a total of 1,365 people. To raise the visibility of regional safety advisers and provide more contact time for site-based colleagues within operations and site Health & Safety, quarterly regional safety forums were introduced to discuss local and Group initiatives and provide the opportunity for ad hoc input to site issues.

Continuous improvement

We have achieved our objective of reducing the number of 'bridge strikes' in the UK during 2009/10 by 33 per cent following an awareness campaign and additional training within the Driving Development programme, which included improved delivery point assessment and driver cards.

In addition, three UK & Ireland 'hotspot' sites experiencing higher than average accident rates were targeted over 2008 and 2009. As a consequence, the average accident rate has fallen by 45 per cent against 2007.

Business continuity planning

The H1N1 influenza (swine flu) outbreak led to the rapid re-evaluation of existing contingency planning measures across the whole business. A web-hosted business continuity product, BCP4Me, was introduced across the Group in order to provide high level visibility of preparedness levels. An awareness campaign and regular status updates were circulated and briefed across the business. To protect employees and visitors to our sites, antiseptic hand wash stations were fitted across the business and individual desk packs were distributed. No business interruption or customer issues arose during the outbreak.

100 per cent of our electricity in the UK
will come from renewable sources

Our carbon reduction initiatives
in transport are grouped into a
promotional campaign

2020 VISION DELIVERING RESPONSIBLE TRANSPORT

ENVIRONMENT

Following the publication of our five-year Group Environmental Strategy in March 2009, our activities in 2009/10 have focused on implementing a clear measurement framework and on prioritising initiatives to reduce our energy and fuel usage.

The strategy document, which is published on our website, outlines our priorities and creates a framework for delivering progress against our objectives. It incorporates our policy statement and 10 key principles to provide guidance for employees, suppliers and customers on the way we work. Our impacts and initiatives are structured into five key results areas as follows, against which we are measuring progress:

- Governance and management;
- Performance measurement;
- Energy use and climate change;
- Waste and recycling; and
- Progressive product leadership.

> In April 2009, we introduced five environmental key performance indicators so that we could actively track carbon usage and measure improvements.

Measurement

Wincanton uses the Balanced Scorecard system to measure performance in a range of areas across its European operations. In April 2009, we introduced five environmental key performance indicators (KPIs) so that we could actively track carbon usage and measure improvements. These KPIs are usage of diesel per km, red diesel per km, gas usage per m^3, water consumption and electricity usage per m^3. The Group-wide measurement system not only provides sites with a benchmark against each other, but provides clear data against which they can set reduction targets. We have already seen our general managers embrace the system and create individual action plans. One such example is our contract with Comet, which has introduced a fuel efficiency improvement plan with the five sites competing weekly for the 'yellow jersey'. The best site, vehicle and driver are published weekly and this engagement programme has resulted in fuel performance increases of 7 per cent, saving 525 tonnes of CO_2 per annum.

CRC Energy Efficiency Scheme

Our participation in the UK Government's CRC Energy Efficiency Scheme, effective from 1 April 2010, will provide an additional focus for reducing our CO_2 emissions. This mandatory carbon trading scheme for CO_2 emissions applies in the UK only and requires businesses to measure energy usage through fixed point sources, report to government on that usage and pay for the emissions created.

To meet our responsibilities, Wincanton will purchase carbon allowances in advance, based on our target usage for the year. This cost will then be rebated through a 'recycling payment' based on actual usage and our performance within the Scheme's league table.

During 2009/10, our focus has been on understanding the impact of forthcoming legislation and preparing our strategy for incorporating the Scheme's parameters into our existing business processes. In August 2009 we engaged environmental consultants SKM Enviros to complete a gap analysis, assess our current position and formulate an improvement plan. We have also completed an upgrade programme to ensure that all sites are fitted with half-hourly meters specified within the legislation as an 'early action' metric to influence position in the league table. This has been supported by an internal communication and briefing plan for our managers and operational teams on how we will manage the CRC Energy Efficiency Scheme.

Renewable energy

In line with our objective to reduce our carbon footprint, we have entered into an agreement with our supplier, Scottish and Southern Energy, to source 100 per cent of the electricity we consume in the UK from renewable sources, including hydroelectricity and wind power. This will lead to savings of around 31,000 tonnes of CO_2 per year based on our 2009 consumption levels.

Responsible transport

As a major fleet operator covering over 1.2 billion kilometres per year for customers across Europe, we have embraced the environmental imperative and launched our '2020 Vision: delivering responsible transport' campaign in January 2010. The campaign unites the carbon reduction initiatives in our transport operations under a common theme, highlighting how we are seeking to deliver a more sustainable future for the supply chain. Our broad-ranging initiatives include vehicle engineering for greater fuel efficiency, rail and barge solutions, promoting customer collaboration and focusing on driver training. We have taken over 10 million miles off the roads for customers during 2009 by working with them to identify opportunities and through leveraging our experience and scale.

> We took over 10 million miles off the roads for customers during 2009.

Road to rail: Building on our successful intermodal operations in Mainland Europe, we are now actively seeking to move volumes from road to rail in the UK by working with customers to identify opportunities and forming partnerships with rail operators. An example of this is our work with Britvic, where we introduced a daily rail route from the Midlands to Scotland, moving an average of 1 million bottles of product each day and taking 50 lorries off the roads. Product from factories across the UK is consolidated at the Daventry rail depot and transported by rail to Grangemouth and Mossend through a partnership with Malcolms Logistics. This model is now also operating for other customers.

Working responsibly

Christmas card competition by French employees' children

Exhibition to support Liverpool's Talent Week

Vehicle design: Wincanton has been working with the Department for Transport's consultants regarding the introduction of longer vehicles into the UK, as we believe this is a logical and easy way to reduce carbon use and increase productivity. Research within our fleet has indicated that 63 per cent of our contracts could utilise a longer load platform without exceeding the 44 tonne gross vehicle limit. We have designed a new articulated semi-trailer that increases the load length by 14 per cent within current weight limits, providing up to four pallets of additional floor space. The solution is also designed to be flexible and compatible with existing infrastructure. We are also working on intermodal options for road/rail containers with a nominal length of 15.5 metres, designed to interface with railcars widely used by rail freight companies. One customer predicts that the extra floor space would allow them to reduce container truck journeys by 30,000 per annum, which equates to 964,000 miles, over 450,000 litres of fuel and 1,200 tonnes of CO_2.

We have also upgraded our existing fleet on a number of contracts to improve fuel efficiency and maximise capacity. In July 2009, Wincanton and Lafarge worked together to launch a brand new fleet of 25 state-of-the-art teardrop trailers, which seek to reduce fuel consumption by 8 per cent through the aerodynamic design as well as carrying up to 16 per cent more cargo.

> The white fleet collaborative model has shown that it is possible to reduce collective fleet, save costs, improve vehicle utilisation and cut road miles.

Collaborative initiatives: Wincanton's £1m investment in a new fleet of lighter tractor units and trailers for HJ Heinz and adidas has improved load capacity and enabled its customers to improve their delivery service. The regional planning centre in Wigan draws on the wider Wincanton shared user fleet to maximise load fill and manage volume fluctuations. For adidas, it has also re-routed around 20 per cent of volume directly from the port to the customer, eliminating a leg in the supply chain. During 2009, the tried and tested shared user fleet and centralised planning model used by Wincanton's manufacturing customers was piloted in six large retail operations in the North West. The 'white fleet' collaborative model has shown that it is possible to reduce collective fleet, save costs, improve vehicle utilisation and cut road miles. The white fleet is supported by Isotrak 3iS technology which provides real-time visibility and tracking, enabling more efficient load planning.

COMMUNITY

Wincanton aims to create a positive impact on the communities in which it operates through direct engagement at a local level. Across the Group, our site teams regularly support local charities, community projects and schools through fundraising and also by lending the support of colleagues. As well as organising our own activities, we also collaborate with our customers on their chosen charitable initiatives to cement relationships and motivate teams to work together for good causes. At Group level, we support Transaid, a charity working primarily in Africa to reduce poverty and improve quality of life through providing better access to basic services such as health, education and economic opportunities. Support is through corporate sponsorship, but also direct involvement to offer our skills where they are most needed.

Transaid partnership

At the Industrial Training Centre in Lusaka, Zambia, representatives from our health and safety team completed a second audit of the centre in August against Wincanton minimum standards, recording an improvement of 24 per cent against the November 2008 visit. The centre aims to reduce accident rates on the roads in Zambia by bridging the gap in professional driving standards and becoming a centre of excellence in the region. At the helm of the project, Wincanton change management professional, Caroline Barber, completed her 18-month secondment as Country Programme Manager in April 2010 and has since been recognised as 'Rising Star of the Year' for her achievements in the 2010 MAN Everywoman Transport Awards.

Community initiatives

Since becoming a member of Business in the Community in 2008, we have identified opportunities in several UK regions to participate in community projects. One example is a collaborative exercise between Wincanton, Heinz and adidas to support Liverpool's Talent Week, which targeted students approaching school leaving age with a view to focusing them on their individual talents and how these could be applied to future careers. The Wincanton team attended Holly Lodge Girls School, Liverpool to facilitate career planning sessions using behaviour profiling/analysis techniques and then teamed up with the students on a converted trailer at the exhibition in the Liverpool One shopping complex to promote their achievements.

In Germany, our head office in Mannheim is now in its sixth year of providing welcome boxes to new students joining the University of Mannheim. This involves distributing over 30,000 boxes to the campus, containing city maps, contact addresses and giveaways from commercial organisations in the region. The initiative is unique in Germany and has won several awards.

The community programme at our Sainsbury's site in Sherburn is typical of initiatives at operations across the Group. We have identified a sustainable solution for waste by supplying local charities such as Fareshare in Leeds and Sunderland with excess food stocks, the PDSA with damaged packs of pet food and local hospices with flowers. We have also engaged with local primary schools on a wildlife area project and after-school cookery classes promoting healthy eating.

In France, Wincanton organised a Christmas card competition for the third consecutive year for employees' children and donated €10 for each entry to the Emmaus charity for the underprivileged, raising a total of €1,500.

Employees on the Wincanton GSK contract in the UK collected supplies to go to Romania for GSK's group charity, the Smiles Foundation. They worked with their colleagues in the Netherlands and Germany to organise a truly sustainable intermodal solution using road and barge, to ensure that the container arrived in time in Romania.

In Poland, we co-hosted the inaugural academic logistics conference for over 100 university students from institutions across the country at the Karol Adamiecki University, Katowice in December. The event combined academic content with a team-based competition, which challenged students to define and present their vision for 'Polish Logistics in the Year 2025'.

Governance

BOARD OF DIRECTORS

DAVID EDMONDS CBE

Chairman

David became a non-executive Director of Wincanton in December 2004, Deputy Chairman in November 2007 and Chairman in July 2008. He is Chairman of the Legal Services Board and the Chairman of NHS Shared Business Services. He is a Board member of the Olympic Park Legacy Company, and a non-executive Director of Hammerson PLC and William Hill PLC. He was previously Chairman of the Board of NHS Direct and a Board member of the Legal Services Commission and several other organisations. Prior to 2003, he held a series of executive posts in government departments and in the NatWest Group.

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 Director roles within Wincanton since 1999, latterly running the UK & Ireland business. He became Chief Executive in December 2005. Graeme is a Fellow and former President of the Chartered Institute of Logistics and Transport and a non-executive Director of Wates Group Limited.

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 in order to prepare the Company for demerger. He is also the Senior Independent non-executive Director and Chairman of the Audit Committee at Pennon Group Plc.

NIGEL SULLIVAN

Group Human Resources Director

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

NEIL ENGLAND

Senior Independent non-executive Director

Neil became a non-executive Director of Wincanton in June 2008 and Senior Independent non-executive Director in October 2009. He is currently the Chairman of The Eastern European Trust PLC and of Silverstone Holdings Limited. He is also a non-executive Director of ITE Group plc. Neil was previously a Director of Gallaher Group Plc and prior to that Vice-President of Mars Inc.

JONSON COX

Non-executive Director

Jonson became a non-executive Director of Wincanton in October 2005. Until March 2010, he was Group Chief Executive of Anglian Water Group plc. Former 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.

DR WALTER HASSELKUS

Non-executive Director

Walter became a non-executive Director of Wincanton in January 2004. In May 2006 he was appointed as a member of the Supervisory Board of Wincanton GmbH and in July 2007 he was appointed Chairman of the Supervisory Board of Wincanton GmbH. He is a non-executive Director of DAF Trucks NV, Chairman of the Supervisory Boards of Ehlebracht AG and InTiCa Systems AG 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.

PAUL VENABLES

Non-executive Director

Paul became a non-executive Director of Wincanton in September 2009. A Chartered Accountant, he is currently Group Finance Director of Hays plc, having joined from DHL Logistics, a division of Deutsche Post World Net. Prior to the acquisition of Exel plc by Deutsche Post in December 2006, he was Deputy Group Finance Director, a member of the executive board of Exel plc and Chairman of their Acquisitions and Projects Review Board. During 13 years with Exel he held a number of senior finance and operational roles, including Finance Director of Exel's European and Global operations.

NOMINATION COMMITTEE

David Edmonds (Chairman), Jonson Cox, Neil England, Walter Hasselkus, Graeme McFaull, Paul Venables

REMUNERATION COMMITTEE

Neil England (Chairman), Jonson Cox, David Edmonds, Walter Hasselkus, Paul Venables

AUDIT COMMITTEE

Jonson Cox (Chairman), Neil England, Walter Hasselkus, Paul Venables

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

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

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 on pages 5 to 8, and pages 16 to 24 all of which are incorporated into this Directors' report by reference. The Group profit attributable to shareholders for the financial year amounted to £1.8m. An interim dividend of 4.83p per share was paid on 5 January 2010. Subject to shareholders' approval at the Annual General Meeting (AGM) to be held at 11:30am on Wednesday, 21 July 2010 at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE, a final dividend of 10.08p per share will be paid on 6 August 2010 to those shareholders on the register of members of Wincanton plc (the Company) on 9 July 2010. Under the requirements of Adopted IFRS this dividend is not provided until declared and therefore the total profit for the year of £2.5m, including £0.7m 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 56 days (2009: 52 days) purchases in the Group's trade payables.

ANNUAL GENERAL MEETING

At the 2010 AGM, the Directors will propose the following items as special business: to approve the making of certain payments that may be classified as donations to political parties; to allow the Directors to allot shares; 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 its share capital; to adopt new Articles of Association primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009; to approve general meetings other than AGMs to be called on not less than 14 clear days notice; and to renew and amend the rules of the Wincanton Executive Share Option and the Wincanton Sharesave Schemes to bring them in line with current legislation.

SUBSTANTIAL INTERESTS

At the date of this report, the Company has been notified of the following major shareholdings, which are stated as at the date of notification to the Company.

Shareholder	Type of holding	Number of shares held	Per cent
Legal and General Group plc	Direct	4,829,448	3.97
Standard Life Investments	Direct and Indirect	10,939,015	9.01
Aberforth Partners LLP	Indirect	5,991,205	4.94
Computershare Trustees (C.I.) Limited as Trustee of the Wincanton plc Employee Share Trust (the Trust)	Indirect	6,070,647	5.00
F&C Asset Management plc	Indirect	6,045,153	5.03
Ameriprise Financial, Inc.	Indirect	6,295,393	5.19
Rathbone Brothers Plc	Indirect	9,058,170	7.54
Newton Investment Management Limited	Indirect	9,742,310	8.03

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 Trust, in its capacity as trustee, purchased a total of 1,193,959 shares at an average price, excluding costs, of £1.70 per share. These shares were purchased to enable the Trust to hedge against future exercises of share options. As at 31 March 2010, the Trust, in its capacity as trustee, held 7,109,385 (2009: 6,105,647) shares representing 5.86 per cent of the issued share capital of the Company.

SHARE CAPITAL AND RESERVES

Details of the authorised and issued share capital and reserves of the Company are shown in note 6 to the Company's financial statements on page 78. The share capital of the Company is made up of 121,383,977 ordinary shares of 10p as at the date of this report. The shares are listed on the London Stock Exchange. Other than certain of those shares held in Trust in accordance with Employee Share Schemes, and the provisions contained in the Articles of Association of the Company, all shares rank pari passu with each other.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

DIRECTORS

The names and biographies of the Directors who were serving at 31 March 2010 are shown on page 25. Details of corporate governance policy are set out on pages 30 to 32. Directors' beneficial interests in the Company's share capital as at 31 March 2010 and the date of this report are set out in the Directors' remuneration report on pages 33 to 42. At the AGM, the Company will seek the re-election as Directors of Dr W Hasselkus and G McFaull who are resigning under the rotation provisions of the Articles of Association of the Company. The Directors support their re-election. At the 2009 AGM, P G Cox resigned as a non-executive Director. To maintain the required balance and independence on the Board, a further non-executive Director, P Venables, was appointed on 2 September 2009. The Company will seek his election at the AGM in accordance with the Articles of Association of the Company. The Directors support his election.

EXECUTIVE BOARD

In addition to the Executive Directors, the Executive Board consists of the Chief Operating Officer, Group Development Director and Managing Directors from Mainland Europe and the UK & Ireland.

The Executive Board meets monthly and is 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.

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, in-house newsletters and briefing and consultative meetings.

In December 2005, a European Works Council (EWC) 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. The EWC met three times in the year (2009: three). Employee representatives are also able to meet their colleagues from other countries, exchanging information about the Group and working conditions across Europe.

In February 2008, the Group launched its first employee survey, 'One Voice', inviting employees to have their say on many aspects of their working environment, including their understanding of business goals, communication processes, health and safety, management and working for Wincanton. The results of the survey were launched in June 2008, and an action-planning programme focusing on Group-wide and country specific topics was established. The survey will be repeated in the year ending 31 March 2011 and the results of that survey will give Wincanton an indication as to how successful the action-planning programme was and it will form the basis of next year's planning activity.

The Group has established a variety of share schemes to align the interests of employees with those of shareholders and to support Wincanton in achieving its business objectives.

Wincanton is committed to a policy of equal opportunities in employment which requires the Group 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 (2009: £nil). Donations to charities amounted to £49,000 (2009: £93,000).

WINCANTON PLC'S ARTICLES OF ASSOCIATION

The Company's Articles of Association (Articles) may only be amended by a special resolution at a general meeting of shareholders. At the 2010 AGM a special resolution will be put to shareholders proposing the adoption of a new set of Articles to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009.

The Articles of the Company as at 31 March 2010 contain, amongst others, the following provisions.

Voting rights

Subject to the restrictions set out below, on a show of hands every shareholder present in person and every proxy present who has been duly appointed by a shareholder entitled to vote on the resolution has one vote and on a poll every shareholder who is present in person or by proxy has one vote per share held.

Restrictions on voting

If any shareholder, or any person appearing to be interested in the shares held by that shareholder, has been duly served with a notice under Section 793 of the Companies Act 2006, and is in default for a period of 14 days in supplying to the Company the information thereby required, then that shareholder or any transferee to whom any such shares are transferred shall not be entitled to attend or vote either personally or by proxy at a shareholders meeting. Where the shares represent 0.25 per cent or more of the issued share capital of the Company, the Directors may in their absolute discretion retain any dividend which would otherwise be payable in respect of those shares and/or ensure that no transfer of those shares shall be registered unless the transfer is approved.

Variation of share capital and rights

The Company may by ordinary resolution increase its share capital; consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; subdivide all or any of its share capital into shares of a smaller amount than that fixed by the Articles (subject to the provisions of the Companies Acts); or cancel any shares which have not been taken or agreed to be taken and diminish the amount of its share capital.

Subject to the provisions of the Companies Act 2006, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way.

Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine and subject to the provisions of the Companies Act 2006 the Company may issue any shares which are, or at the option of the Company or the holder are liable, to be redeemed.

Buying back shares

Subject to and in accordance with the provisions of the Companies Act 2006 and the Listing Rules, the Company may purchase its own shares of any class.

Directors' power to allot

The Directors may, subject to the provisions of any legislation dealing with authority, pre-emption rights and other matters, and of any resolution of the Company in general meeting passed pursuant thereto, deal with shares which have not been issued. Directors may allot shares, grant options over, or otherwise dispose of, shares to such persons, at such times and on such terms as they think proper.

Dividends and other distributions

The Company's shareholders may declare dividends by passing an ordinary resolution. No such dividend may, however, exceed the amount recommended by the Directors. Any dividend unclaimed after a period of 12 years from the date such dividend was declared shall be forfeited and shall revert to the Company.

DIRECTORS' REPORT

Distribution of assets on winding-up

If the Company is wound-up, the liquidator may, with the authority of an ordinary resolution passed by the shareholders, divide among the shareholders the whole or any part of the assets of the Company and may determine how such division shall be carried out as between shareholders or different classes of shareholders. For this purpose, the liquidator may set such value as the liquidator considers fair upon any property.

Transfer of shares

Any shareholder may transfer some or all of the shareholder's shares to another person. The person making the transfer will be treated as continuing to be the holder until the name of the person to whom the share is being transferred is entered onto the register of members in respect of such shares. Directors may in their absolute discretion, and without giving any reason therefore, refuse to register any transfer of such shares which are not fully paid shares provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

Directors of the Company

Unless otherwise determined by ordinary resolution, there must be at least two Directors but not more than 20. The Directors shall determine the ordinary fees of the Directors and the aggregate amount shall not exceed £500,000 per annum or such higher amount as the shareholders may from time to time determine by ordinary resolution. Any provision of the Statutes, which would have the effect of rendering any person ineligible for appointment or election as a Director or liable to vacate office as a Director on account of having reached a specified age, has been disapplied. Directors may be appointed and removed by ordinary resolution (with special notice in the case of removal).

Authorisation of Directors' interests

For the purposes of Section 175 of the Companies Act 2006, the Directors have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under that Section to avoid a situation in which the Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

Directors' interests and voting

A Director cannot cast a vote on any contract, transaction or arrangement, or any other proposal, in which the Director has an interest. A Director will not be counted in the quorum at a meeting of the Directors in relation to any resolution on which the Director is not entitled to vote.

Borrowing powers

So far as legislation allows, the Directors may exercise all of the Company's powers to borrow money; to mortgage or charge all or any of the Company's undertakings, property, and uncalled capital; to issue debentures and other securities; and to give security either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Indemnity and insurance of officers

So far as relevant legislation allows, every Director and former Director, Company Secretary and other Officer of the Company or its subsidiary undertakings shall be entitled to be indemnified by the Company.

Untraced shareholders

The Company is entitled to sell, at the best price reasonably obtainable at the time of the sale, shares of a member provided that during the 12 years prior to the date of the publication of advertisements in both a national newspaper and a newspaper circulated in the area of the last known address of the member giving notice of its intention to sell the said shares, at least three dividends in respect of the shares have become payable and no dividend in respect of those shares has been claimed.

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. For further information see note 1 of the Group financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs, as adopted by the EU, and applicable law and have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs, as adopted by the EU, to present fairly the financial position and performance of the Group. The Companies Act 2006 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.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period.

In preparing each of the Group and 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 IFRSs as adopted by the EU;
- For the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- Prepare both the Group and Company financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

The Board confirms that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company and the undertakings included in the consolidation taken as a whole; and
- The Directors' report includes a fair review of the development and performance of the business and the position of the Group and the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Board approved the above Responsibility statement on 9 June 2010.

AUDITORS

In accordance 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 2010 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 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 Company's auditors are aware of that information.

By order of the Board

S P Williams
Company Secretary
Methuen Park
Chippenham
Wiltshire
SN14 0WT
9 June 2010

CORPORATE GOVERNANCE

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 in June 2008. This statement describes how the principles of the Code are applied and reports on the Company's compliance with the Code's provisions. A copy of the Code can be found online at www.frc.org.uk/corporate/combinedcode.cfm.

BOARD OF DIRECTORS

As at 31 March 2010, the Board had eight members, comprising the non-executive Chairman, Chief Executive, Group Finance Director, Group Human Resources Director and four further independent non-executive Directors. All 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.

At all times during the year there has been a majority of independent non-executive Directors on the Board, excluding the Chairman, in compliance with Code provision A.3.2.

The biographical details of the Directors are set out on page 25. 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, and they must stand for re-election at least every three years.

The Board is collectively responsible for the proper management of the Group. The Board normally meets ten times each financial year and has a formal schedule of matters reserved to it for decision-making, including the approval of annual and half year results, annual budgets, material acquisitions and disposals, material agreements and major capital commitments. Executive Directors are responsible for communicating the Group's strategy to senior managers and for the day-to-day operational activity of the Group. The Company Secretary maintains a record of attendance at Board and Committee meetings, further details of which are set out on page 31. During the year the Chairman also met with the non-executive Directors without the Executive Directors present.

Directors 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 the geographical operating segments. Each geographical operating segment reports on its performance against its agreed budget at each Board meeting. The Board receives an update on performance and reviews significant variances at each Board meeting. 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 Independent non-executive Director, the non-executive Directors have assessed the performance of the Chairman taking into account the views of the Executive Directors. The Chairman and the Senior Independent non-executive Director have presented the conclusions of those assessments to the Board. 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. As part of the process, training needs are reviewed and acted upon as appropriate.

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 are matters 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 Mainland 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. 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 Chairman is primarily responsible for the workings of the Board and ensuring that its strategic and supervisory role is achieved. The Chief Executive is responsible for the day-to-day running of the business. The Board has delegated appropriate responsibilities to the Chief Executive, the Group Finance Director and the Group Human Resources Director.

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 on the Group website.

The Nomination Committee comprises J Cox, N England, Dr W Hasselkus, G McFaull and P Venables, under the chairmanship of D A Edmonds. 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 proposed by either existing Board members or 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 Independent 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. In addition, the Committee has been empowered to review annually and approve any potential situational conflict of interest.

The Remuneration Committee comprises J Cox, D A Edmonds, Dr W Hasselkus and P Venables, under the chairmanship of N England. The Remuneration Committee is responsible, within a framework established by the Board overall, for setting the remuneration of the Executive Directors and certain senior managers. It is also responsible for awarding bonuses, long-term incentives, pension rights and any compensation packages, and for determining the terms of any compensation package in the event of early termination of the contract of any Director or senior manager.

The Remuneration Committee meets at least three times a year. The Chairman of the Committee reports the outcome of meetings to the Board. Full details of its activities and of Directors' remuneration are set out in the Directors' remuneration report on pages 33 to 42. Those pages detail compliance with the legal requirements with regard to remuneration matters.

The Audit Committee comprises N England, Dr W Hasselkus and P Venables under the chairmanship of J Cox. The Committee meets at least three times a year. P Venables is the current Group Finance Director of Hays plc and, as such, is competent in the field of accounting and has the requisite recent and relevant financial experience. In compliance with Combined Code provision C.3.1, all members of the Audit Committee are independent non-executive Directors. The Committee is responsible for, and during the year carried out, the following:

- Reviewing the annual and half year 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;
- 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; and
- To report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

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. It is an objective of the Committee 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 Group and its external auditors. The Group has a policy of controlling the provision of non-audit services by the external auditors in order 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 Chairman of the Committee reports the outcome of meetings to the Board and the Board receives the minutes of all Audit Committee 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 2010 is as follows:

	Board	Nomination Committee	Remuneration Committee	Audit Committee
G D Connell	10	–	1[1]	3[1]
G McFaull	10	2	3[1]	3[1]
N Sullivan	10	–	3[1]	3[1]
J Cox	10	1	3	3
P G Cox[2]	4	1	1	1
D A Edmonds	10	2	3	3[4]
N England	10	1	3	3
Dr W Hasselkus	10	–	3	3
P Venables[3]	6	1	2	2
Total number of meetings	10	2	3	3

[1] Attended at the invitation of the Committee.
[2] Retired on 23 July 2009.
[3] Appointed on 2 September 2009.
[4] Resigned from the Audit Committee on 22 September 2009 and attended two of the Audit Committee meetings at the invitation of the Committee.

SHAREHOLDER RELATIONS

The Company is committed to maintaining good communications with shareholders. The Chairman, Chief Executive, Group Finance Director and certain other senior managers have dialogue with individual institutional shareholders in order to develop an understanding of their views, which are fed back to the Board. The other non-executive Directors, including the Senior Independent non-executive Director, attend meetings with major shareholders to listen to their views. Twice a year general presentations are given to analysts and investors covering the annual and half year results. Pages 5 to 8 and pages 16 to 20 of the Annual Report and Accounts 2010 detail the financial performance of the Group as well as setting out the risks it faces and plans for the future. 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. 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 levels. In addition, the Group's website containing published information and press releases can be found at www.wincanton.co.uk.

CORPORATE GOVERNANCE

INTERNAL CONTROL AND RISK

The respective responsibilities in connection with the financial statements are set out in the Directors' report on pages 26 to 29 and 43 for the Directors and Auditors respectively. 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 the 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, which provides a documented trail of accountability against the internal control policies and procedures.

This process is facilitated by the Internal Audit Department which also provides a degree of assurance as to the operation and validity of the system of internal control.

All types of risk applicable to the business are regularly reviewed. In addition, a formal risk assessment review is carried out and presented to the Board for its consideration 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.

The 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 managers or the Audit Committee, the findings of which are discussed with the Audit Committee.

COMPLIANCE

The Directors consider that the Company has been in compliance with the provisions of the Code throughout the year ended 31 March 2010 and to the date of this report.

DIRECTORS' REMUNERATION REPORT

INTRODUCTION

This report has been prepared in accordance with The Directors' Remuneration Report Regulations 2002 Large & Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, (the 'Regulations'). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles and complied with the provisions of the Combined Code and the Markets Law relating to Directors' remuneration. As required by the Regulations, an advisory resolution to approve this report will be proposed at the AGM of the Company at which the financial statements will be approved.

REMUNERATION COMMITTEE

The remuneration policy is set by the Board and is described below. The Remuneration Committee, within the framework of this policy, determines individual remuneration packages for all Executive Directors and the Chairman taking into consideration the pay and conditions of other employees. Remuneration for non-executive Directors is determined by the Board, taking into consideration the commitments and responsibilities of the role. The names of the Directors who were members of the Remuneration Committee as at the 31 March 2010 are set out on page 25 and individual attendance at Remuneration Committee meetings is set out on page 31.

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 of the Remuneration Committee to assist the Committee. The Remuneration Committee discuss any matter affecting the Chairman without the Chairman being present.

The Remuneration Committee has access to independent advice where it considers it appropriate. During the year, such advice was received from PricewaterhouseCoopers LLP who also provided remuneration advice to the Group in respect of other senior managers.

REMUNERATION POLICY

During the year ended 31 March 2010 the Board undertook a review of Group remuneration to ensure that the overall remuneration practices achieved the strategic aims of the Group. The review took into account the following:

- Market conditions;
- The need to ensure that the remuneration policy was in line with the risk profile for the Group set by the Board and was consistent with an overall policy to encourage long-term sustainable performance;
- The need to help reinforce the Group's strategy for growth;
- The requirement to provide strong alignment with the delivery of value to shareholders;
- The requirement to have clear and stretching targets;
- The need for the remuneration policy to be tailored to the Group's circumstances;
- The requirement for the Group to recruit, retain and motivate talent;
- To ensure the policy took into account employee performance;
- Cost-effectiveness; and
- Reflected corporate governance best practice.

The results of the review are summarised in the table below (further explanation is provided in the body of the report):

Element of remuneration	Policy pre-review	Policy post-review	Detail of changes	Effect on potential total compensation
Salary	Annual review[1]	Annual review[1]	No increase in salaries for year ended 31 March 2010	Neutral
Maximum annual bonus potential	75% of salary	100% of salary	Remuneration Committee felt that the maximum bonus potential should be set at the lower quartile/median level within the FTSE 250. In addition, a percentage of any bonus earned is deferred in shares (for year ended 31 March 2010 – 75% of the bonus earned will be deferred in shares)	Increase Payment profile has been changed from an immediate cash bonus to a bonus payment in cash and Deferred Shares[2]
Executive Share Options	No grants made to Executive Directors	No grants made to any employees		Not applicable
Share Match Incentive Scheme	Annual grants	No grants made during the year		Decrease
Performance Share Plan	Maximum annual grant 100% of salary	No change	No change to the type of performance condition used but amendments to the method of calculation and levels (see later)	Neutral
Total Compensation Value				Decrease

[1] The salaries of the Executive Directors are reviewed each year by the Remuneration Committee as detailed below.

[2] Deferred Shares are granted as nil cost options under the terms of the Deferred Annual Bonus Scheme which is described in more detail later on in this report.

RENEWAL OF EXECUTIVE OPTION SCHEMES AND ALL EMPLOYEE SAYE SCHEME

The Company is seeking renewal of the Executive Share Option Schemes, including both the approved and unapproved elements, and the SAYE Scheme on substantially the same terms (see Notice of AGM for further information). The Remuneration Committee has no intention of operating the Executive Share Option Schemes for Executive Directors or senior managers as stand alone incentive arrangements. However, the Remuneration Committee wishes to retain the ability in the future to grant options to other employees on objective conditions it determines are appropriate. There is no current intention to grant options to other employees or operate the SAYE scheme.

DIRECTORS' REMUNERATION REPORT

BALANCE BETWEEN FIXED AND VARIABLE (PERFORMANCE BASED) COMPENSATION FOR YEAR ENDED 31 MARCH 2010

Fixed compensation is calculated as:	Variable performance compensation is calculated as:
Salary	Maximum bonus available
Benefits	Face value of the PSP

The balance between the potential fixed and variable performance based compensation for each Executive Director for the year ended 31 March 2010 is 35% fixed compensation and 65% variable compensation.

It should be noted that, unless expressly stated otherwise, the Remuneration Committee intends to operate the same policy for the year ending 31 March 2011 as applied for the year ended 31 March 2010.

SALARY

When determining the base salary of the Executive Directors the Remuneration Committee takes into consideration:

- The levels of base salary for similar positions with comparable status, responsibility and skills in organisations of broadly similar size and complexity, in particular the median salary levels of those comparable companies within the FTSE 250;
- The performance of the individual Executive Director;
- The individual Executive Director's experience and responsibilities; and
- Pay and conditions throughout the Group.

The following table summarises the base salary of Executive Directors:

Name	At 31 March 2010	At 31 March 2009	Percentage change
G D Connell	**£378,000**	£378,000	**0%**
G McFaull	**£472,500**	£472,500	**0%**
N Sullivan	**£283,500**	£283,500	**0%**

ANNUAL BONUS

The Remuneration Committee has changed the payment profile from an immediate cash bonus to a bonus which is a blend of cash and shares. This will provide better long-term alignment with shareholders, with the majority of payment being delivered in Deferred Shares. As part of this review the Remuneration Committee considered the annual bonus arrangements and determined to increase the maximum bonus potential for the Executive Directors from 75 per cent of salary to 100 per cent of salary. This package of changes was put in place for the following reasons:

- The Committee's view that the Group needed to set focused annual performance targets to support the Group's strategy;
- The view of the Committee that the annual bonus is the most effective way of incentivising the Executive Directors to satisfy these targets; and
- The maximum bonus potential, which was below the FTSE 250 median, should be increased to provide a competitive level of reward for achieving these targets (particularly given the salary freeze in the year and the impact of the recession on long-term incentive arrangements).

The Remuneration Committee is keen to ensure that the annual bonus rewards sustainable performance and therefore, to provide an element of risk adjustment, the Committee has determined that a percentage of bonus earned will be deferred in shares granted as nil cost options over market purchased shares. These options vest subject to continued employment at the end of the vesting period under the Terms of the Deferred Annual Bonus Scheme approved by the Remuneration Committee in June 2009. The following tables set out the main features of the annual bonus plan operated for year the ended 31 March 2010:

	G D Connell	G McFaull	N Sullivan
Bonus potential	**100%**	**100%**	**100%**
Median FTSE Mid 250	100%	100%	100%
Lower Quartile FTSE Mid 250	100%	75%	75%
2010 Bonus awarded as percentage of salary	**60%**	**64%**	**68%**
Median Bonus Payments in the FTSE Mid 250 as a percentage of salary	63%	60%	60%

The performance targets for the bonus plan for the year ended 31 March 2010 were:

Target	Percentage of maximum bonus potential
Group profit (excluding amortisation of acquired intangibles, impairment of goodwill and exceptionals)	75%
Individual performance	25%

Bonuses for the year ended 31 March 2010 will be settled as follows:

Method of payment	Settlement level
Immediate cash payment	25.0%
Deferred Shares[1]: one year vesting period	37.5%
Deferred Shares[1]: two year vesting period	37.5%

[1] Granted as nil cost options under the terms of the Deferred Annual Bonus Scheme.

The targets for the annual bonus scheme are reviewed and agreed by the Remuneration Committee each year to ensure that they are appropriate to the current market conditions and position of the Group in order to ensure that they continue to remain challenging. Underlying performance targets for Executive Directors' bonuses were reviewed in the year ended 31 March 2010 to ensure that they remained in line with the Group's overall business strategy in that year. It is the opinion of the Committee that the overall nature of the conditions remain appropriate for the requirements of the Group for the year ending 31 March 2011.

It should be noted that bonus payments are not pensionable.

The maximum bonus potential for the year ending 31 March 2011 will also be 100 per cent of salary.

BONUSES FOR YEAR ENDED 31 MARCH 2010

Bonus earned	Method of payment	Terms and conditions of award
Immediate cash payment	25.0%	Continued employment of the employee on the date of payment.
Deferred Shares: one year vesting period Deferred Shares: two year vesting period	37.5% 37.5%	1. Continued employment of the employee to the relevant vesting date. 2. All shares will be market purchased and provided through the Employee Share Trust. 3. Shares will be forfeited on normal cessation of employment before the relevant vesting date (10 year life from date of grant). 4. Shares will vest on a change of control of the Company. 5. The Remuneration Committee may grant part of the award of the Deferred Shares under the Approved Option Scheme to provide tax efficiency for the Company and employees at no additional cost to the Company or its shareholders.

The Remuneration Committee will determine each year the percentage of bonus paid in cash and Deferred Shares and the deferral period for any shares awarded.

VALUE OF BONUS TO BE DEFERRED IN SHARES

As at 31 March 2010

Audited information:

	Value of bonus to be deferred in shares £'000
G D Connell	**171**
G McFaull	**228**
N Sullivan	**144**

The grant of Deferred Shares is calculated with reference to the middle market closing price of a share on the immediately preceding day, or the average of the middle market closing price of a share on the three or five business days immediately preceding grant. The grant of Deferred Shares is expected to be made at the time the June 2010 salary is paid.

During the year and between 1 April 2010 and 9 June 2010, there have been no changes in the number of Deferred Shares held by the Executive Directors.

BENEFITS

The Group provides the normal benefits in kind for Executive Directors in a business of this size, such as company car allowance, healthcare and life insurance.

EXECUTIVE DIRECTORS' EMOLUMENTS

Audited information:

The value of Executive Directors' salary, annual bonus and benefits (excluding awards of options) is set out in the following table:

	Salary £'000	Benefits £'000	Performance bonus[1] £'000	2010 Total £'000	2009 Total[2] £'000
G D Connell	378	17	57	452	390
G McFaull	473	26	76	575	492
N Sullivan	284	17	48	349	296

[1] The annual bonus for the year ended 31 March 2010 consists of the cash element of the Deferred Annual Bonus Scheme award which was introduced in the year. Further details relating to the share deferral element can be found above.
[2] The Executive Directors did not receive a bonus for the year ended 31 March 2009 nor did they receive a salary increase, in the year ended 31 March 2010.

LONG-TERM INCENTIVES

As noted on page 33, the Remuneration Committee has reviewed the remuneration policy. As a result of this review the only arrangement under which Executive Directors were granted a long-term incentive award during the year ended 31 March 2010 was through the Performance Share Plan. The following table summarises the operation of the PSP for the year under review:

Feature	G D Connell	G McFaull	N Sullivan
Maximum annual grant as percentage of salary	100%	100%	100%
PSP Grant made on 12 June 2009			
Face value	£378,000	£472,500	£283,500
Face value as percentage of salary	100%	100%	100%
FTSE Mid 250 (median)			
Face value as percentage of salary	119%	104%	104%

It should be noted that the actual value of the shares received by Executive Directors will depend on the level of satisfaction of the attached performance conditions and the Company's share price on the date of vesting.

In addition the Remuneration Committee determined to change the performance conditions for the PSP grant made on 12 June 2009 from the performance condition that applied to earlier grants under the PSP. The following table sets out the old conditions and the new conditions which apply over the three year performance period:

Percentage of award subject to condition	Performance condition for the grants made on 14 December 2007 and 27 June 2008	Performance condition for the grant made on 12 June 2009	
50%	This element of the award will vest if the total shareholder return ('TSR') of the Company equals the TSR of the FTSE 250 Index, rising on a straight-line basis to 100% vesting if the TSR performance of the Company is equal to or greater than 20% per annum in excess of the FTSE 250 Index.	The following table sets out the new TSR performance condition over the three-year performance period:	
		Company TSR performance against constituents of the FTSE 250	**Percentage of salary vested[1] (percentage of award in brackets)**
		<Median	**0%**
		Median	**25%** (50%)
		Upper quartile	**50%** (100%)
50%	10% of this element of the award will vest if the annual growth in underlying EPS of the Company equals 6% per annum, rising on a straight-line basis to 100% vesting of the Award if annual growth in underlying EPS equals or exceeds 15% per annum.	Cumulative EPS targets over three year performance period:	
		Cumulative EPS	**Percentage of salary vested[1] (percentage of award in brackets)**
		66.2p	**25%** (50%)
		67p	**30%** (60%)
		68p	**37.5%** (75%)
		69p	**42.5%** (85%)
		70p	**50%** (100%)

[1]Straight line vesting between points.

DIRECTORS' REMUNERATION REPORT

BASIS FOR CHANGE

The Remuneration Committee determined to change the performance conditions because:

TSR

- The Remuneration Committee felt that it was clearer to participants and a better incentive if the requirement was for the Company to achieve better comparative shareholder returns compared to identifiable companies rather than an Index;
- The use of the constituents of a comparator group is consistent with market practice; and
- The overall basis of comparison was maintained i.e. performance compared to the FTSE 250.

EPS

- The Remuneration Committee felt that a cumulative underlying EPS target was more appropriate because:
  - it was less dependent on the timing of the recovery of the Group's earnings;
  - it avoided any artificial outcome resulting from negative growth at some points during the three-year performance period;
  - it retained its motivating effect throughout the performance period as exceptional over performance at the end of the performance period would allow the performance condition to be satisfied; and
  - it was felt that there was greater clarity and therefore better alignment between Executive Directors and shareholders where an amount of value per share was targeted.

The Remuneration Committee retained the right to revise the EPS performance condition upwards to ensure that it remains challenging should the market recover beyond that expected by the Remuneration Committee at the date of grant.

BASIS OF SELECTION OF PERFORMANCE CONDITIONS

The Remuneration Committee believes that underlying EPS is a good measure of performance for the Group, and provides good line-of-sight for Executives. The Remuneration Committee also believes that TSR performance against the FTSE 250 constituents provides a good relative benchmark of the Group's performance and provides good alignment with shareholders' interests. The Remuneration Committee believes that the sliding scale for each of the performance conditions will provide a better relationship between pay and performance, and be more motivational to the participants. Subject to passing the performance conditions and the awards vesting, participants have a six-month period in which to exercise.

The targets for the PSP are reviewed and agreed by the Remuneration Committee each year to ensure that they are appropriate to the current market conditions and position of the Company in order to ensure that they continue to remain challenging. It is the opinion of the Remuneration Committee that the overall nature of the conditions remain appropriate for the requirements of the Group for the year ending 31 March 2011.

PERFORMANCE SHARE PLAN

The relevant three-year periods for measuring the performance conditions are as follows:

Date of grant	Performance period	Performance status
December 2007	The three consecutive financial years ended 31 March 2010	Failed
June 2008	The three consecutive financial years ended 31 March 2011	Untested
June 2009	The three consecutive financial years ended 31 March 2012	Untested

EXECUTIVE DIRECTORS' INTERESTS IN PERFORMANCE SHARES

As at 31 March 2010

Audited information:

Name/Date of grant	Opening	Granted	Closing	Earliest date exercisable	Latest exercise date
G D Connell					
December 2007	46,875	–	46,875	14/12/2010	14/06/2011
June 2008	125,435	–	125,435	27/06/2011	27/12/2011
June 2009	–	190,909	190,909	12/06/2012	12/12/2012
G McFaull					
December 2007	58,593	–	58,593	14/12/2010	14/06/2011
June 2008	156,794	–	156,794	27/06/2011	27/12/2011
June 2009	–	238,636	238,636	12/06/2012	12/12/2012
N Sullivan					
December 2007	35,156	–	35,156	14/12/2010	14/06/2011
June 2008	94,076	–	94,076	27/06/2011	27/12/2011
June 2009	–	143,181	143,181	12/06/2012	12/12/2012

There have been no changes in the number of Performance Shares held by Executive Directors between 1 April 2010 and 9 June 2010.

DISCRETIONARY SHARE PLANS NOT OPERATED IN THE YEAR UNDER REVIEW

Name of plan	Performance conditions	Other relevant terms
Executive Share Option Schemes	Average annual growth in the Group's underlying EPS over the three-year performance period must equal or exceed the average annual growth in RPI+3% for options to vest.	1. Participants have seven years to exercise vested options. 2. Options are not granted at a discount to the prevailing market price on the date of grant.
Original Share Match Incentive Scheme	Average annual growth in the Group's underlying EPS over the three-year performance period must equal or exceed the average annual growth in RPI+3% for matching shares to vest.	For Executive Directors the minimum (mandatory) investment was 25%, and the maximum voluntary investment a further 75%, of their net annual bonus. For Executive Directors those mandatory lodged shares, subject to performance conditions, were matched after three years on a 1:1 basis with voluntarily lodged shares matched on a 2:1 basis. No shares have been lodged in excess of the mandatory amount by Executive Directors under the original SMIS.
Revised Share Match Incentive Scheme	Up to 50% of the award will vest subject to the Company's TSR performance over three years equalling or exceeding that of the FTSE 250 Index over the same period (the 'TSR Award'). 10% of the TSR Award will vest if the TSR performance equals the TSR of the FTSE 250 index, rising on a straight-line basis to 100% vesting of the TSR Award if the TSR performance is equal to or greater than 20% per annum in excess of the Index. Up to 50% of the award will vest subject to the Group's underlying EPS performance over three years (the 'EPS Award'). 10% of the EPS Award will vest if the compound annual growth in underlying EPS equals 6% per annum, rising on a straight-line basis to 100% vesting of the EPS Award if compound annual growth in underlying EPS equals or exceeds 15% per annum.	Executive Directors were given the opportunity to purchase Company shares with a value of up to 50% of their net annual basic salary (100% of their net annual basic salary in respect of the first award made in December 2007) and lodge those shares with the Employee Share Trust in its capacity as Nominee, in return for the opportunity to earn matching shares after a further three years. The minimum investment for Executive Directors is 25% of their net annual bonus. Participants have the opportunity to earn matching shares, subject to performance conditions, with a total market value in any one financial year of up to 200% of gross annual salary, or up to 400% of gross annual salary in respect of the first award made in December 2007. All matching shares would be forfeited if a participant resigns or withdraws their investment within three years from the start of the performance period. Dividends will be accrued on matching shares over the performance period but paid at vesting and only on those matching shares that vest.

All of the Company's share schemes include provisions for accelerated vesting on change of control, conditional where relevant on satisfaction of performance conditions, and in some circumstances subject to pro-rata reduction.

EXECUTIVE SHARE OPTIONS

The relevant three-year period for measuring the performance condition for each option grant is as follows:

Date of grant	Performance period	Performance status
June and September 2001	Any three consecutive financial years within the period 1 April 2001 to 31 March 2006	Passed[1]
July and December 2002	Any three consecutive financial years within the period 1 April 2002 to 31 March 2007	Passed[1]
March 2004	The three consecutive financial years ended 31 March 2006	Passed[1]
December 2004	The three consecutive financial years ended 31 March 2007	Passed[1]
July and December 2005	The three consecutive financial years ended 31 March 2008	Passed[1]
December 2006	The three consecutive financial years ended 31 March 2009	Passed[1]
December 2007	The three consecutive financial years ended 31 March 2010	Failed

[1] Options are exercisable subject to the continued employment condition.

DIRECTORS' REMUNERATION REPORT

EXECUTIVE DIRECTORS' INTERESTS IN EXECUTIVE SHARE OPTIONS

As at 31 March 2010

Audited information:

Name/Date of grant	Options opening	Options exercised	Options closing	Exercise price	Latest exercise date
G D Connell					
June 2001	263,157	–	263,157	£1.90	18/06/2011
December 2002	50,000	–	50,000	£1.93	12/12/2012
December 2004	106,367	–	106,367	£2.69	15/12/2014
December 2005	94,030	–	94,030	£3.35	13/12/2015
December 2006	99,423	–	99,423	£3.47	13/12/2016
G McFaull					
June 2001	117,921	–	117,921	£1.90	18/06/2011
December 2002	50,000	–	50,000	£1.93	12/12/2012
December 2004	96,654	–	96,654	£2.69	15/12/2014
December 2005	117,910	–	117,910	£3.35	13/12/2015
December 2006	123,919	–	123,919	£3.47	13/12/2016
N Sullivan					
December 2002	8,181	–	8,181	£1.93	12/12/2012
December 2004	71,004	–	71,004	£2.69	15/12/2014
December 2005	59,850	–	59,850	£3.35	13/12/2015
December 2006	67,723	–	67,723	£3.47	13/12/2016

During the year and between 1 April 2010 and 9 June 2010, there have been no changes in the number of Executive Share Options held by the Executive Directors.

MATCHING SHARES

Original Share Match Incentive Scheme

There have been four awards of Matching Shares and the relevant three-year periods for each of these awards are as follows:

Date of grant	Performance period	Performance Status
June 2005	The three consecutive financial years ended 31 March 2008	Passed[1]
July 2006	The three consecutive financial years ended 31 March 2009	Passed[1]
July 2007[2]	The three consecutive financial years ended 31 March 2010	Failed
June 2008[2]	The three consecutive financial years ended 31 March 2011	Untested

[1] Vesting period has expired.
[2] The Executive Board, including Executive Directors and certain other senior managers, were not included in these grants.

EXECUTIVE DIRECTORS' INTERESTS IN MATCHING SHARES GRANTED UNDER ORIGINAL SMIS

As at 31 March 2010

Audited information:

Name/Date of grant	Options opening	Options exercised	Options closing	Date of exercise	Share price at date of exercise
G D Connell					
July 2006	10,646	10,646	–	13/07/2009	£1.71
G McFaull					
July 2006	12,743	12,743	–	13/07/2009	£1.71
N Sullivan					
July 2006	6,701	6,701	–	13/07/2009	£1.71

The number of shares lodged by the Executive Directors and which are used to determine the matching award are recorded on page 40.

Revised Share Match Incentive Scheme

The relevant three-year periods for the Matching Share awards are as follows:

Date of grant	Performance period	Performance status
December 2007	The three consecutive financial years ended 31 March 2010	Failed
June 2008	The three consecutive financial years ended 31 March 2011	Untested

Matching Shares are classed as nil cost options for the purposes of the plan rules.

EXECUTIVE DIRECTORS' MAXIMUM INTERESTS IN MATCHING SHARES UNDER REVISED SMIS

As at 31 March 2010

Audited information:

Name/Date of grant	Options opening	Options granted	Options closing	Earliest date exercisable	Latest exercise date
G D Connell					
December 2007	375,000	–	375,000	14/12/2010	14/06/2011
June 2008	250,871	–	250,871	27/06/2011	27/12/2011
G McFaull					
December 2007	468,750	–	468,750	14/12/2010	14/06/2011
June 2008	217,784	–	217,784	27/06/2011	27/12/2011
N Sullivan					
December 2007	281,250	–	281,250	14/12/2010	14/06/2011
June 2008	188,153	–	188,153	27/06/2011	27/12/2011

SHARE INCENTIVE PLAN

The Company operates a Share Incentive Plan approved by HMRC, which includes partnership, matching and dividend shares:-

Name	Status	Eligibility	Main features
Share Incentive Plan (HMRC approved)	Operated in the year ended 31 March 2010 and will be operated in the year ending 31 March 2011.	All UK employees of the Group with a minimum service of three months.	The SIP provides employees with the opportunity to purchase up to £1,500 of Partnership Shares a year out of pre-tax salary and to receive additional Matching Shares. These Matching Shares will normally be released three years after they have been awarded provided that the associated shares purchased by the employee have been retained and provided the employee is still employed by a Group company. Employees receive one Matching Share for every four Partnership Shares purchased by the employee. It is the current intention that the same level of match will be made in the year ending 31 March 2011. As at 31 March 2010 1,679 (2009: 1,801) employees participated in the SIP.

DIRECTORS' REMUNERATION REPORT

EXECUTIVE DIRECTORS' INTERESTS IN THE SIP

As at 31 March 2010

Audited information:

	At 31 March 2010			At 1 April 2009		
	Partnership Shares	Matching Shares	Dividend Shares	Partnership Shares	Matching Shares	Dividend Shares
G McFaull	**2,812**	**699**	**478**	2,069	517	244
N Sullivan	**2,812**	**699**	**478**	2,069	517	244

Between 1 April 2010 and 9 June 2010, 110 Partnership Shares were purchased by and 27 Matching Shares awarded to each of the Executive Directors included in the above table.

DILUTION

Newly issued shares are currently used to satisfy the exercise of executive share options granted before December 2004; all other long-term incentives are satisfied by shares delivered by the Trust, that buys the shares on the market using funding from the Company. For those vested options granted on or after December 2004 and for leavers of those option grants, the Trust 'equity settles' those options granted under the Unapproved Executive Share Option Scheme. It is considered that by equity settling an option exercise, the participant does not suffer a detrimental effect and the shares purchased by the Trust will be available to meet more of the outstanding options on exercise. As at 31 March 2010, the Trust held 7,109,385 shares representing 5.86 per cent of the issued share capital of the Company. In addition, as nominee the Trust holds 262,814 shares pledged by the Executive Directors under the Revised SMIS. It is the view of the Board that the current shareholding of the Trust represents the peak level with no material increase expected in the year ending 31 March 2011. The Board believes that the number of shares held by the Trust is appropriate and that advantage has been taken of what is considered to be an advantageous price of the Company's shares.

In accordance with the ABI guidelines and scheme rules, the Company can issue a maximum of ten per cent of its issued share capital in a rolling 10-year period to employees under all its share plans. Within this 10 per cent, the Company can only issue 5 per cent to satisfy awards under discretionary or executive plans. The table below sets out the level of dilution against these limits as at 31 March 2010 and 31 March 2009.

	Total dilution	
	31 March 2010	31 March 2009
All share plans (maximum 10%)	**6%**	6%
Discretionary share plans (maximum 5%)	**4%**	4%

It is the current intention that awards granted under the Company's share plans in the year under review will be satisfied by market purchased shares.

EXECUTIVE DIRECTORS' SHAREHOLDINGS

The Board believes it is important that the interests of Executive Directors should be closely aligned with those of shareholders. The long-term incentives provide considerable alignment. As at 31 March 2010, the Executive Directors held the following shares:

	Partnership and dividend shares held under the SIP		Lodged shares held under the SMIS		Unrestricted shares held		Total shares held		Percentage of net salary	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010[1]	31 March 2009[1]
G D Connell	**–**	–	**92,315**	102,961	**50,242**	28,950	**142,557**	131,911	**126%**	95%
G McFaull	**3,290**	2,313	**101,263**	114,006	**35,486**	10,000	**140,039**	126,319	**99%**	73%
N Sullivan	**3,290**	2,313	**69,236**	75,937	**19,402**	6,000	**91,928**	84,250	**109%**	81%

[1] Percentage holding calculated with reference to annual base salary and share price as at 31 March 2010 of 201.25p (2009: 164p).

There were no changes in the Directors' personal holdings between 1 April 2010 and 9 June 2010 except for those in relation to the SIP detailed above. None of the Executive Directors held any shares non-beneficially nor had any interest in the shares of any subsidiary undertakings.

EXECUTIVE DIRECTORS' PENSIONS

All Executive Directors are members of the defined benefit section of the Wincanton plc Pension Scheme (the '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 52, 48 and 43, respectively and their length of qualifying service is 13 years 5 months, 16 years and 7 years 4 months respectively. Pensions for Executive Directors are provided so far as possible through the Scheme and additionally 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 Scheme had the Executive Directors not been subject to the maximum permitted earnings as provided by HMRC before 6 April 2006 and as continued in relation to the Scheme by a deed executed on 23 March 2006. Pension benefits are calculated on base salary only.

The Scheme provides 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 per cent of the Executive's pension may be payable.

	Accrued pension at 1 April 2009 £'000	Increase in accrued pension in the year £'000	Accrued pension at 31 March 2010 £'000
G D Connell	**145**	**14**	**159**
G McFaull	**178**	**13**	**191**
N Sullivan	**50**	**9**	**59**

	Transfer value at 1 April 2009 £'000	Transfer value of increase in accrued benefit excluding inflation £'000	Directors' contributions £'000	Transfer value of net increase £'000	Total change in transfer value £'000	Transfer value at 31 March 2010 £'000
G D Connell	2,270	238	4	187	429	2,699
G McFaull	2,469	199	4	249	452	2,921
N Sullivan	563	109	4	40	153	716

EMPLOYMENT CONTRACTS

Details of the service contracts of the Executive Directors of the Company in force at the end of the year ended 31 March 2010 are as follows:

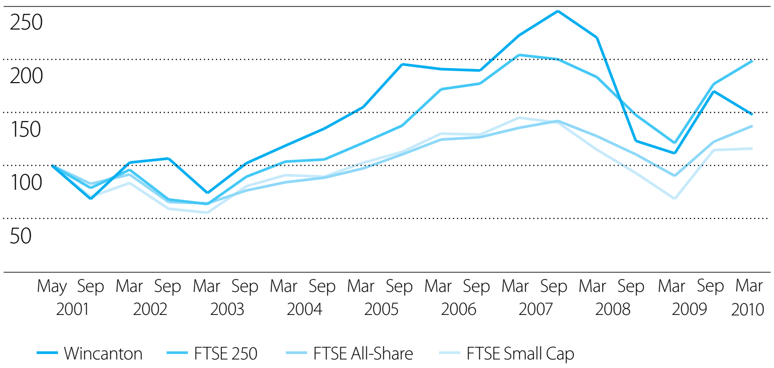
Name	Company notice period	Contract date	Unexpired term of contract	Potential termination payment
G D Connell	12 months	23 March 2001	Rolling contract	12 months' salary and benefits
G McFaull	12 months	23 March 2001	Rolling contract	12 months' salary and benefits
N Sullivan	12 months	7 November 2002	Rolling contract	12 months' salary and benefits

The Executive Directors' contracts are on a rolling basis, unless terminated by at least 12 months written notice. This arrangement is in line with best corporate practice for listed companies. In the event of the termination of an Executive Directors' contract, salary and benefits will be payable during the notice period (there will, however, be no automatic entitlement to bonus payments or share incentive grants during the period of notice other than in accordance with the rules of the relevant incentive plan). The Remuneration Committee will ensure that there have been no unjustified payments for failure on an Executive Director's termination of employment. There are no special provisions in the contracts of employment extending notice periods on a change of control, liquidation of the Company or cessation of employment.

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.

TSR SINCE DEMERGER



Source: Thomson Financial Datastream

OUTSIDE APPOINTMENTS

The Board allows Executive Directors and other appropriate senior employees to accept a maximum of one non-executive appointment outside the Group, subject to permission from the Remuneration Committee and provided there are no conflicts of interest. It is believed that such appointments can enhance Directors' experience and value to the Group. Accordingly, G McFaull is a non-executive Director of Wates Group Limited and G D Connell is the Senior Independent non-executive Director and Chairman of the Audit Committee of Pennon Group plc. The retention by them of the fees of £23,916 (since G McFaull's appointment on 1 September 2009) and £53,000 respectively for the year ended 31 March 2010 (2009: nil and £50,400 respectively) have been approved by the Board.

G McFaull was President of the Chartered Institute of Logistics and Transport (CILT), between May 2009 and May 2010. There are no fees payable for this position.

DIRECTORS' REMUNERATION REPORT

NON-EXECUTIVE DIRECTORS' REWARD

Non-executive Directors do not participate in any of the Group's incentive or benefit plans. Their fees are reviewed annually, having regard to competitive market practice, supported by research through external independent surveys. The Remuneration Committee and the Chief Executive set the Chairman's fees; the Board as a whole sets those for the other non-executive Directors.

The current annual fee for a non-executive Director is £45,000 per annum and the Committee chair fee is £7,500 per annum. The Chairman's fee as at the date of this report is £140,000 per annum.

NON-EXECUTIVE DIRECTORS' FEES

Audited information

	Annual fee £'000	Committee chair fees £'000	2010 Total fees £'000	2009 Total fees £'000
J Cox	45	8	53	47
P G Cox[1]	15	3	18	53
D A Edmonds	140	–	140	113
N England[2]	45	4	49	37
Dr W Hasselkus[3]	45	–	45	45
P Venables[4]	26	–	26	–

[1] Resigned on 23 July 2009.
[2] Appointed Remuneration Committee Chairman on 7 October 2009.
[3] In addition, Dr W Hasselkus received a fee of €25,000 (2009: €25,000) in respect of being Chairman of the Supervisory Board of Wincanton GmbH.
[4] Appointed on 2 September 2009.

NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS

As at 31 March 2010

	Opening	Purchased	Disposed	Closing
J Cox	36,589	–	–	36,589
P G Cox[1]	5,000	–	–	5,000
D A Edmonds	35,000	–	–	35,000
N England	25,000		–	25,000
Dr W Hasselkus	5,000	–	–	5,000
P Venables[2]	–	25,000	–	25,000

[1] Resigned on 23 July 2009.
[2] Appointed on 2 September 2009.

The highest and lowest prices of the Company's shares during the year were 246.5p and 141.75p respectively. The share price at 31 March 2010 was 201.25p.

This Directors' remuneration report was approved by the Board on 9 June 2010 and was signed on its behalf by:

S P Williams
Company Secretary
Methuen Park
Chippenham
Wiltshire SN14 0WT

Independent Auditors' report to the members of Wincanton plc

We have audited the financial statements of Wincanton plc for the year ended 31 March 2010 set out on pages 44 to 79. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' responsibilities statement set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2010 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- The parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Corporate governance statement set out on pages 30 to 32 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A Corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 28, in relation to going concern; and
- The part of the Corporate governance statement on pages 30 to 32 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

V Stevens (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG
9 June 2010

Consolidated income statement

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £m	2009 £m
Revenue	2	**2,182.9**	2,361.3
Share of results of associates	13	**0.7**	0.1
Total underlying operating profit		**54.6**	59.6
Amortisation of acquired intangibles		**(11.2)**	(9.0)
Exceptional restructuring and other costs	3	**(20.5)**	(23.1)
Other exceptional income	3	**–**	10.8
Operating profit	3	**22.9**	38.3
Financing income	5	**0.9**	2.9
Financing cost	5	**(20.8)**	(21.2)
Net financing costs		**(19.9)**	(18.3)
Profit before tax		**3.0**	20.0
Income tax expense	6	**(0.5)**	(6.0)
Profit for the year		**2.5**	14.0
Attributable to			
– equity shareholders of Wincanton plc		**1.8**	13.5
– minority interests		**0.7**	0.5
Profit for the year		**2.5**	14.0
Earnings per share			
– basic	7	**1.6p**	11.6p
– diluted	7	**1.6p**	11.6p
Dividends paid in the year to equity shareholders of Wincanton plc (£m)	8	**17.1**	17.6

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £m	2009 £m
Profit for the year		**2.5**	14.0
Other comprehensive income			
Actuarial losses on defined benefit pension schemes (net of deferred tax)		**(54.6)**	(63.4)
Net foreign exchange gain/(loss) on investment in foreign subsidiaries net of hedged items	5	**0.9**	(0.3)
Income tax relating to components of other comprehensive income	6	**1.1**	(2.5)
Other comprehensive expense for the year, net of income tax		**(52.6)**	(66.2)
Total comprehensive expense for the year		**(50.1)**	(52.2)
Attributable to			
– equity shareholders of Wincanton plc		**(50.8)**	(52.7)
– minority interests		**0.7**	0.5
Total comprehensive expense for the year		**(50.1)**	(52.2)

Consolidated balance sheet

AT 31 MARCH 2010

	Note	2010 £m	2009 restated £m
Non-current assets			
Goodwill and intangible assets	9	**189.5**	204.1
Property, plant and equipment	10	**237.7**	249.1
Investments, including those equity accounted	11	**15.0**	15.3
Deferred tax assets	15	**23.6**	3.8
		465.8	472.3
Current assets			
Inventories	16	**9.3**	8.9
Trade and other receivables	17	**363.4**	386.3
Cash and cash equivalents	18	**96.8**	48.3
		469.5	443.5
Current liabilities			
Income tax payable		**(6.6)**	(11.9)
Borrowings	19	**(15.4)**	(12.2)
Trade and other payables	20	**(533.6)**	(520.9)
Employee benefits	26	**(10.4)**	(11.0)
Provisions	21	**(26.5)**	(24.9)
		(592.5)	(580.9)
Net current liabilities		**(123.0)**	(137.4)
Total assets less current liabilities		**342.8**	334.9
Non-current liabilities			
Borrowings	19	**(233.3)**	(212.5)
Other payables	20	**(1.4)**	(1.5)
Employee benefits	26	**(171.9)**	(112.6)
Provisions	21	**(32.1)**	(37.0)
Deferred tax liabilities	15	**(4.1)**	(4.6)
		(442.8)	(368.2)
Net liabilities		**(100.0)**	(33.3)

Add back: pension deficit, net of deferred tax	1	**132.0**	89.6
Net assets before net pension deficit		**32.0**	56.3

Equity			
Issued share capital		**12.1**	12.1
Share premium		**12.2**	12.2
Merger reserve		**3.5**	3.5
Translation reserve		**4.3**	3.4
Retained earnings		**(132.6)**	(65.1)
Equity deficit attributable to shareholders of Wincanton plc		**(100.5)**	(33.9)
Minority interest		**0.5**	0.6
Total equity deficit		**(100.0)**	(33.3)

These financial statements were approved by the Board of Directors on 9 June 2010 and were signed on its behalf by:

G McFaull
Chief Executive

G D Connell
Group Finance Director

Consolidated statement of changes in equity

AT 31 MARCH 2010

						Retained earnings					
	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Translation reserve £m	IFRS 2 reserve £m	Own shares £m	Profit and loss £m	Total £m	Minority interests £m	Total (equity deficit)/ equity £m
Balance at 1 April 2008		12.1	11.9	3.5	3.7	5.9	(14.7)	14.2	36.6	0.4	37.0
Total comprehensive income/(expense)		–	–	–	(0.3)	–	–	(52.4)	(52.7)	0.5	(52.2)
Increase in IFRS 2 reserve		–	–	–	–	2.2	–	–	2.2	–	2.2
Shares issued		–	0.3	–	–	–	–	–	0.3	–	0.3
Own shares disposed of on exercise of options		–	–	–	–	–	0.3	(0.3)	–	–	–
Own shares acquired		–	–	–	–	–	(2.7)	–	(2.7)	–	(2.7)
Minority interest on acquisition		–	–	–	–	–	–	–	–	0.3	0.3
Dividends paid to shareholders	8	–	–	–	–	–	–	(17.6)	(17.6)	(0.6)	(18.2)
Balance at 31 March 2009		12.1	12.2	3.5	3.4	8.1	(17.1)	(56.1)	(33.9)	0.6	(33.3)
Balance at 1 April 2009		**12.1**	**12.2**	**3.5**	**3.4**	**8.1**	**(17.1)**	**(56.1)**	**(33.9)**	**0.6**	**(33.3)**
Total comprehensive income/(expense)		–	–	–	**0.9**	–	–	**(51.7)**	**(50.8)**	**0.7**	**(50.1)**
Increase in IFRS 2 reserve		–	–	–	–	**3.3**	–	–	**3.3**	–	**3.3**
Own shares disposed of on exercise of options		–	–	–	–	–	**0.5**	**(0.5)**	–	–	–
Own shares acquired		–	–	–	–	–	**(2.0)**	–	**(2.0)**	–	**(2.0)**
Dividends paid to shareholders	8	–	–	–	–	–	–	**(17.1)**	**(17.1)**	**(0.8)**	**(17.9)**
Balance at 31 March 2010		**12.1**	**12.2**	**3.5**	**4.3**	**11.4**	**(18.6)**	**(125.4)**	**(100.5)**	**0.5**	**(100.0)**

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2010

	2010 £m	2009 £m
Operating activities		
Profit before tax	3.0	20.0
Adjustments for		
– depreciation and amortisation	49.8	46.3
– interest expense	19.9	18.3
– share of results of associates	(0.7)	(0.1)
– gain on disposal of subsidiary	–	(14.4)
– loss/(profit) on sale of property, plant and equipment	0.1	(5.5)
– share-based payments fair value charges	3.3	2.2
Operating profit before changes in working capital and provisions	75.4	66.8
Decrease in trade and other receivables	19.6	55.0
(Increase)/decrease in inventories	(0.5)	1.3
Increase/(decrease) in trade and other payables	26.2	(44.3)
Decrease in provisions	(4.9)	(4.2)
Decrease in employee benefits	(21.4)	(11.6)
Income taxes paid	(3.7)	(5.5)
Cash generated from operations	15.3	(9.3)
Cash flows from operating activities	90.7	57.5
Investing activities		
Proceeds from sale of property, plant and equipment	3.1	23.2
Interest received	0.9	2.8
Dividends received from associates	0.1	0.2
Acquisitions net of cash acquired and debt repaid on acquisition	(3.0)	(58.0)
Additions of property, plant and equipment	(32.8)	(52.6)
Cash flows from investing activities	(31.7)	(84.4)
Financing activities		
Proceeds from the issue of share capital	–	0.3
Own shares acquired	(2.0)	(2.7)
Increase in borrowings	26.2	43.6
Payment of finance lease liabilities	(0.3)	(1.9)
Dividends paid to minority interest in subsidiary undertakings	(0.8)	(0.6)
Equity dividends paid	(17.1)	(17.6)
Interest paid	(15.8)	(16.4)
Cash flows from financing activities	(9.8)	4.7
Net increase/(decrease) in cash and cash equivalents	49.2	(22.2)
Cash and cash equivalents at beginning of year	48.3	67.4
Effect of exchange rate fluctuations on cash held	(0.7)	3.1
Cash and cash equivalents at end of year	96.8	48.3
Represented by		
– cash at bank and in hand	72.6	23.4
– restricted cash, being deposits held by the Group's captive insurer	24.2	24.9
	96.8	48.3

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

Statement of compliance

Wincanton plc is a company incorporated in England and Wales. 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 2006 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 2010:

IFRS 3 Business Combinations (Revised) and IAS 27 (Amendment) Consolidated and Separate Financial Statements. The changes introduced by the standards include the expensing of acquisition related costs, a greater emphasis on fair value and the requirement to remeasure interests at the time when control is achieved or lost. The Group will apply IFRS 3 (Revised) and IAS 27 (Amendment) to business combinations from 1 April 2010.

IAS 17 Leases (Amendment). The amendment requires the Group to review the classification of leases of land. The reassessment may result in such leases being classified as finance leases. The Group will apply IAS 17 (Amendment) from 1 April 2010.

The Group does not currently believe the adoption of these standards will have a significant effect, with the exception of changes to disclosures, 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 75 to 78 and 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 first time application of IFRS 8 Operating Segments, IAS 1 (Amendment) Presentation of Financial Statements: A Revised Presentation, IFRS 2 (Amendment) Share-based Payment: Vesting Conditions and Cancellations and IAS 23 (Amendment) Borrowing Costs. The adoption of these standards has not had a significant effect, with the exception of changes to disclosures, on the consolidated results or financial position of the Group.

Prior year comparatives have been restated in accordance with IFRS 3, Business Combinations in respect of prior year acquisitions as set out in note 22.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 5 to 8 and pages 16 to 20, which also contain a review of the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 28 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group is reporting net liabilities of £100.0m (2009: net liabilities of £33.3m) primarily due to the increase in the pension deficit of £42.4m net of deferred tax in the year. To provide greater visibility of the Group's underlying balance sheet position, net assets before the net pension deficit are also shown on the face of the balance sheet. The pension obligations and related deferred tax asset are detailed in notes 26 and 15 to the financial statements respectively.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing both the Group and Company financial statements.

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 comprehensive income 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 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 consolidated Group financial statements.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

In respect of acquisitions prior to transition to Adopted IFRS, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP. Wincanton elected on transition to Adopted 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 not 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 as follows:

Customer relationships	6 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 life 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 their fair value on initial recognition (discounted if material) 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 other comprehensive income. They are released into the income statement upon disposal.

The Group has taken advantage of the exemption available in 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.

Employee benefits

The Group operates defined contribution and defined benefit pension schemes. The assets of these schemes are held in separate Trustee administered funds independent of the Group. The investment strategy of the Trustee and Group is to maximise investment returns, with a key area for management attention being to meet the Group's funded defined benefit obligations. In accordance with this strategy certain investments are designated at fair value and are accounted for as set out below.

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 other comprehensive income in the statement of comprehensive income.

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 Share Option, Performance Share Plan, Share Match Incentive, Sharesave Option and Deferred Annual Bonus 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 and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by an external valuer using the Binomial, Monte-Carlo or scenario-modelling methods as appropriate. The expected life assumptions used in the models have 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 for the benefit of the Plan participants.

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. An asset is considered for impairment testing if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of the asset. 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. For trade receivables specific bad debts are provided against unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off.

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 fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value. 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 the Group to purchase goods from third parties and sell them on to the customer at cost. As the Group 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 fees, discounts unwound, and losses on hedging instruments that are recognised in the income statement (see hedge 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 other comprehensive income or equity, in which case it is recognised in the relevant component.

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.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES (CONTINUED)

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.

Operating segments

Operating segments are identified on the basis of information that internally is provided to the Board, which is the Group's chief operating decision-maker, to allocate capital and resources and assess performance.

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.

Upon initial recognition attributable transaction costs are recognised in the income statement when incurred.

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 other comprehensive income. 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. OPERATING SEGMENTS

Wincanton plc provides contract logistics services. The Group manages its operations in two geographic operating segments, comprised of United Kingdom & Ireland and Mainland Europe. The results of these two operating segments are regularly reviewed by the Board to allocate resources to these segments and to assess their performance. The Group evaluates performance of the operating segments on the basis of underlying operating profit.

		UK & Ireland		Mainland Europe		Consolidated	
	Note	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Revenue from external customers[1]		**1,326.4**	1,455.5	**856.5**	905.8	**2,182.9**	2,361.3
Inter-segment revenues[2]		**–**	1.7	**1.0**	0.8	**1.0**	2.5
Depreciation		**(27.4)**	(25.8)	**(9.8)**	(9.7)	**(37.2)**	(35.5)
Amortisation of software intangibles		**(0.5)**	(0.7)	**(0.9)**	(1.1)	**(1.4)**	(1.8)
Share of results of associates		**0.6**	–	**0.1**	0.1	**0.7**	0.1
Reportable segment underlying operating profit[3]		**48.4**	52.5	**6.2**	7.1	**54.6**	59.6
Reportable segment assets[4,5]		**351.1**	376.6	**276.3**	285.2	**627.4**	661.8
Other assets						**307.9**	254.0
Total Group assets						**935.3**	915.8
Investment in associates	11	**14.2**	14.4	**0.4**	0.5	**14.6**	14.9
Additions to reportable segment non-current assets							
– property, plant and equipment	10	**21.9**	27.7	**8.5**	24.9	**30.4**	52.6
– goodwill and intangible assets	9	**0.1**	–	**0.7**	0.7	**0.8**	0.7
Reportable segment liabilities[5]		**(360.6)**	(337.4)	**(194.5)**	(210.6)	**(555.1)**	(548.0)
Other liabilities						**(480.2)**	(401.1)
Total Group liabilities						**(1,035.3)**	(949.1)

1 Revenues are based on the geographic location of the business operations. Included in the UK & Ireland segment revenue is £1,280.8m (2009: £1,407.7m) in respect of customers based in the UK and in the Mainland Europe segment £566.1m (2009: £596.9m) in respect of customers based in Germany.

2 The Group accounts for inter-segment sales on commercial terms.

3 Underlying operating profit includes the share of results of associates and is stated before amortisation of acquired intangibles and any goodwill impairment and exceptionals.

4 Reportable segment assets includes non-current assets of £0.3m (2009: £0.8m) for the UK, £1.3m (2009: £1.3m) for Germany, and £1.7m (2009: £1.4m) for Mainland Europe overall.

5 Reportable segment assets and liabilities comprise total assets and total liabilities adjusted for goodwill, acquired intangibles, debt, tax, employee benefits and insurance provisions, such that the net of segment assets and liabilities is equal to the capital employed definition used by the Group in calculating return on capital employed. The reconciling other assets and other liabilities in the table above comprise, as applicable, the same adjusting items.

3. OPERATING PROFIT

	2010			2009		
	Underlying[1] £m	Amortisation of acquired intangibles and exceptionals[2] £m	Total £m	Underlying[1] £m	Amortisation of acquired intangibles and exceptionals[2] £m	Total £m
Revenue	**2,182.9**	**–**	**2,182.9**	2,361.3	–	2,361.3
Cost of sales	**(2,100.0)**	**(20.5)**	**(2,120.5)**	(2,273.9)	(9.3)	(2,283.2)
Gross profit	**82.9**	**(20.5)**	**62.4**	87.4	(9.3)	78.1
Administrative expenses	**(29.0)**	**(11.2)**	**(40.2)**	(27.9)	(12.0)	(39.9)
Share of results of associates	**0.7**	**–**	**0.7**	0.1	–	0.1
Operating profit	**54.6**	**(31.7)**	**22.9**	59.6	(21.3)	38.3

1 Underlying operating profit includes the share of results of associates, and is stated before amortisation of acquired intangibles and any goodwill impairment and exceptionals.

2 Comprises the amortisation of acquired intangibles, exceptional restructuring and other costs and other exceptional income.

Notes to the consolidated financial statements

3. OPERATING PROFIT (CONTINUED)

	Note	2010 £m	2009 £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		**0.7**	0.7
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**	0.2
Depreciation and other impairment amounts written off property, plant and equipment			
– owned	10	**34.4**	32.9
– leased	10	**2.8**	2.6
Amortisation and other amounts written off software intangibles	9	**1.4**	1.8
Operating lease rentals			
– plant and equipment		**45.2**	54.3
– land and buildings		**82.9**	78.8

Exceptionals

	Note	2010 £m	2009 £m
Exceptional restructuring and other costs			
Costs of acquisitions and post-acquisition reorganisation of operating structures		**(0.7)**	(3.0)
Closure and restructuring of operations			
– UK & Ireland		**(4.9)**	(9.3)
– Mainland Europe		**(14.9)**	(8.7)
Under-recovery of amounts owing by Woolworths plc		**–**	(2.1)
		(20.5)	(23.1)
Other exceptional income			
Property profits – sale of freehold land and buildings		**–**	5.2
Partial settlement of the PGN Logistics Ltd arbitration case	14	**–**	5.6
		–	10.8

Costs and incomes are included as exceptionals where they are non-recurring and where not to do so would distort the reported underlying profit performance of the Group.

4. PERSONNEL EXPENSES, INCLUDING DIRECTORS

	Note	2010 £m	2009 £m
Wages and salaries		**703.4**	713.8
Share-based payments (including IFRS 2 fair value charges)		**4.3**	2.0
Social security contributions		**91.5**	91.1
Contributions to defined contribution pension schemes	26	**9.5**	9.0
Service costs of defined benefit pension schemes	26	**12.1**	16.1
		820.8	832.0

	2010	2009
Average number of persons employed by the Group (including Directors) during the year	**27,840**	29,050

Directors' emoluments

	2010 £'000	2009 £'000
Salaries	**1,135**	1,121
Bonuses	**181**	–
Other benefits	**60**	57
Non-executive Directors' fees	**331**	333
Total emoluments	**1,707**	1,511

Full details of each individual Director's emoluments, bonuses deferred in shares, share options and pension entitlements are given in the Directors' remuneration report on pages 33 to 42.

5. NET FINANCING COSTS

Recognised in the income statement

	Note	2010 £m	2009 £m
Interest income		0.9	2.9
		0.9	2.9
Interest expense		(12.0)	(15.4)
Finance charges payable in respect of finance leases		(1.2)	(1.4)
Unwinding of discount on insurance and other provisions	21	(2.2)	(3.4)
Interest on defined benefit pension scheme obligations	26	(36.5)	(37.2)
Expected return on defined benefit pension scheme assets	26	31.1	36.0
		(20.8)	(21.4)
Less: finance costs capitalised		–	0.2
		(20.8)	(21.2)
Net financing costs		(19.9)	(18.3)

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

Recognised in other comprehensive income

	2010 £m	2009 £m
Foreign currency translation differences for foreign operations	0.9	(0.3)
	0.9	(0.3)
Recognised in:		
Translation reserve	0.9	(0.3)
	0.9	(0.3)

6. INCOME TAX EXPENSE

Recognised in the income statement

	2010 £m	2009 £m
Current tax expense		
Current year	4.0	6.2
Adjustments for prior years	(4.5)	0.1
	(0.5)	6.3
Deferred tax expense		
Current year	1.1	(0.3)
Adjustments for prior years	(0.1)	–
	1.0	(0.3)
Total income tax expense	0.5	6.0

Reconciliation of effective tax rate

	2010 £m	2009 £m
Profit before tax	3.0	20.0
Income tax using the UK corporation tax rate of 28% (2009: 28%)	0.8	5.6
Effect of tax rates in foreign jurisdictions	(0.6)	(0.3)
Trading losses not recognised	3.2	1.4
Non-deductible expenditure	1.2	0.5
Capital profits offset by capital losses	–	(1.3)
Other	0.5	–
Adjustments for prior years		
– current tax	(4.5)	0.1
– deferred tax	(0.1)	–
Total tax charge for the year	0.5	6.0

Recognised in other comprehensive income

	2010 £m	2009 £m
Actuarial losses on defined benefit pension schemes	21.3	24.8
Income tax relating to other components	1.1	(2.5)
	22.4	22.3

Income tax relating to other components includes £1.1m (2009: £(1.8)m) on foreign exchange movements. The prior years adjustment to current tax expense includes a credit of £4.7m (2009: £nil) arising from the agreement of the tax treatment of a long-running prior years item.

Notes to the consolidated financial statements

7. EARNINGS PER SHARE

Earnings per share are calculated on the basis of earnings attributable to the equity shareholders of Wincanton plc of £1.8m (2009: £13.5m) and the weighted average of 114.6m (2009: 116.0m) shares which have been in issue throughout the year. The diluted earnings per share are calculated on the basis of no additional shares (2009: 0.2m) 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:

	2010 millions	2009 millions
Weighted average number of ordinary shares		
Issued ordinary shares at the beginning of the year	115.3	116.5
Net effect of shares issued and purchased during the year	(0.7)	(0.5)
	114.6	116.0
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at the end of the year	114.6	116.0
Effect of share options on issue	–	0.2
	114.6	116.2

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

	2010 pence	2009 pence
Underlying earnings per share		
– basic	20.9	24.7
– diluted	20.9	24.7

Underlying earnings are determined as follows:

	Note	2010 £m	2009 £m
Profit for the year attributable to equity shareholders of Wincanton plc		1.8	13.5
Exceptional restructuring and other costs	3	20.5	23.1
Other exceptional income	3	–	(10.8)
Amortisation of acquired intangibles	9	11.2	9.0
Tax		(9.5)	(6.1)
Underlying earnings		24.0	28.7

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 5 January 2010, and the final for the year ended 31 March 2009, paid on 7 August 2009.

These are detailed in the following table:

	2010 £m	2009 £m
Interim dividend of 4.83p (2009: 4.83p) paid in January 2010 and 2009 respectively	5.5	5.6
Final dividend of 10.08p for 2009 (2008: 10.31p) paid in August 2009 and 2008 respectively	11.6	12.0
Total dividend paid in the year	17.1	17.6

The final dividend proposed for the year ended 31 March 2010 is 10.08p, which if approved will be paid on 6 August 2010 to shareholders on the register on 9 July 2010, total £11.5m.

9. GOODWILL AND INTANGIBLE ASSETS

	Goodwill restated £m	Acquired intangibles £m	Computer software costs £m	Total restated £m
Cost				
At 1 April 2008	97.8	54.6	23.9	176.3
Effect of movements in foreign exchange	8.2	3.4	1.9	13.5
Additions	–	–	0.7	0.7
Acquisitions and fair value adjustments	26.9	34.3	0.1	61.3
Disposals	–	–	(1.2)	(1.2)
At 31 March 2009	132.9	92.3	25.4	250.6
At 1 April 2009	**132.9**	**92.3**	**25.4**	**250.6**
Effect of movements in foreign exchange	**(2.5)**	**(1.0)**	**(0.5)**	**(4.0)**
Additions	**–**	**–**	**0.8**	**0.8**
Disposals	**–**	**–**	**(7.1)**	**(7.1)**
At 31 March 2010	**130.4**	**91.3**	**18.6**	**240.3**
Amortisation and impairment losses				
At 1 April 2008	(2.6)	(10.5)	(20.5)	(33.6)
Effect of movements in foreign exchange	(0.1)	(1.1)	(1.7)	(2.9)
Charge for year	–	(9.0)	(1.8)	(10.8)
Disposals	–	–	0.8	0.8
At 31 March 2009	(2.7)	(20.6)	(23.2)	(46.5)
At 1 April 2009	**(2.7)**	**(20.6)**	**(23.2)**	**(46.5)**
Effect of movements in foreign exchange	**–**	**0.3**	**0.3**	**0.6**
Charge for year	**–**	**(11.2)**	**(1.4)**	**(12.6)**
Disposals	**–**	**–**	**7.7**	**7.7**
At 31 March 2010	**(2.7)**	**(31.5)**	**(16.6)**	**(50.8)**
Carrying value				
At 1 April 2008	95.2	44.1	3.4	142.7
At 31 March 2009 and 1 April 2009	130.2	71.7	2.2	204.1
At 31 March 2010	**127.7**	**59.8**	**2.0**	**189.5**

The amortisation charges above of £12.6m (2009: £10.8m) are recognised in the income statement within cost of sales £0.2m (2009: £0.6m) and administrative expenses £1.2m (2009: £1.2m) in respect of the computer software costs and as a separate line in respect of acquired intangibles (note 3). The carrying value of acquired intangibles relates entirely to customer relationships £59.8m (2009: £71.7m).

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGU's) which are currently subdivisions of the reported operating segments as follows:

	2010 £m	2009 restated £m
UK & Ireland		
– Containers	**20.2**	20.2
– rest of UK & Ireland	**57.2**	57.5
	77.4	77.7
Mainland Europe		
– Western Europe	**18.6**	19.3
– rest of Mainland Europe	**31.7**	33.2
	50.3	52.5
	127.7	130.2

During the year, the Defence and Construction CGU's have been fully integrated into the existing UK & Ireland business, hence separate identification of future results and cash flows is no longer practicable.

Notes to the consolidated financial statements

9. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

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 to perpetuity using the estimated growth rates and underlying inflation rates stated below, which do not exceed the long-term average growth and inflation rates in the specific geographical areas where the CGU operates.

Key assumptions used for value-in-use calculations:

	Containers %	rest of UK & Ireland %	Western Europe %	rest of Mainland Europe %
Estimated growth rate	2.3	2.3	1.8	1.6
Underlying inflation rate	1.9	1.9	1.7	1.8
Discount rate	11.7	11.7	11.7	11.7

Management determined the growth rates and underlying inflation rates 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 £m	Total £m
Cost			
At 1 April 2008	147.0	245.4	392.4
Effect of movements in foreign exchange	9.8	14.1	23.9
Additions	7.8	44.8	52.6
Acquisitions and fair value adjustments	0.8	7.1	7.9
Disposals	(11.2)	(38.3)	(49.5)
At 31 March 2009	154.2	273.1	427.3
At 1 April 2009	**154.2**	**273.1**	**427.3**
Effect of movements in foreign exchange	**0.3**	**(2.9)**	**(2.6)**
Additions	**1.8**	**28.6**	**30.4**
Disposals	**(2.7)**	**(48.8)**	**(51.5)**
At 31 March 2010	**153.6**	**250.0**	**403.6**
Depreciation and impairment losses			
At 1 April 2008	(36.9)	(124.5)	(161.4)
Effect of movements in foreign exchange	(3.3)	(10.2)	(13.5)
Charge for year	(5.1)	(30.4)	(35.5)
Disposals	1.4	30.8	32.2
At 31 March 2009	(43.9)	(134.3)	(178.2)
At 1 April 2009	**(43.9)**	**(134.3)**	**(178.2)**
Effect of movements in foreign exchange	**0.4**	**1.4**	**1.8**
Charge for year	**(5.4)**	**(31.8)**	**(37.2)**
Disposals	**2.4**	**45.3**	**47.7**
At 31 March 2010	**(46.5)**	**(119.4)**	**(165.9)**
Carrying amount			
At 1 April 2008	110.1	120.9	231.0
At 31 March 2009 and 1 April 2009	110.3	138.8	249.1
At 31 March 2010	**107.1**	**130.6**	**237.7**

Included in the total carrying amount of property, plant and equipment is £17.4m (2009: £18.0m) in respect of assets held under finance leases, and in cost is £2.2m (2009: £2.9m) in respect of capitalised finance costs.

The carrying amount of property comprises:

	2010 £m	2009 £m
Freehold	**65.5**	64.6
Short leasehold	**41.6**	45.7
	107.1	110.3

11. INVESTMENTS

	2010 £m	2009 £m
Group non-current investments		
Unlisted trade investments	0.4	0.4
Equity accounted associates	14.6	14.9
	15.0	15.3

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 S.A.S.	Contract logistics services	100	France
Wincanton Mondia S.A.	Contract logistics services	100	France
Wincanton B.V.	Contract logistics services	100	The Netherlands
Rhinecontainer B.V.	Contract logistics services	74	The Netherlands
Wincanton Polska Sp. z.o.o.	Contract logistics services	100	Poland
Wincanton Magyarország Logisztikai Kft	Contract logistics services	100	Hungary
Wincanton Czeska republika s.r.o.	Contract logistics services	100	Czech Republic
Wincanton A.G.	Contract logistics services	100	Switzerland

[1] Direct subsidiaries of Wincanton plc.

13. INVESTMENTS IN ASSOCIATES

Summary financial information for associates (100%).

Year ended 31 March 2010

	Country of incorporation	% of ordinary equity held	Assets £m	Liabilities £m	Equity £m	Revenue £m	Result £m
Culina Logistics Limited	England and Wales	20.0	120.4	(50.1)	70.3	177.5	3.3
Rhine-Ro-Ro Service BV	The Netherlands	33.3	0.8	(0.3)	0.5	2.8	0.1
OMYA Weil GmbH	Germany	26.0	0.7	(0.2)	0.5	–	–
Neuss Trimodal GmbH	Germany	25.0	2.1	(1.3)	0.8	7.9	0.2
			124.0	(51.9)	72.1	188.2	3.6
Share of results of associates							0.7

Year ended 31 March 2009

	Country of incorporation	% of ordinary equity held	Assets £m	Liabilities £m	Equity £m	Revenue £m	Result £m
Culina Logistics Limited	England and Wales	20.0	100.5	(30.5)	70.0	–	–
Rhine-Ro-Ro Service BV	The Netherlands	33.3	1.0	(0.3)	0.7	1.1	0.3
OMYA Weil GmbH	Germany	26.0	0.7	(0.2)	0.5	–	–
Neuss Trimodal GmbH	Germany	25.0	1.9	(1.2)	0.7	1.5	0.1
Other	Germany		–	–	–	0.1	–
			104.1	(32.2)	71.9	2.7	0.4
Share of results of associates							0.1

Notes to the consolidated financial statements

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 of the Group are the following amounts in respect of the Group's proportionate share of the assets, liabilities, revenue and expenses of jointly controlled entities:

	2010 £m	2009 £m
Non-current assets	6.7	6.5
Current assets	8.9	8.0
Current liabilities	(8.8)	(6.0)
Non-current liabilities	(4.5)	(4.0)
Net assets	**2.3**	4.5
Revenue	50.4	44.9
Operating (loss)/profit	(0.7)	1.2
Net financing costs	(0.2)	(0.3)
Income tax expense	(0.1)	(0.3)
(Loss)/profit for the year	**(1.0)**	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	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Property, plant and equipment	(2.8)	(5.9)	(4.4)	(4.3)	(7.2)	(10.2)
Employee benefits	0.2	–	–	–	0.2	–
Pension provisions	40.0	24.1	2.1	1.1	42.1	25.2
Other deferred tax assets	1.8	3.0	2.2	–	4.0	3.0
Other deferred tax liabilities[1]	(15.6)	(17.4)	(4.0)	(1.4)	(19.6)	(18.8)
	23.6	3.8	(4.1)	(4.6)	19.5	(0.8)

[1] Other deferred tax liabilities consist primarily of deferred tax on the acquired intangibles.

Unrecognised deferred tax assets and liabilities

	2010 £m	2009 £m
Deferred tax asset on losses carried forward	32.9	28.7
	32.9	28.7

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

Movement in deferred tax assets and liabilities during the current year

	At 1 April 2009 £m	Recognised in income £m	Other movements £m	At 31 March 2010 £m
Property, plant and equipment	(10.2)	3.0	–	(7.2)
Employee benefits	–	0.2	–	0.2
Pension provisions	25.2	(4.4)	21.3	42.1
Other deferred tax assets	3.0	1.0	–	4.0
Other deferred tax liabilities	(18.8)	(0.8)	–	(19.6)
	(0.8)	(1.0)	21.3	19.5

16. INVENTORIES

	2010 £m	2009 £m
Raw materials and consumables	9.3	8.9
	9.3	8.9

17. TRADE AND OTHER RECEIVABLES

	2010 £m	2009 £m
Trade receivables	263.9	284.5
Less: provision for doubtful debts	(6.0)	(6.4)
Net trade receivables	257.9	278.1
Other receivables	10.8	7.1
Prepayments and accrued income	94.7	101.1
	363.4	386.3

All receivables are due within one year, except for other receivables of £7.8m (2009: £5.2m) in respect of amounts recoverable from customers and others under contracts of more than one year, and prepayments and accrued income of £0.2m (2009: £0.3m).

Movement in the provision for doubtful debts

	2010 £m	2009 £m
At 1 April	6.4	4.8
Effect of movements in foreign exchange	–	0.4
Impairment losses recognised on receivables	2.2	2.3
Amounts written off as uncollectable	(0.9)	(0.8)
Impairment losses reversed	(1.7)	(0.3)
At 31 March	6.0	6.4

Ageing of trade receivables and the associated provision for doubtful debts at the balance sheet date

	2010		2009	
	Gross £m	Provision £m	Gross £m	Provision £m
Current	234.3	(0.1)	247.4	(0.1)
1 month overdue	12.4	–	16.4	(0.1)
2 months overdue	2.8	(0.5)	3.9	(0.1)
3+ months overdue	14.4	(5.4)	16.8	(6.1)
	263.9	(6.0)	284.5	(6.4)

The standard period of credit on sales is up to 30 days in the UK & Ireland and 30 – 60 days in Mainland Europe. Interest is chargeable on overdue amounts. The Group only provides for doubtful debts where, in the opinion of management, the amount is no longer recoverable. The amount of the provision is management's estimate of the irrecoverable amount.

18. CASH AND CASH EQUIVALENTS

	2010 £m	2009 £m
Cash at bank and in hand	72.6	23.4
Restricted cash deposits held by the Group's captive insurer	24.2	24.9
Cash and cash equivalents	96.8	48.3

Details of the Group's treasury policies are set out in note 28.

Notes to the consolidated financial statements

19. BORROWINGS

	2010 £m	2009 £m
Current		
Bank loans and overdrafts	8.9	9.3
Finance lease liabilities	6.5	2.9
	15.4	12.2
Non-current		
Bank loans[1]	224.3	198.9
Finance lease liabilities	9.0	13.6
	233.3	212.5

[1] Bank loans include the US$ private placement as swapped into sterling and euro (see below).

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

	2010			2009		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than 1 year	7.8	(1.3)	6.5	3.9	(1.0)	2.9
Between 1 and 5 years	8.8	(2.2)	6.6	16.3	(4.1)	12.2
Over 5 years	4.5	(2.1)	2.4	3.6	(2.2)	1.4
	21.1	(5.6)	15.5	23.8	(7.3)	16.5

The following are the contractual maturities of financial liabilities, including interest payments on finance leases only:

At 31 March 2010

	Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities					
Bank loans and overdrafts	102.4	102.4	8.9	92.1	1.4
Unsecured bond issues – US$ private placement[1]	137.7	122.8	–	63.0	59.8
Finance leases	15.5	21.1	7.8	8.8	4.5
Trade and other payables	535.0	535.0	533.6	1.4	–
Derivative financial liabilities					
US$/GBP fixed to floating swap – asset[1]	(137.7)	(122.8)	–	(63.0)	(59.8)
US$/GBP fixed to floating swap – liability	36.3	36.3	–	–	36.3
GBP/euro floating swap[1]	94.5	94.5	–	71.8	22.7
	783.7	789.3	550.3	174.1	64.9

At 31 March 2009

	Carrying amount restated £m	Contractual cash flows restated £m	Less than 1 year restated £m	Between 1 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities					
Bank loans and overdrafts	94.9	94.9	9.3	84.1	1.5
Unsecured bond issues – US$ private placement[1]	117.9	105.6	–	66.9	38.7
Finance leases	16.5	23.8	3.9	16.3	3.6
Trade and other payables	522.4	522.4	520.9	1.5	–
Derivative financial liabilities					
US$/GBP fixed to floating swap – asset[1]	(117.9)	(105.6)	–	(66.9)	(38.7)
US$/GBP fixed to floating swap – liability	14.5	14.5	–	–	14.5
GBP/euro floating swap[1]	98.8	98.8	–	75.1	23.7
	747.1	754.4	534.1	177.0	43.3

[1] Contractual cash flows denominated in foreign currencies are translated at the year end exchange rate. Carrying amounts are stated at fair value.

20. TRADE AND OTHER PAYABLES

	2010 £m	2009 restated £m
Current		
Trade payables	201.2	206.2
Other taxes and social security	54.1	37.8
Other payables	50.4	66.6
Accruals and deferred income	227.9	210.3
	533.6	520.9
Non-current		
Other payables	1.4	1.5
	1.4	1.5

21. PROVISIONS

	Insurance £m	Other provisions £m	Total £m
At 1 April 2009	36.2	25.7	61.9
Effect of movements in foreign exchange	–	(0.5)	(0.5)
Provisions used during the year	(7.9)	(10.0)	(17.9)
Unwinding of discount	1.6	0.6	2.2
Provisions made during the year	8.6	4.3	12.9
At 31 March 2010	38.5	20.1	58.6
Current	13.9	12.6	26.5
Non-current	24.6	7.5	32.1
	38.5	20.1	58.6

The other provisions are held primarily in respect of leasehold property liabilities. They 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 Group owns 100% of the share capital of a captive insurer which insures certain of the risks of the Group. The insurance provisions in the above table are held in respect of outstanding insurance claims, the majority of which are expected to be paid within one to seven years. The discount unwinding arises primarily on the employers' liability policy which is discounted over a period of seven years at a rate based on the Bank of England base rate.

The assets of the captive insurer consist of cash deposits held with various banks, typically varying between three and 12 months maturity.

22. ACQUISITIONS

Current year acquisitions

There have been no acquisitions in the current year.

Prior year acquisitions

During the year ended 31 March 2009, the Group increased its shareholding in Wincanton Intermodal Kehl GmbH and Kehler Lagerhaus Verwaltung GmbH, from 50% to 51.15% for a nominal amount. The Group also acquired the entire share capital of Product Support (Holdings) Limited (PSHL), CEL Group Limited (CEL) and ELI-Transport GmbH and ELI-Lagerhaus GmbH (ELI). These entities were acquired for £14.7m, £17.8m and €12.7m in cash respectively, with up to a further £3.0m and €3.0m contingent pending the 'earn-out' performance of PSHL and ELI respectively and £4.5m contingent on revenue generated by CEL.

Notes to the consolidated financial statements

22. ACQUISITIONS (CONTINUED)

In accordance with IFRS 3 Business Combinations the Group has reviewed the provisional fair value adjustments during the year ended 31 March 2010. As a result amendments have been made and in line with IFRS 3 they have been reflected at the date of acquisition and the prior year balance sheet restated accordingly. These amendments are set out in the following acquisition table:

		As reported at 31 March 2009				
	Note	Acquirees' book value £m	Fair value adjustments £m	Acquisition amounts £m	Revisions to fair value adjustments £m	Restated acquisition amounts £m
Intangible assets	9	0.1	34.3	34.4	–	34.4
Property, plant and equipment	10	9.2	(1.3)	7.9	–	7.9
Deferred tax assets		–	0.4	0.4	–	0.4
Inventories		0.5	–	0.5	–	0.5
Trade and other receivables		14.3	(0.7)	13.6	–	13.6
Cash and cash equivalents		9.4	–	9.4	–	9.4
Income tax payable		(0.5)	–	(0.5)	–	(0.5)
Borrowings		(21.4)	–	(21.4)	–	(21.4)
Trade and other payables		(12.7)	(0.3)	(13.0)	0.2	(12.8)
Employee benefits		(0.2)	(0.1)	(0.3)	–	(0.3)
Provisions		(0.1)	(1.3)	(1.4)	–	(1.4)
Deferred tax liabilities		(0.7)	(9.7)	(10.4)	–	(10.4)
Net identifiable assets and liabilities		(2.1)	21.3	19.2	0.2	19.4
Goodwill on acquisition				31.9	(5.0)	26.9
Minority interest on acquisition				(0.2)	–	(0.2)
Consideration payable, including expenses of £1.0m				50.9	(4.8)	46.1
Cash acquired and debt repaid on acquisition				12.0	–	12.0
				62.9	(4.8)	58.1
Less: contingent consideration				(7.8)	4.8	(3.0)
Net cash outflow				55.1	–	55.1

23. CAPITAL AND RESERVES

Share capital

	Ordinary shares	
	2010 millions	2009 millions
Allotted, called up and fully paid		
In issue at 1 April	121.4	121.3
Issued for cash	–	0.1
In issue at 31 March	121.4	121.4

The above issued shares differ from those in note 7 as a result of the inclusion in the above total of the shares held by the Group within an Employee Benefit Trust (EBT) (see below), and also the effect of weighting for the purpose of the earnings per share calculations.

At 31 March 2010 the authorised share capital comprised 159,999,980 (2009: 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 EBT (see below), all rights are suspended until these shares are reissued.

During the year no shares (2009: 114,832) were issued under any share based payment schemes. During the year ended 31 March 2002, the Company established a Capital Redemption Reserve of £49,998 on redemption of redeemable preference shares.

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

Since 1 April 2004, the IFRS 2 reserve comprises the charges made to the income statement in respect of share-based payments under the Group's equity compensation 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 2010, the number of the Company's shares held by the Group had increased to 7,109,385 (2009: 6,105,647) due to the purchase of further shares in the Company less the settlement of options exercised. The EBT has waived the right to receive dividends in respect of these shares. The average cost of the shares held is 261p each (2009: 279p) and at 31 March 2010, the market value of the shares held was £14.3m (2009: £10.0m).

All of the shares in the EBT are held in respect of the Group's various equity compensation schemes (see note 27) and at 31 March 2010 there were 5,468,849 (2009: 4,010,086) shares held in respect of vested options.

Notes to the consolidated financial statements

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:

	2010 £m	2009 £m
Contracted	3.6	7.8
	3.6	7.8

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. The amounts charged to the income statement in the current and prior years are given in note 3.

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

	2010		2009	
	Plant and equipment £m	Land and buildings £m	Plant and equipment £m	Land and buildings £m
Leases expiring in:				
Less than 1 year	42.2	79.2	44.1	82.5
Between 1 and 5 years	54.7	177.9	57.6	210.9
More than 5 years	3.7	240.3	2.8	246.3
	100.6	497.4	104.5	539.7

Wherever possible these commitments are mitigated through contractual commitments from customers for whom the properties are occupied and/or vehicles and plant are rented. The degree of mitigation can be banded according to the nature of the contract between the Group and its customers. This includes 'back-to-back' leases which are fully underwritten by customers throughout the life of the lease and multi-user locations where, although there is no specific matching of lease and contract terms, there are varying degrees of contract backing and therefore mitigation is spread across a number of customers.

A summary of leases by customer contract type is shown in the following table:

	2010		2009	
	Plant and equipment £m	Land and buildings £m	Plant and equipment £m	Land and buildings £m
Contractually underwritten by customers ('back-to-back')	37.6	65.2	38.8	79.5
Underwritten by customers during contract term, but where the period of the lease extends beyond the current maturity of the customer contract	4.8	41.1	5.1	50.5
Multi-user locations where mitigation is spread across a number of customers	33.5	304.1	35.3	321.0
Leases with lower or no mitigation	24.7	87.0	25.3	88.7
	100.6	497.4	104.5	539.7

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:

	2010 £m	2009 £m
Holiday pay	8.2	8.8
Pension schemes (see below)	174.1	114.8
	182.3	123.6
These employee benefits are split as follows:		
Current	10.4	11.0
Non-current	171.9	112.6
	182.3	123.6

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 2010, details of which are given below.

The principal Wincanton Scheme in the UK (the Scheme) is a funded arrangement which has three defined benefit sections and two defined contribution sections, called the Wincanton Retirement Savings Section and the Wincanton Pension Builder Plan. The employees of Wincanton Ireland Limited are eligible to participate in a separate funded defined contribution scheme. Assets of these pension arrangements are held in separate Trustee administered funds independent of Wincanton. 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 Scheme. The unfunded unapproved arrangement generally aims to supplement the benefits payable under the Scheme so as to produce (when added to benefits from the Scheme) benefits that would otherwise be payable from the 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 Scheme on 23 March 2006. The pension cost in relation to this arrangement plus the defined benefit sections of the Scheme is assessed in accordance with the advice of a qualified actuary using the projected unit method.

The last formal valuation of the Scheme was carried out as at 31 March 2008 by the Scheme actuary, Hymans Robertson, and agreed between the Trustees and the Group in June 2009. As a result, the Group, in consultation with the Scheme actuary also agreed with the Trustees further measures to address both the actuarial past service deficit and the level of future service cost of the Scheme. Accordingly the Group increased the additional cash contribution it makes to the Scheme, to address the past service deficit, to £12.0m (2009: £8m) and agreed this would increase each year by RPI.

In the year commencing 1 April 2010, the Group contributions are expected to be approximately £29.5m, including the increased incremental cash contribution of £12.4m.

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.

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.

	2010 £m	2009 £m
Present value of unfunded defined benefit obligations	(38.2)	(34.9)
Present value of funded defined benefit obligations	(696.9)	(488.9)
Fair value of Scheme assets	561.0	409.0
Net pension scheme obligations recognised	**(174.1)**	**(114.8)**

The movement in the above net pension scheme obligations in the year was the result of a decrease in the corporate bond yields and increased inflation. This was offset by an increase in the market value of assets during the year, inclusive of the further additional cash contributions being made. The net pension scheme obligations, after taking into account the related deferred tax asset, are £132.0m (2009: £89.6m).

Notes to the consolidated financial statements

26. EMPLOYEE BENEFITS (CONTINUED)

Movements in the present value of the defined benefit obligation

	Wincanton Scheme £m	Unfunded arrangements £m	2010 Total £m	2009 Total £m
Opening defined benefit obligation	488.9	34.9	523.8	546.5
Effect of movements in foreign exchange	–	(1.2)	(1.2)	4.5
Current service cost	11.1	1.0	12.1	16.1
Interest cost	34.6	1.9	36.5	37.2
Actuarial losses/(gains)	190.4	3.7	194.1	(55.4)
Employee contributions	0.2	–	0.2	0.2
Benefits paid	(28.3)	(2.1)	(30.4)	(25.4)
Liabilities extinguished on settlements	–	–	–	(0.1)
Transfer in of unfunded arrangements	–	–	–	0.2
Closing defined benefit obligation	696.9	38.2	735.1	523.8

Movements in the fair value of Scheme assets

	2010 £m	2009 £m
Opening fair value of Scheme assets	409.0	513.0
Expected return	31.1	36.0
Actuarial gains/(losses)	118.2	(143.6)
Employer contributions	30.8	28.8
Employee contributions	0.2	0.2
Benefits paid	(28.3)	(25.4)
Closing fair value of Scheme assets	561.0	409.0

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

Defined benefit pension scheme costs charged in the income statement

	2010 £m	2009 £m
Current service cost	12.1	16.1
Interest on pension scheme liabilities	36.5	37.2
Expected return on Scheme assets	(31.1)	(36.0)
	5.4	1.2

The above costs are included in the following lines in the income statement:

	2010 £m	2009 £m
Cost of sales	9.3	12.7
Administrative expenses	2.8	3.4
	12.1	16.1
Net financing cost	5.4	1.2

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

	2010 Expected return on assets %	2009 Expected return on assets %
Equities	8.50	8.00
Corporate bonds	6.90	6.95
Government bonds	4.30	4.50
Property	6.50	6.25
Other	1.70	5.25
Overall expected rate of return	7.59	6.97

The expected rates of return on the 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 were held in the following proportions as at 31 March 2010; equities 61%, corporate bonds 30%, government bonds 2%, property 6%, and cash 1%. The actual gain/(loss) on assets during the year was £149.3m (2009: £(107.6)m).

Liability for defined benefit obligations

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

	2010 %	2009 %
Price inflation rate	3.60	3.10
Discount rate	5.70	7.20
Pensionable salaries rate	3.60	3.10
Rate of increase of pensions in payment and deferred pensions		
– for service to 31 March 2006	3.50	3.10
– for service from 1 April 2006	2.50	2.30

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

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

	2010 Years	2009 Years
Male aged 65 today	19.9	20.9
Male aged 45 today	21.4	22.2
Female aged 65 today	21.6	23.2
Female aged 45 today	23.0	24.4

The principal actuarial assumptions adopted for the German schemes as at 31 March 2010 were a discount rate of 4.9% (2009: 5.8%) per annum, a pensionable salaries increase rate of 2.25% (2009: 2.25%) per annum and an average pension increase rate of 2.0% (2009: 2.0%) per annum.

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%	± 10.0%
Discount rate	± 0.5%	∓ 10.0%
Mortality rate	+ 1 year	+ 2.7%

History

The net deficit in the schemes at the balance sheet date for the current and prior periods is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligations	(735.1)	(523.8)	(546.5)	(627.4)	(614.1)
Fair value of Scheme assets	561.0	409.0	513.0	526.3	467.7
Net deficit	(174.1)	(114.8)	(33.5)	(101.1)	(146.4)

Analysis of amount recognised in other comprehensive income

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Actuarial (losses)/gains arising on pension scheme liabilities	(194.1)	55.4	119.6	18.6	(125.7)
Actual return less expected return on Scheme assets	118.2	(143.6)	(57.9)	(5.7)	60.5
Actuarial (losses)/gains recognised in other comprehensive income	(75.9)	(88.2)	61.7	12.9	(65.2)

The cumulative actuarial losses reported in other comprehensive income since the transition to Adopted IFRS on 1 April 2004 are £161.7m (2009: £85.8m).

Defined contribution schemes

The total expense relating to the Group's defined contribution schemes in the current year was £9.5m (2009: £9.0m).

27. EQUITY COMPENSATION BENEFITS

Employees of the Group can participate, subject to seniority and length of service, in Wincanton's Executive Share Option Schemes, Performance Share Plan, Share Match Incentive Schemes, Sharesave Option Scheme and Deferred Annual Bonus Scheme all of which involve the grant of options for shares of the Group.

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

Executive Share Option 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 underlying EPS of RPI +3% in any 3 consecutive years of the 5 years following the grant (starting with the year including the grant).	10
September 2001	536,826		
July 2002	44,318		
December 2002	1,621,000		
March 2004	250,000	3 years of service plus average annual growth rate for underlying EPS of RPI + 3% in the 3 consecutive years following the grant (starting with the year including the grant).	10
December 2004	3,136,630		
July 2005	45,000		
December 2005	3,184,581		
December 2006	2,925,065		
December 2007	2,457,000		
Total	17,167,379		

Performance Share Plan

Grant date	Number of options granted	Vesting conditions	Contractual life years
December 2007	399,734	3 years of service plus (a) 50% will vest subject to the Company's underlying EPS performance over 3 years (maximum vesting is achieved if annual underlying EPS growth is ≥ 15% per annum) and (b) 50% will vest subject to the Company's TSR performance over 3 years relative to the TSR of the FTSE 250 (maximum vesting is achieved if TSR performance is ≥ 20% per annum in excess of the TSR of the FTSE 250).	3½
June 2008	1,053,972		
June 2009	1,839,003	3 years of service plus (a) 50% will vest subject to the Company's underlying EPS performance over 3 years (maximum vesting is achieved if the cumulative annual underlying EPS is 70p) and (b) 50% will vest subject to the Company's TSR performance over 3 years relative to the TSR of constituents of the FTSE 250 index at the date of grant ("FTSE 250 constituents") (maximum vesting is achieved if TSR performance is in the upper quartile of the FTSE 250 constituents).	3½
Total	3,292,709		

Share Match Incentive Schemes

Grant date	Number of options granted	Vesting conditions	Contractual life years
Original:			
June 2005	55,577	3 years of service plus average annual growth rate for underlying EPS of RPI +3% in the 3 consecutive years following the grant (starting with the year including the grant).	3½
July 2006	76,702		
July 2007	21,008		
June 2008	64,033		
Revised:			
December 2007	2,766,504	3 years of service plus (a) 50% will vest subject to the Company's underlying EPS performance over 3 years (maximum vesting is achieved if annual compound underlying EPS growth is ≥ 15% per annum) and (b) 50% will vest subject to the Company's TSR performance over 3 years relative to the TSR of the FTSE 250 (maximum vesting is achieved if TSR performance is ≥ 20% per annum in excess of the TSR of the FTSE 250).	3½
June 2008	1,549,444		
Total	4,533,268		

The Executive Share Option Schemes, Performance Share Plan 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 Option Scheme

The Group last granted options under the Sharesave Option Scheme in December 2004 which vested in December 2007. The scheme was open to all UK employees with 12 months' service at the grant date.

Deferred Annual Bonus Scheme

The Group introduced a Deferred Annual Bonus Scheme during the year to replace an existing cash only based senior management bonus scheme. The scheme is open to Directors and senior managers only. Under the scheme a proportion of the participants' annual bonus is granted as nil cost options of which 50% will fully vest after achieving a year of further service and the balance will fully vest after a second year of service. The options for the year ended 31 March 2010 will be granted after the announcement of the Group's results. Based on the share price at 31 March 2010, approximately 2.8 million options will be granted.

The Group schemes all 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 Option Schemes, Performance Share Plan and Share Match Incentive Schemes are as follows:

	2010		2009	
	Options	Weighted average exercise price pence	Options	Weighted average exercise price pence
Outstanding at beginning of period	14,806,184	211	14,008,602	248
Granted during the period	1,839,003	–	2,667,449	–
Lapsed during the period	(1,701,818)	237	(1,623,627)	189
Exercised during the period	(192,646)	–	(246,240)	144
Outstanding at the end of the period	14,750,723	184	14,806,184	211
Exercisable at the end of the period	6,247,014	307	4,886,829	285

The weighted average share price at the date of exercise for share options exercised during the period was 171p (2009: 292p). The options outstanding at 31 March 2010 had a range of exercise prices of between nil and 384p and a weighted average remaining contractual life of 4 years.

Recognition in the income statement

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 Group recognised total expenses of £4.3m (2009: £1.9m) in respect of the costs of equity settled and other share-based payment transactions during the year. At the year end liabilities of £0.8m (2009: £0.2m) were included in the balance sheet for these items.

The fair value of these services is measured by reference to the fair value of the share options granted under each scheme.

Executive Share Option and Sharesave Option schemes

The grants made under these schemes all have non-market based performance conditions which are taken into account in the fair value calculation using a Binomial pricing model. The contractual life of the options and the expectation of early exercises are incorporated into the model. No grants were made under these schemes in the current or previous year. Expected volatility is based on a 3 year average of the historic share price volatility.

Original Share Match Incentive Scheme

The grants made under this scheme have non-market based performance conditions. As the grant is at nil cost, the fair value is equivalent to the option value (i.e. the average share price of the Company for three days prior to the grant date).

Performance Share Plan and Revised Share Match Incentive Scheme

The grants under these schemes are made in two parts based on EPS and TSR performance and a separate fair value is required for each part: (a) The EPS requirement is a non-market based performance condition. As the grant is at nil cost the fair value is equivalent to the option value (i.e. the average share price of the Company for the three days prior to the grant date). (b) The TSR requirement is a market based performance condition and the fair value is calculated by applying a discount to the option value. The discount is calculated using scenario-modelling (December 2007 and June 2008 grants) and a Monte-Carlo pricing model (June 2009 grant) and is the expected outcome of meeting the performance criteria. For the June 2009 grant the fair value is 132p determined from the following variables:

	June 2009 grant
Weighted average price at grant date	198 pence
Expected volatility	42.5%
Expected life	3 years
Risk free rate	2.36%

Deferred Annual Bonus Scheme

The grants made under this scheme have non-market based performance conditions. As the grant is at nil cost, the fair value will be equivalent to the option value (i.e. the average share price of the Company for three days prior to the grant date).

As the options for the year ended 31 March 2010 will be granted after the announcement of the Group's results, the cost recognised in the income statement is based on the value of the bonus that is to be deferred in shares.

28. FINANCIAL INSTRUMENTS

Financial risk management and treasury policies

The Group, through its activities, is exposed to a range of financial risks. Financial risks are managed through the Group's centralised treasury function which acts within clearly-defined policies approved by the Board. These policies are designed to reduce the financial risks faced by the Group relating to liquidity risk; market risk (being interest rates, equity prices and currency exchange rate exposure) and credit risk. Transactions of a speculative nature are not permitted and the treasury function does not operate as a profit centre.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has financed its growth in recent years through retained profit and debt. The Group's policy on funding capacity is to ensure that there is always sufficient long-term funding and short-term facilities in place to meet foreseeable peak borrowing requirements.

During the year the Group re-financed its core committed bank facilities, increasing the amount to £270m being £90m term loan and £180m revolving credit facility and extending the maturity until November 2012. At the same time, the Group drew US$35m from a bi-lateral placement facility with its leading US private placement investor, and swapped the proceeds into sterling, this facility matures in November 2016. These new facilities are in addition to the Group's US$150m private placement, which matures in two tranches in 2012 and 2015 and other bi-lateral lines totalling £4m.

28. FINANCIAL INSTRUMENTS (CONTINUED)

The facilities noted above provide the Group with £405m of core committed funding of which £229m was drawn at 31 March 2010 leaving headroom of £176m (2009: £153m). The Group also has overdraft and other uncommitted facilities. Within the £405m of core committed facilities there is £221m (2009: £113m) in the form of bonds and term loan which must be drawn. At certain points in the working capital cycle this results in the Group having cash, which is held in short-term interest-bearing deposits. The Group also holds cash deposits within its captive insurer, these deposits have a mix of maturities, none of which is greater than 12 months.

The Group's net debt at the balance sheet date was:

	2010 £m	2009 £m
Total borrowings	248.7	224.7
Cash and cash equivalents	(96.8)	(48.3)
Net debt	151.9	176.4

See note 19 for further analysis of the contractual maturities of the financial liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

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 2010 is at floating rates. In April 2010, the Group transacted a series of three and five year forward-starting interest rate swaps on £55m of its debt, with effective rates of between 3.1% and 3.7%. At the year end, the profile of the Group's net interest rate exposure was:

	2010			2009		
	Floating rate £m	Fixed rate £m	Total £m	Floating rate £m	Fixed rate £m	Total £m
Sterling						
Bank loans and overdrafts	111.6	–	111.6	78.5	–	78.5
Finance leases	–	15.5	15.5	–	16.3	16.3
Borrowings	111.6	15.5	127.1	78.5	16.3	94.8
Cash	(86.6)	–	(86.6)	(22.4)	–	(22.4)
Net debt	25.0	15.5	40.5	56.1	16.3	72.4
Interest rate swap	(15.0)	15.0	–	(15.0)	15.0	–
Net debt	10.0	30.5	40.5	41.1	31.3	72.4
Of which capped	–	–	–	–	–	–
Euro and other currencies						
Bank loans and overdrafts	121.6	–	121.6	129.7	–	129.7
Finance leases	–	–	–	–	0.2	0.2
Borrowings	121.6	–	121.6	129.7	0.2	129.9
Cash	(10.2)	–	(10.2)	(25.9)	–	(25.9)
Net debt	111.4	–	111.4	103.8	0.2	104.0
Of which capped	–	–	–	92.9	–	92.9

The net fair value of the financial instruments used to manage interest rates is £(0.5)m (2009: £(0.9)m).

Interest rate sensitivity

The following table demonstrates the sensitivity to a change in interest rates of 1.0% on the Group's profit before tax and equity. The impact has been calculated by applying the change in interest rates to the weighted average interest rate during the year, and applying this rate to the average borrowings during the year. A variation of 1.0% represents management's view of a reasonably possible change in interest rates. Any impact on equity excludes the possible effect which a change in interest rates may have on the present value of the Group's pension obligations, the effects of which are set out in note 26.

	2010		2009	
	Effect on profit before tax £m	Effect on equity £m	Effect on profit before tax £m	Effect on equity £m
Sterling				
1.0% increase in rates	(1.6)	(1.6)	(1.4)	(1.4)
1.0% decrease in rates	1.6	1.6	1.4	1.4
Euro				
1.0% increase in rates	(1.2)	(1.2)	(1.2)	(1.2)
1.0% decrease in rates	1.2	1.2	1.2	1.2

The methods and assumptions used to calculate the possible effect of a change in interest rates are consistent with those used in the prior year.

Currency risk and sensitivity

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 generally finances its investment in overseas subsidiaries by borrowing in the applicable currency. Consequently, any change in the value of a currency against sterling with all other variables held constant has no material impact on the net assets of the Group. The only exception is the Group's net investment in Hungary which is financed in sterling; a 5% change in the sterling/Hungarian forint exchange rate would have a £0.5m impact on the Group's net assets. A variation of 5% represents management's view of a reasonably possible change in the sterling/Hungarian forint exchange rate.

Although a proportion of non-sterling funding is obtained by borrowing euro and other currencies directly from the Group's committed facilities, a large element results from swapping the US$185m private placement into sterling, and then swapping the equivalent of US$125m from sterling into euros. The underlying US$185m principal and all future cash flows are fully hedged; the fair values of the US$ principal, and the US$/GBP swaps move in line with each other, so there is no resulting adjustment to the Group's income statement. The GBP/euro swaps are used as part of the Group's net investment hedge, whereby changes in the value of the Group's net investment denominated in euros are offset by changes in the value of the swap.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

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 of £503.2m (2009: £451.4m). See note 17 for further analysis of trade receivables and the associated doubtful debt provisions held.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

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:

	2010		2009	
	Carrying amount £m	Fair value £m	Carrying amount restated £m	Fair value restated £m
Unlisted trade investments	0.4	0.4	0.4	0.4
Trade receivables	257.9	257.9	278.1	278.1
Other receivables	10.8	10.8	7.1	7.1
Cash and cash equivalents	96.8	96.8	48.3	48.3
US$ fixed to floating swaps				
– Assets	137.7	137.7	117.9	117.9
– Liabilities	(130.8)	(130.8)	(113.3)	(113.3)
Bank loans and overdrafts	(102.4)	(102.4)	(94.9)	(94.9)
Unsecured bond issues – US$ private placement	(137.7)	(137.7)	(117.9)	(117.9)
Finance lease liabilities	(15.5)	(15.5)	(16.5)	(16.5)
Trade and other payables	(535.0)	(535.0)	(522.4)	(522.4)
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 homogenous lease agreements.

Notes to the consolidated financial statements

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 (notes 12, 13 and 14 respectively) 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, bonuses deferred in shares, share options and pension entitlements are given in the Directors' remuneration report on pages 33 to 42.

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 2010, associates purchased services from the Group for £0.3m (2009: £0.3m) and sold services to the Group for £7.7m (2009: £7.0m). At 31 March 2010, the outstanding balance between associates and the Group was £1.3m (2009: £1.4m). All transactions with associates are made on commercial terms.

Jointly controlled entities
During the year ended 31 March 2010, the jointly controlled entities purchased services from the Group for £10.1m (2009: £9.4m) and sold services to the Group for £11.6m (2009: £12.9m). At 31 March 2010, the outstanding balance between the jointly controlled entities and the Group was £1.5m (2009: £1.3m). 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 2010 of £0.6m (2009: £0.9m). All loans are provided on commercial terms.

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 and estimate selection is most critical for the Group are concerned with the accounting for pensions, the 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.

Wincanton plc
Company balance sheet

AT 31 MARCH 2010

	Note	2010 £m	2009 £m
Fixed assets			
Investments	2	**115.8**	113.3
		115.8	113.3
Current assets			
Debtors	3	**114.9**	143.8
Cash at bank and in hand		**40.6**	0.2
		155.5	144.0
Creditors: amounts falling due within one year	4	**(4.7)**	(6.2)
Net current assets		**150.8**	137.8
Total assets less current liabilities		**266.6**	251.1
Creditors: amounts falling due after more than one year	5	**(221.2)**	(201.8)
Net assets		**45.4**	49.3
Capital and reserves			
Called up share capital	6	**12.1**	12.1
Share premium account	6	**12.2**	12.2
Profit and loss account	6	**21.1**	25.0
Equity shareholders' funds	7	**45.4**	49.3

The financial statements were approved by the Board of Directors on 9 June 2010 and were signed on its behalf by:

G McFaull
Chief Executive

G D Connell
Group Finance Director

Company Registration Number: 4178808

Notes to the Wincanton plc Company financial statements

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, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards (UK Generally Accepted Accounting Practice).

Under Section 408(4) of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Advantage has been taken of FRS 29 Financial Instruments: Disclosures available to parent companies not to present financial instrument disclosures as the Group financial statements contain disclosures that comply with the standard.

The Company participates in both funded and unfunded pension schemes providing benefits based on final pensionable pay. The assets of the funded scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement Benefits, accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

The following amendments to standards have been adopted in these financial statements for the first time:

The amendment to FRS 8 Related Parties Disclosures has the effect that only transactions with wholly-owned subsidiaries are exempt from disclosure and there is no longer a disclosure exemption available in parent company's own financial statements.

The amendment to FRS 20 (IFRS 2) Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and amends the accounting for cancellations and settlements by parties other than the entity.

The amendment to FRS 21 Events after the Balance Sheet Date confirms no obligation exists at the balance sheet date for dividends declared after that date.

Adoption of these amendments has not had a significant effect on the reported results or financial position of the Company for the year ended 31 March 2010 or previous years.

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.

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 FRS 19 Deferred Tax.

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 Benefit Trust are shown as a deduction from shareholders' equity at cost in accordance with UITF Abstract 38 Accounting for ESOP Trusts.

Share-based payments

Where a parent company grants rights to its instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the Group, the subsidiary is required to record an expense for such compensation in accordance with FRS 20 Share-based Payments, with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in these financial statements, the Company recognises additions to fixed asset investments with a credit to equity for the same amount.

2. FIXED ASSET INVESTMENTS

Shares in Group undertakings	2010 £m	2009 £m
Cost		
At beginning of year	113.3	111.4
Additions – share-based payments	2.5	1.9
At end of year	115.8	113.3

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

3. DEBTORS

	2010 £m	2009 £m
Amounts owed by Group undertakings	105.7	143.5
Group tax relief receivable	4.1	–
Deferred tax	0.1	–
Prepayments and accrued income	5.0	0.3
	114.9	143.8

All debtors are due within one year, except for prepayments of £2.8m (2009: £0.2m) and amounts owed by Group undertakings.

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £m	2009 £m
Bank loans and overdrafts	1.7	3.9
Accruals and deferred income	3.0	2.0
Group tax relief payable	–	0.3
	4.7	6.2

5. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £m	2009 £m
Bank loans and overdrafts	221.2	201.8
	221.2	201.8

Included within bank loans and overdrafts are amounts repayable after 5 years otherwise than by instalments of £59.1m (2009: £38.2m).

Notes to the Wincanton plc Company financial statements

6. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Share capital £m	Share premium £m	Reserve for own shares £m	Profit and loss account FRS 20 reserve £m	Profit and loss account Retained earnings £m	Total equity £m
Balance at 1 April 2008	12.1	11.9	(14.7)	1.0	37.7	48.0
Total recognised gains	–	–	–	–	19.1	19.1
Shares issued due to options exercised by employees	–	0.3	–	–	–	0.3
Own shares disposed of on exercise of options	–	–	0.3	–	(0.3)	–
Purchase of own shares held by Employee Benefit Trust	–	–	(2.7)	–	–	(2.7)
Dividends paid to shareholders	–	–	–	–	(17.6)	(17.6)
Equity granted to employees of the Company and subsidiaries	–	–	–	0.3	1.9	2.2
Balance at 31 March 2009	12.1	12.2	(17.1)	1.3	40.8	49.3
Balance at 1 April 2009	**12.1**	**12.2**	**(17.1)**	**1.3**	**40.8**	**49.3**
Total recognised gains	**–**	**–**	**–**	**–**	**11.9**	**11.9**
Own shares disposed of on exercise of options	**–**	**–**	**0.5**	**–**	**(0.5)**	**–**
Purchase of own shares held by Employee Benefit Trust	**–**	**–**	**(2.0)**	**–**	**–**	**(2.0)**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**(17.1)**	**(17.1)**
Equity granted to employees of the Company and subsidiaries	**–**	**–**	**–**	**0.8**	**2.5**	**3.3**
Balance at 31 March 2010	**12.1**	**12.2**	**(18.6)**	**2.1**	**37.6**	**45.4**

During the year ended 31 March 2002, the Company established a Capital Redemption Reserve of £49,998 on redemption of redeemable preference shares. The FRS 20 reserve comprises the charge made to the profit and loss account in respect of share-based payments under the Company's share option schemes.

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 2010 millions	Ordinary shares 2009 millions
In issue at 1 April	**121.4**	121.3
Issued for cash	**–**	0.1
In issue at 31 March	**121.4**	121.4

At 31 March 2010 the authorised share capital comprised 159,999,980 (2009: 159,999,980) ordinary shares of 10p each.

As permitted by Section 408 (4) of the Companies Act 2006, 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

	2010 £m	2009 £m
Profit for the financial year	**11.9**	19.1
Dividends declared and paid	**(17.1)**	(17.6)
Retained (loss)/profit for the financial year	**(5.2)**	1.5
Purchase of own shares held by Employee Benefit Trust	**(2.0)**	(2.7)
Shares issued due to options exercised by employees	**–**	0.3
Equity granted to employees of the Company and subsidiaries	**3.3**	2.2
Net (decrease)/increase in shareholders' funds	**(3.9)**	1.3
Opening shareholders' funds	**49.3**	48.0
Closing shareholders' funds	**45.4**	49.3

Group five-year record

As reported under Adopted IFRS

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue	**2,182.9**	2,361.3	2,164.7	1,933.1	1,809.3
Underlying operating profit[1]	**54.6**	59.6	52.6	45.5	42.0
Net financing costs	**(19.9)**	(18.3)	(10.8)	(9.9)	(9.7)
Underlying profit before tax[1]	**34.7**	41.3	41.8	35.6	32.3
Profit before tax	**3.0**	20.0	36.7	32.6	31.3
Underlying profit after tax for the year[1]	**24.0**	28.7	28.4	24.4	22.0
Underlying earnings per share[1]	**20.9p**	24.7p	24.3p	21.0p	19.2p
Dividend per share	**14.91p**	14.91p	14.91p	13.55p	12.54p
Dividend cover[2]	**1.40x**	1.66x	1.63x	1.55x	1.53x
Interest cover[2]	**2.7x**	3.3x	4.9x	4.6x	4.3x
Net debt	**(151.9)**	(176.4)	(104.5)	(65.8)	(60.6)
Capital employed[3]	**72.3**	113.7	104.5	82.5	119.7
Return on capital employed[3]	**75.5%**	52.4%	50.3%	55.2%	35.1%
Free cash flow[4]	**83.5**	57.5	48.5	72.2	54.4

1 Operating profit, and hence profit before and after tax is reported on an underlying basis, i.e. including share of results of associates but before amortisation of acquired intangibles, any goodwill impairment and exceptionals. 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.

Financial calendar

Annual General Meeting	To be held on 21 July 2010 at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE at 11.30am
Ordinary dividends	
Interim 4.83p per share	Paid 5 January 2010
Final 10.08p per share	Payable 6 August 2010 to shareholders on the register at the close of business on 9 July 2010
Half year results	Interim announcement November 2010
Full year results	Preliminary announcement June 2011
Annual report	Posted to shareholders at the end of June 2011

Shareholder information

Annual report

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

Share registrar

The Company's Registrar is Computershare. If you have any questions about your holding or wish to notify any change in your details, please contact the Registrar at: Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. Telephone: 0870 707 1788. 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

The Company encourages its shareholders to have future dividends paid directly into their bank or building society account. To set this up for the shares you hold, 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. Alternatively please contact your bank or stockbroker who will be able to assist you in selling your shares.

Share price quotation

The Company's share price is quoted daily in national newspapers as well as 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 Computershare) 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.

Unsolicited investment advice

Over recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register/home.do
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneymadeclear.org.uk
- If the calls persist, hang up.
- Inform Computershare's Compliance Department.

If you deal with an unauthorised firm, you will not be eligible to receive payments under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/Regulated/Law/Alerts/upi_form.shtml

Details of any share dealing facilities that the Company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.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 7930 3737. Alternatively contact the Company's Registrar who can help arrange the transfer of your shares.

Wincanton plc website

The Wincanton website at www.wincanton.co.uk provides news and information about the services offered by Wincanton as well as useful information for investors.

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ISO 14001 – A pattern of control for an environmental management system against which an organisation can be credited by a third party.

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