17 May 2018

WINCANTON plc
Preliminary Announcement of Results
for the financial year ended 31 March 2018

"Successfully Delivering Our Growth Strategy"

Wincanton plc ("Wincanton" or the "Group"), a leading provider of supply chain solutions in the UK and Ireland, today announces its preliminary results for the year ended 31 March 2018.

Key financial measures	**2018**	2017	Change
Revenue (£m)	**1,171.9**	1,118.1	4.8%
Underlying EBITDA (£m)[1]	**64.8**	63.9	1.4%
Underlying operating profit (£m)[2]	**52.9**	52.1	1.5%
Underlying profit before tax (£m)[2]	**46.4**	41.5	11.8%
Underlying EPS (p)[2]	**30.8**	27.7	11.2%
Dividend per share (p)	**9.9**	9.1	8.8%
Net debt (£m)[3]	**(29.5)**	(24.3)	
Statutory results			
Operating profit (£m)[2]	**44.4**	56.0	(20.7)%
Profit before tax (£m)	**37.9**	45.4	(16.5)%
Basic EPS (p)	**25.2**	34.2	(26.3)%

[1] Underlying EBITDA refers to underlying operating profit before depreciation and amortisation and is reconciled in Note 2 to the financial statements.
[2] The section on Alternative Performance Measures (APMs) below provides further information on these measures, including definitions and a reconciliation of APMs to statutory measures.
[3] Net debt is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities. Note 8 to the financial statements provides a breakdown of net debt for the current and prior periods.

Operating highlights

- Strong delivery of our organic growth strategy through attracting new customers and increasing share of wallet with existing customers
    - Revenue increased by 4.8% with strong underlying growth from the Retail & Consumer sector backed by continued growth in our multichannel services across the General Merchandise portfolio, especially in Home & DIY. New business wins include an expansion of our partnership with IKEA to provide two-man home delivery services in the South East, contract wins with new customers such as Wickes and Thales and the expansion of our ready-mix cement operations in the Construction sector
    - Enhanced eFulfilment proposition, supported by cloud-based technology solutions, introduced to the market to provide returns, carrier management and direct shipment from suppliers to consumers
    - First UK logistics provider to introduce production-level electric vehicles to its fleet for urban home delivery services
- Underlying operating profit increased by 1.5% to £52.9m (2017: £52.1m), benefitting from a strong operating performance in Retail & Consumer partly offset by operational challenges in Industrial & Transport and the inclusion of end of contract settlement credits in the prior year
- Underlying profit before tax increased by 11.8% to £46.4m (2017: £41.5m) generating underlying EPS growth of 11.2% to 30.8p (2017: 27.7p)
- Net debt increased by £5.2m to £29.5m (2017: £24.3m) reflecting the investment in mobilising new contracts during the year
- Final dividend of 6.63p proposed, full year dividend of 9.9p

Adrian Colman, Wincanton Chief Executive Officer, commented:

"During the year we have successfully grown our business as we have driven our key focus markets of retail eFulfilment and the Construction sector. We have also taken action to reposition the cost base and capacity in some of our transport operations and support functions to address the trading challenges we faced within Industrial & Transport in the year and to ensure our business is competitively positioned going forward.

The robust underlying earnings per share growth of over 11% highlights the benefit of our well diversified operations and customer portfolio and our ability to deliver predictable results and returns for all stakeholders. This platform provides the capacity for future investment to deliver our organic growth strategy and we look forward to making further strategic and operational progress in the coming year."

For further enquiries please contact:

Wincanton plc	Tel: 020 7466 5000 today, thereafter
Adrian Colman, Chief Executive Officer	Tel: 01249 710000
Tim Lawlor, Chief Financial Officer	
Buchanan	
Richard Oldworth, Madeleine Seacombe	Tel: 020 7466 5000

A meeting for analysts will be held at Buchanan, 107 Cheapside, London, EC2V 6DN on 17 May 2018 commencing at 11.00am. Wincanton's Preliminary Results 2018 are available at www.wincanton.co.uk

An audio webcast of the analysts' meeting will be available after 2pm today:

http://vm.buchanan.uk.com/2018/wincanton170518/registration.htm

Interim Chairman’s Review

Introduction

We have delivered a solid performance this year with the Group remaining focused on driving long term organic growth from the logistics sectors in which it has chosen to focus.

During the year Wincanton has materially enhanced its eFulfilment logistics offering to ensure it brings cutting edge capability to this growing channel to market. We have successfully grown our two-man home delivery services where we enjoy a market leading position. In more traditional sectors, the Group continues to innovate its services such as the Construction sector where it has invested in the development of on-site logistics services to enhance the control and flow of materials into major build programmes for customers. This area of investment, coupled with good coverage across most of the major elements of the UK and Ireland’s physical goods economy and combined with a diverse customer portfolio, means that the business provides a reliable and predictable revenue and earnings stream generating cash and returns for all our stakeholders.

Results

The Group delivered strong revenue growth in the year of approximately 5%, taking revenue to a six year high of £1,171.9m. This was delivered from a combination of organic growth from existing customers with cross selling of other services and the on-boarding of new customers to the Group. Underlying earnings per share was up by 11.2% over the prior year to 30.8p and by 131.6% over a five year period

Our cash generation remains strong enabling us to invest in our organic growth strategy as well as satisfying the needs of our other material stakeholders in the Group such as our pension scheme and our shareholders.

People and the board

Very sadly, the Group’s Chairman, Steve Marshall, passed away unexpectedly in September and I have taken on the role of Interim Chairman whilst the Board conducts a search for a permanent Chairman. An appointment is expected to be made by late summer.

In September 2017 Gill Barr joined the Board as a Non-executive Director. Her background in retail and technology businesses as well as her broad marketing experience is a strong addition to the Board.

I would like to personally thank the Group’s 17,700 employees for their contribution to the progress made and the results delivered during the year. Their commitment, focus and hard work is the cornerstone of what drives our strong reputation for operational delivery, a safe working environment and the delivery of excellent results throughout the year.

We published our first gender pay report in March and were pleased to report a median gender pay gap below the national average at 7%. Wincanton is committed to ensuring colleagues in similar roles are paid equitably and we are committed to narrowing the gender pay gap through increasing the proportion of women in certain roles that attract higher pay such as HGV drivers. We were also delighted that during the year three of our colleagues were shortlisted for the Everywoman in Transport & Logistics awards to celebrate the most inspirational women within the transport and logistics sector.

Dividend

The Board is pleased to be recommending an increased final dividend of 6.63p per Ordinary Share for the year ended 31 March 2018 (2017: 6.1p) bringing the total dividend for the year to 9.9p per Ordinary Share (2017: 9.1p). This reflects the Group’s growth in operating profit and its progressive dividend policy. The Board’s dividend policy remains unchanged.

Key priorities and prospects

The Group’s overriding priority will be to oversee further progress in the delivery of the organic growth trading strategy. During the year we made significant progress by launching our enhanced propositions to cover the growing eFulfilment needs of customers. Additionally, we have brought new business development talent into the organisation to support our objective to drive future revenue growth. We continue to invest in the capabilities and resources to deliver our organic growth strategy, with our risk appetite remaining low to moderate. We continue to monitor the risks and opportunities that may arise from the Brexit process and to date the Group has experienced no material impact from the process.

The 2017 triennial review of the pension scheme continues and the Board seeks to agree an appropriate future plan with the Scheme Trustee whilst ensuring we take account of our commitment to the wider stakeholder group. The Group still has a sizeable pension deficit when measured on the more prudent Technical Provisions basis used for the triennial review, and so the pension scheme remains a significant stakeholder in the Group.

Outlook

The Group remains well positioned in its chosen markets and continues to deliver strong service levels for customers. The action taken during the past year to reduce costs where necessary ensures we remain competitive for our customers and has been important in order to position the Group for the future. Robust cash generation supports our ability to invest in skills and technology capabilities to both protect and grow the business for the longer term. During the coming year the Board expects Wincanton to make continued strategic and operational progress.

Chief Executive’s Statement

Performance summary

During the year ended 31 March 2018 the Group has delivered a positive set of results underpinned by consistent operational performance. The Group has also made good progress against its strategic objectives during the year as it adds capability to meet the changing needs of our customers.

Revenue in the year ended 31 March 2018 was £1,171.9m (2017: £1,118.1m), which represents a year on year increase of 4.8%. This has been driven primarily by revenue from contract wins including IKEA, Hanson, wilko and Wickes.

Underlying operating profit increased by 1.5% to £52.9m (2017: £52.1m). A strong performance in our Retail & Consumer business was partly offset by a more challenging year for our Industrial & Transport business. As a result, the underlying operating margin of 4.5% is slightly lower than the 4.7% achieved in the prior year.

The Group took action during the year to reposition its cost base and capacity in certain areas to mitigate the weaker than expected performance in the Industrial & Transport sector. The implementation of these cost saving initiatives has resulted in a net exceptional charge of £6.2m and helps position the business so that it remains competitive and effective for future years.

Strong underlying EPS growth of 11.2% reflects the growth in operating profit and lower net financing costs as we reduced the average cost of debt utilised during the year. This growth in underlying earnings enables us to also increase our recommended final dividend per share to 6.63p, resulting in a total dividend per share of 9.9p for the year.

Retail & Consumer

	2018	2017	Change
Revenue (£m)	**691.7**	649.3	6.5%
Underlying operating profit (£m)	**29.7**	25.8	15.1%
Margin (%)	**4.3%**	4.0%	30 bps

Retail & Consumer reported revenues of £691.7m in the year, a 6.5% year on year increase compared with the £649.3m reported in the year to 31 March 2017. The contractual split of this segment between open and closed book remains relatively unchanged with 85% under open book terms (2017: 87%).

Underlying operating profit for the year was £29.7m, up 15.1% on the £25.8m reported last year as a result of new business wins together with increased volume predominantly in Retail general merchandise.

The split of Retail & Consumer revenue by the industry sectors it serves is as follows:

	2018 £m	2017 £m	Change
Retail general merchandise	**384.2**	315.5	21.8%
Retail grocery	**197.8**	228.7	(13.5)%
Consumer products	**109.7**	105.1	4.4%
	691.7	649.3	6.5%

The overall revenue increase was driven primarily by strong wins and volume growth in Retail general merchandise. Our strong eFulfilment proposition continues to drive revenue growth, especially in Home & DIY markets, where our market leading two-man home delivery service helps our customers improve their customers’ experience.

Several significant new contracts commenced operations during the period, including a four year contract with IKEA to set up and operate two new distribution centres to support their multichannel distribution growth strategy; a five year contract with wilko managing all UK transport operations from store replenishment to yard management and backhaul; a three year contract with Wickes to operate home delivery of building products implementing new technology and fleet to support their multichannel strategy; and a three year contract with Argos to manage and support a network reorganisation.

Retail general merchandise has also further expanded its relationship with IKEA with the award of a three year contract to provide two-man home delivery services in the South East of England.

The business also successfully renewed a number of important contracts with key customers, such as KraftHeinz and Argos. All of these important renewals demonstrate the strong partnership-based ethos with our customers and our commitment to driving greater efficiency into these logistics operations.

Overall sector growth was partially offset by a contract loss in Retail grocery with Tesco who took back the operation of a warehouse in-house.

Industrial & Transport

	2018	2017	Change
Revenue (£m)	**480.2**	468.8	2.4%
Underlying operating profit (£m)	**23.2**	26.3	(11.8)%
Margin (%)	**4.8%**	5.6%	(80)bps

Industrial & Transport reported revenues of £480.2m in the year, up 2.4% on the £468.8m reported in the prior year.

The underlying operating profit of £23.2m compared to £26.3m last year and was driven by weaker than expected operational and financial performance from certain transport-related activities and a contract cessation realising property-related credits in the prior year.

The split of Industrial & Transport revenue by the activities undertaken is as follows:

	2018 £m	2017 £m	Change
Transport services	**210.3**	207.0	1.6%
Construction	**150.6**	134.4	12.1%
Other	**119.3**	127.4	(6.4)%
	480.2	468.8	2.4%

The increase in revenue compared to last year is primarily due to new contracts within Construction including several contract wins for our new ready-mix cement proposition as it gains traction in the market place. The growth in Construction was partly offset, however, by lower than expected volumes in our final quarter, in part attributable to the poor weather and the year-on-year impact of the cessation of a contract within our defence operations in the prior year. During the year the markets for our Transport Services activities, which comprise General Haulage, Container Logistics and Pullman Fleet Services, have all been extremely competitive with customers seeking lowest cost service provision to help mitigate other cost challenges that they face. As a result, we have seen significant change in the contract profile and mix of work in this area through a number of contract wins and losses that have broadly left revenue flat year-on-year.

The level of change in the contract portfolio and mix of work across the sector, particularly in Transport Services, impacted the balance of activities and operational effectiveness across our networks, adversely affecting the operating profit performance for the year. This required the Group to take significant action to rebalance costs and capacity across our networks to improve performance. The costs of this reorganisation are included within the exceptional charge for the year noted above.

The business also successfully renewed a number of contracts during the year including those with Phillips 66 and Pernod Ricard.

Strategic Progress

We continue to focus on growing the Group organically and aim to deliver a resilient, predictable cash and profit stream and a growing return for all our stakeholders. We do this through the following strategic pillars:

1. Differentiate our position in the logistics industry through delivering innovation, collaboration and safe, sustainable operations

2. Grow by putting customers at the centre of what we do

3. Drive efficient operations through integrated and consistent services

4. Be an organisation that people aspire to work for and with

We have set out our progress against these pillars as below.

1. Differentiate our position in the logistics industry

Innovation

We make innovation a central theme internally, in our engagement with colleagues and externally in our everyday engagement with customers. Our W^2 programme is the linking theme for innovation at Wincanton. W^2 is all about the power of two, the combined power of Wincanton with our colleagues, or our customers or our partners.

During the year we sought to generate and capture great ideas and convert these into new propositions to take to our customers through a variety of programmes under the W^2 umbrella.

- **W^2 Labs**
  We ran a W^2 Labs initiative, to identify and work with a number of start-up businesses from around the globe that had the potential to add value to our business. This programme helped us enhance our eFulfilment proposition, by partnering with

two companies who brought capability and differentiation, and enabled us to get to market faster than if we had built these capabilities in-house.

- **W2 Partner Network**
  We launched the W^2 Partner Network, which will help us add more partners to collaborate with and to grow the business by widening our offering and working with companies whose reach opens up new areas of mutual opportunity.
- **W2 Ideas Accelerator**
  We launched an internal programme supported by a social media platform that allows colleagues to pose challenges and problems and seek ideas, solutions and comments from across the business. This helps us ensure that great ideas from colleagues are shared across the organisation, recognised, rewarded and where possible commercialised into propositions that we can take to our customers to enhance our services to them.

We seek to position our business at the leading edge of thought leadership around the challenges that our industry and our customers will face over the medium term. This was embodied in 'The Wincanton Guide to the Digitised Supply Chain'. We are gearing up for our role in the digitised supply chain by developing a deep understanding of what our customer needs are and how they are developing their own unique approach to robotics, autonomous vehicles, artificial intelligence, machine learning and so on. It is essential for us to be recognised as a leading logistics business where digitisation is a central component of our highly compelling, differentiated, offering to the market.

Collaboration

Wincanton operates across a wide cross section of the physical goods economy. As such its operations deal with all of the cyclicality of its customers' businesses on a daily, weekly and annual basis. Uniquely we aim to analyse and interpret this data to provide the flexible solutions that enable our customers to meet their seasonal peaks in their demand for logistics services by smart deployment of capability and assets from other sectors when they are in quieter periods. Bringing this to life we provided over 1,450 extra peak transport shifts into the Retail sector across the Christmas peak period, many of which were provided from within the talent pool of drivers and the vehicle assets from our Construction business which typically is coming out of its autumnal peak cycle at that time. This benefits our customers as they are able to access flexible resources when they need them rather than having to commit to resource levels across a full year at the peak level, and thereby reducing costs to their organisation.

Safety and Sustainability

Behaving as a responsible business is central to everything we do at Wincanton.

Our people and their health, safety and wellbeing come first in every decision we make. The safety of colleagues is a non-negotiable commitment and we believe that this is achieved through ensuring strong cultural engagement around behavioural approach to health and safety as well as technical training and robust processes. This is highlighted in our Your Pulse colleague engagement survey where scores on health and safety awareness and responsibilities continue to be the highest scoring areas amongst our colleagues. In the last 12 months we saw a continued reduction in reported safety incidents and a continued improvement in our Lost Time Incident Frequency Rate performance indicator from 0.68 last year to 0.62 this year. We were also recognised for our performance with safety awards during the year from external bodies such as Chartered Institute for Logistics and Transport (CILT) and the Royal Society for the Prevention of Accidents (RoSPA). This confirms the value of our approach, focus and ongoing training programmes with our people.

During the year we again worked hard to minimise our impact on the environment. We were very pleased to take delivery of our first fully electric trucks from Daimler. The Group will initially deploy the 7.5 tonne vehicles for use in inner city logistics, where the challenges of emissions, noise and congestion are greatest. These vehicles will be rolled out as part of our home delivery fleet. The environmental challenges of delivery in urban areas, particularly in 'the last mile', are significant and growing. As a business, we are committed to addressing these issues, to find cost-effective and sustainable solutions for our customers.

The introduction of production-level electric vehicles to our fleet means we can operate more efficiently, more quietly and without locally emitted CO_2. When we are delivering in towns and cities, we know that this really does matter, right down to the door step. These vehicles are a key part of our innovation roadmap, and our growth plan for the future of urban distribution transport at Wincanton.

2. Grow

We aim to grow the Group into a full service contract logistics provider, putting the customer at the centre and driving efficient operations. During the period we grew revenue by 4.8%, achieving this through a combination of extending the services we provide to existing customers as well as acquiring new customers.

We have expanded our relationship with IKEA with the award of a three year contract to provide two-man home delivery services in the South East of England. This builds on Wincanton's strength as a leading provider of high quality consumer experience for our retail customers and enhances the range of services we provide to IKEA to add to the warehouse operations that we established for them in the previous year. For Aggregate Industries we have expanded the range of services we provide to them through the introduction of ready-mix cement services which we have been rolling out to the construction sector to offer a new level of service resilience and consistency to the industry.

We were also delighted to commence partnering with new customers such as Wickes and Thales during the year. For Wickes, part of the Travis Perkins Group, we have started to manage the collation and delivery of bulky goods, such as bricks, tiles and paving, to customers. This solution draws on our expertise in customer service from our market leading two-man home delivery service together with the technical knowledge and expertise from our Construction business in handling and delivering such products. With Thales we are pleased to have been awarded a five year warehousing and distribution contract in which Wincanton will become sole logistics provider, supporting the simplification and increased efficiency of Thales' supply chain to operate national distribution and warehousing of their critical component supply chain.

3. Drive efficient operations

Our track record in continuous improvement helps our customers in terms of lowering their cost of operations in open book contracts and supports our margins in closed book contracts. This continued drive to improve efficiency of operations strongly supports our ability to retain existing contracts with customers and build long term partnerships. During the year we successfully renewed and extended contracts with existing customers including Argos, Phillips 66, Pernod Ricard and Ibstock. We also responded to the needs of the competitive market place we operate in and the challenges in our Industrial & Transport business with a restructuring of the capabilities in this sector in order to reposition the business to remain competitive in future years.

4. Be an organisation that people aspire to work for and with

Our people are central to the great operational delivery that Wincanton prides itself on, working to make our customers' businesses better every day. Without their support, we have no business to run so their engagement is a key priority. I would like to thank them for their dedication and performance during the year.

Developing a pipeline of talent is a high priority for the Group to ensure that we nurture and develop talent for the maintenance of existing activities and drive the delivery of our ambitious growth targets. During the year Wincanton ran 45 apprenticeship programmes as part of this commitment to develop logistics talent inside our organisation.

In the UK economy over the past year we have seen very high levels of employment and we are focused on ensuring that we recruit and retain people into our business to deliver great customer service and to help us grow. We have continued our specific focus on driver resourcing. Our ability to attract drivers to our business is a real strength of the Group and presents a compelling proposition to customers who recognise the scarcity of qualified and talented drivers in the UK. We source drivers from as wide a pool as possible, conduct and support driver training and licence acquisition and do all that we can to ensure we retain our driving talent by recognising their skills through such events as the Wincanton Driver of the Year competition. Our Warehouse to Wheels driver programme supports talented colleagues from non-driving roles to train to be drivers in our business and we see this as a great advantage as part of our focus on recruiting and retaining talent.

FINANCIAL REVIEW

Performance summary

	2018	2017	Change
Revenue (£m)	**1,171.9**	1,118.1	4.8%
Underlying EBITDA (£m)	**64.8**	63.9	1.4%
Underlying operating profit (£m)	**52.9**	52.1	1.5%
Underlying operating margin (%)	**4.5%**	4.7%	(20)bps
Net financing costs (£m)	**(6.5)**	(10.6)	
Underlying profit before tax (£m)	**46.4**	41.5	11.8%
Amortisation of acquired intangibles (£m)	**(2.3)**	(2.2)	
Exceptional items (£m)	**(6.2)**	6.1	
Profit before tax (£m)	**37.9**	45.4	
Income tax (£m)	**(6.7)**	(3.4)	
Profit after tax (£m)	**31.2**	42.0	
Underlying EPS (p)	**30.8**	27.7	11.2%
Basic EPS (p)	**25.2**	34.2	
Dividend per share (p)	**9.9**	9.1	
Closing net debt (£m)	**(29.5)**	(24.3)	21.4%

The Directors present the results of the business on an underlying basis, excluding amortisation of acquired intangibles and exceptional items, the related tax and exceptional tax items, from operating profit, profit before tax and EPS where applicable, as they believe this better represents the performance of the business. A reconciliation of these measures to their statutory equivalent is shown in the section on Alternative Performance Measures below.

The Group's revenue of £1,171.9m in the year ended 31 March 2018 was 4.8% higher than the prior year (2017: £1,118.1m). This strong level of growth reflects the impact of new business commencing in the year as well as strong organic growth, particularly in Retail general merchandise within the Retail & Consumer sector.

Underlying operating profit grew by 1.5% to £52.9m, as a result of a strong performance in Retail & Consumer partly offset by weaker performance within certain transport related areas in Industrial & Transport and property-related credits arising at the end of contract terms in the prior year. As a result, the underlying operating margin has reduced to 4.5% (2017: 4.7%).

Net financing costs

	2018 £m	2017 £m
Bank interest payable on loans	**4.1**	6.0
Interest receivable	**–**	(0.1)
Net interest payable	**4.1**	5.9
Unwinding of discount on provisions	**0.6**	1.2
Interest on the net defined benefit pension liability	**1.8**	3.5
Net financing costs	**6.5**	10.6

Net financing costs were £6.5m (2017: £10.6m), £4.1m lower year on year.

Bank interest payable on loans was £4.1m (2017: £6.0m), a reduction of £1.9m reflecting the maturity of the US$ Private Placement in November 2016, the repayment of the £25m Prudential/M&G UK Companies Financing Fund LP facility in July 2017 and the lower average borrowing rate on the remaining facilities.

The non-cash financing items total £2.4m (2017: £4.7m) and comprise the discount unwinding on the Group's provisions for property and insurance claims, which has reduced primarily due to a change in the discount rate used for the property provision; plus the financing charge in respect of the defined benefit deficit, lower in the year because of a reduction in the opening pension deficit.

Amortisation of acquired intangibles

Amortisation of acquired intangibles of £2.3m is consistent with the prior year of £2.2m and relates to the intangible asset recognised on the acquisition of a defence business in 2008. This asset has now been amortised in full.

Exceptional items

	2018 £m	2017 £m
Restructuring costs	**(8.2)**	–
Pension scheme liability management exercise	**2.0**	(0.9)
Other items	**–**	7.0
Net exceptional items	**(6.2)**	6.1

The Group has undertaken a restructuring programme in the year to ensure that the business is competitively positioned for the future. A charge of £8.2m is included as an exceptional charge for the year comprising principally of costs in relation to the exit of people and associated property costs.

The conclusion of the pension scheme liability management exercise initiated at the end of last year has resulted in a settlement gain of £1.8m together with a release of £0.2m due to actual costs of the exercise being lower than expected.

Other items in the prior year of £7.0m comprise non-cash gains of £4.6m recognised on the remeasurement of liabilities relating to disposed businesses; and the settlement of a claim against a supplier.

Taxation

	2018	2017
Underlying profit before tax (£m)	**46.4**	41.5
Underlying tax (£m)	**8.3**	7.5
Tax on amortisation of acquired intangibles (£m)	**(0.4)**	(0.4)
Exceptional tax (£m)	**(1.2)**	(3.7)
Tax as reported (£m)	**6.7**	3.4
Effective tax rate on underlying profit before tax (%)	**18.0%**	18.0%

Underlying tax of £8.3m (2017: £7.5m) represents an effective tax rate of 18.0% (2017: 18.0%) on underlying profit before tax and is stated before tax credits of £0.4m (2017: £0.4m) in respect of the amortisation of acquired intangibles and exceptional tax of £1.2m (2017: £3.7m, comprising a £4.0m tax credit relating to previous years' tax liabilities offset by a tax charge of £0.3m on exceptional profit).

The total net deferred tax asset has reduced to £11.5m (2017: £17.2m), primarily as a result of the reduction in the pension deficit and the deferred tax asset thereon.

Profit after tax and earnings per share

Profit after tax for the year is £31.2m (2017: £42.0m), the reduction of £10.8m due to exceptional items, a charge in the current year compared to a gain in the prior year, partly offset by improvements in underlying operating profit and financing costs.

Underlying EPS, which excludes from earnings amortisation of acquired intangibles and exceptional items, increased by 11.2% to 30.8p (2017: 27.7p). Basic EPS was 25.2p (2017: 34.2p) with the decrease again being explained by the exceptional items.

The calculation of these EPS measures is set out in Note 6.

Dividends

	2018 pence	2017 pence
Interim	**3.27**	3.00
Final (proposed)	**6.63**	6.10
Total	**9.90**	9.10

The Group's policy is to show dividend growth broadly matched to the growth in underlying earnings.

In setting the dividend the Board considers a range of factors, including the Group's strategy (including downside sensitivities), the current and projected level of distributable reserves and projected cash flows including cash payments to the pension scheme.

The Board has proposed a final dividend of 6.63p per share relating to the year ended 31 March 2018, an increase of 8.7% compared to the final dividend paid in respect of the year ended 31 March 2017.

Dividend payments of £11.6m (2017: £10.4m) in the year comprised the final dividend of 6.1p per share relating to the period ended 31 March 2017 and the 2018 interim dividend of 3.27p per share.

Financial position

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

	2018 £m	2017 £m
Non-current assets	**136.0**	147.9
Net current liabilities (excl. net debt)	**(136.4)**	(149.8)
Non-current liabilities (excl. net debt/pension deficit)	**(33.1)**	(34.8)
Net debt	**(29.5)**	(24.3)
Pensions deficit (gross of deferred tax)	**(49.5)**	(78.4)
Net liabilities	**(112.5)**	(139.4)

The reduction in net liabilities of £26.9m is represented by the profit after tax of £31.2m, the remeasurement of the pension deficit net of deferred tax of £11.4m, less dividends paid in the year of £(11.6)m and other movements in equity of £(4.1)m.

Cash flows

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

	2018 £m	2017 £m
Underlying EBITDA	**64.8**	63.9
Net capital expenditure	**(14.0)**	(18.7)
Working capital	**(8.3)**	6.5
Tax	**(4.0)**	(2.6)
Net interest	**(4.1)**	(6.8)
Other items	**(9.4)**	(2.5)
Free cash flow	**25.0**	39.8
Pension recovery payment	**(14.6)**	(14.1)
Pension liability management exercise	**(2.2)**	-
Dividends	**(11.6)**	(10.4)
Own shares acquired	**(1.8)**	(0.1)
Net cash flow	**(5.2)**	15.2

The Group incurred a £(5.2)m net cash outflow (2017: £15.2m inflow) in the period, with a free cash inflow of £25.0m (2017: £39.8m), defined as the cash movements in net debt, before pension payments, dividends and the acquisition of own shares.

Net capital expenditure was £14.0m (2017: £18.7m), reflecting our investment to support new business growth including £6.2m for specialist vehicles, £4.7m for warehouse fit out and £3.0m for new fleet on start-up contracts or renewals. The capital expenditure is net of cash receipts on sale of assets of £0.5m (2017: £0.5m).

The £8.3m outflow (2017: £6.5m inflow) on working capital in the year ended 31 March 2018 is primarily due to working capital investment in mobilising new contracts started in the year.

The Group paid cash tax in the current year of £4.0m (2017: £2.6m). The cash tax payable continues to trend below the underlying charge due to the impact of tax relief on the pension deficit recovery payments made in the year and on share options exercised. This is expected to continue going forward.

The amount of cash interest paid, excluding fees, of £4.1m (2017: £6.8m) reduced in the year reflecting the lower average cost of debt following the repayment of two tranches of more expensive debt: the US Private Placement debt of £20m which matured in November 2016 and the final element of the M&G debt of £25m which was repaid in July 2017.

Other cash outflows include payments in respect of exceptional charges, property provisions and share based payments. Approximately £4m was paid in respect of restructuring costs in the year. A cash outflow in respect of property provisions of £3.9m, compared to the prior year of £2.7m, the increase due to the settlement of a dilapidation claim in the second half.

Free cash flow of £25.0m (2017: £39.8m) has been used to maintain the annual pension recovery payments of £14.6m (2017: £14.1m) and to pay equity dividends of £11.6m (2017: £10.4m). In addition, total payments of £2.2m were incurred in respect of the pension liability management exercise, including the transfer payments to the Scheme and the cost of running the exercise. The Group acquired 850,000 shares during the year for a total payment of £1.8m to provide shares for the Employee Benefit Trust in respect of long term incentive plan commitments.

Financing and covenants

The Group's committed facilities at the end of the year were £141m (2017: £166m) and the headroom in these committed facilities to reported net debt at 31 March 2018 was £112m (2017: £142m). The Group also has additional operating overdrafts which provide day to day flexibility and amount to a further £8m in uncommitted facilities.

In March 2018 the Group agreed an uncommitted £50m Receivables Purchase Facility with Santander UK Plc. This will allow the Group to access funds held within debtors earlier which will provide a flexible tool to manage working capital fluctuations.

Sterling and Euro pools are operated and whenever possible, surplus cash is netted against overdrafts.

The Group's facilities at 31 March 2018 comprise the syndicated main bank facility of £141m which amortises by £8.8m in October 2019, with a second equal amortisation at the four year anniversary in October 2020 before maturing in October 2021. The £25m facility with Prudential/M&G UK Companies Financing Fund LP was prepaid without penalty on 14 July 2017 from cash generated in the period and from other facilities.

The Group maintains a mix of hedging instruments (swaps) to give an appropriate level of protection against changes in interest rates. At the year end, £20m of debt was at fixed rates and the balance at floating rates.

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

Covenant	Ratio	At 31 March 2018
Adjusted net debt: EBITDA	<2.75:1	**0.81**
Interest cover	>3.5:1	**17.8**
Fixed charge cover	>1.4:1	**2.5**

Pensions

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

Defined benefit arrangements

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

The membership data split by key categories is as follows:

	2018	2017
Deferred	**7,404**	8,030
Pensioners	**5,810**	5,883
	13,214	13,913

At 31 March 2018, the Group is reporting an IAS 19 deficit of £49.5m (2017: £78.4m).

The deficit has reduced due to a reduction in liabilities due to demographic assumptions, an increase in the market value of the investments and contributions received from the Group, being partly offset by an increase in liabilities due to an increase in the inflation rate assumption. The discount rate has remained at 2.6% in line with the prior year. On an IAS 19 basis of measurement, each 0.1% increase in the rate decreases the liabilities of the Scheme by approximately £22m, however, due to the hedging in place, assets would also decrease by approximately £24m.

Over recent years, the Trustee has pursued a diversification of the investment portfolio as part of a de-risking strategy and the programme has continued in the year ended 31 March 2018. As at 31 March 2018 the Scheme's investment was split between 42.4% in return-seeking assets and 57.6% in defensive assets. The interest and inflation rate risks facing the Scheme are hedged and the Trustee has increased the level of this hedge during the year to 100% of the Scheme's assets.

In conjunction with the Trustee, the Group also initiated a liability management exercise in the form of an Enhanced Transfer Value, whereby deferred members approaching retirement may choose to transfer their assets out of the Scheme in order to access the new flexible retirement options available. As a result of this exercise the Group has recognised an exceptional credit of £2.0m, being a settlement gain of £1.8m generated on completion of the exercise and £0.2m release due to a reduction in the costs associated with the exercise; together with an associated cash outflow to fund the enhanced transfer values; and a reduction in the pension liabilities (2017: exceptional cost of £(0.9)m, being the costs associated with making the transfer offer, including the provision of independent financial advice). As part of the exercise the Group paid top up payments to the Scheme of £1.5m resulting in a reduction in the deficit on an IAS 19 basis of £3.3m. The impact of the exercise on the assets, liabilities and deficit is shown in the table below:

	IAS 19
Cash Equivalent Transfer Value	**(24.3)**
Liabilities extinguished	**27.6**
Deficit reduction	**3.3**
Group top up	**(1.5)**
Net gain on settlement	**1.8**

Discussions with the Trustee in respect of the triennial valuation as at 31 March 2017 are continuing. These discussions are based on a Technical Provisions valuation (the "TP deficit"), which uses a more prudent set of assumptions than those used for the purpose of the IAS 19 balance sheet valuation. As a result, the TP deficit is higher than the balance sheet deficit (the 31 March 2014 TP deficit was £195m compared with the balance sheet deficit of £110.9m) and the movements in the deficits over time may not be proportionate due to the different basis of calculation. The objective of the triennial process is to agree the valuation, an investment strategy for the Scheme assets, the Company's annual deficit funding contribution, the recovery period for these payments and contingent protections for the Scheme. We expect to conclude the discussions with Trustees during the calendar year 2018.

The last triennial valuation of the Scheme, undertaken as at 31 March 2014, resulted in a deficit recovery payment plan with a baseline annual payment of £14.4m increasing by RPI each year through the recovery period to September 2024. The cash contribution made in the current year to fund the deficit was £14.6m which is after the deduction of certain administration costs paid directly by the Group as agreed with the Trustee.

Defined contribution arrangements

The Group's defined contribution arrangements include the Retirement Savings Section including the Auto Enrolment section, and the Pension Builder Plan in the UK and a separate similar local scheme in Ireland. Active membership of these schemes was 15,728 (2017: 15,524) in the year. The charge incurred for these arrangements totals £19.0m (2017: £17.9m).

Alternative Performance Measures

Alternative performance measures (APMs) are used by the Board in assessing the Group's performance and are applied consistently from one period to the next. They therefore provide additional useful information for shareholders on the underlying performance and position of the Group. Additionally, underlying EPS is used as a key performance indicator for the share incentive schemes, including the Special Option Plan and Long Term Incentive Plan. These measures are not defined by IFRS and are not intended to be a substitute for IFRS measures.

The Group presents underlying EBITDA, operating profit and EPS which are calculated as the statutory measures stated before amortisation of acquired intangibles and exceptional items, including related tax and exceptional tax items where applicable. The table below reconciles the APMs to the statutory reported measures.

				2018				2017
	Statutory	**Amortisation of acquired intangibles**	**Exceptional items[1]**	**Underlying**	Statutory	Amortisation of acquired intangibles	Exceptional items[1]	Underlying
Revenue (£m)	**1,171.9**	**–**	**–**	**1,171.9**	1,118.1	–	–	1,118.1
EBITDA (£m)[2]	**58.6**	**–**	**6.2**	**64.8**	70.0	–	(6.1)	63.9
Operating profit (£m)	**44.4**	**2.3**	**6.2**	**52.9**	56.0	2.2	(6.1)	52.1
Operating margin (%)	***3.8***	***0.2***	***0.5***	***4.5***	*5.0*	*0.2*	*(0.5)*	*4.7*
Net financing costs (£m)	**(6.5)**	**–**	**–**	**(6.5)**	(10.6)	–	–	(10.6)
Profit before tax (£m)	**37.9**	**2.3**	**6.2**	**46.4**	45.4	2.2	(6.1)	41.5
Income tax (£m)	**(6.7)**	**(0.4)**	**(1.2)**	**(8.3)**	(3.4)	(0.4)	(3.7)	(7.5)
Profit after tax (£m)	**31.2**	**1.9**	**5.0**	**38.1**	42.0	1.8	(9.8)	34.0
Earnings per share (p)[3]	**25.2p**			**30.8p**	34.2p			27.7p
Dividend per share (p)	**9.9p**			**9.9p**	9.1p			9.1p
Closing net debt (£m)[4]				**(29.5)**				(24.3)

1 Note 3 provides further detail of exceptional items and also includes any tax releases/credits that are classed as exceptional.

2 EBITDA refers to operating profit before depreciation and amortisation and is reconciled in Note 2 to the financial statements.

3 Note 6 to the financial statements provides further detail of underlying earnings per share.

4 Net debt is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities. Note 8 to the financial statements provides a breakdown of net debt for the current and prior periods.

Consolidated income statement

FOR THE YEAR ENDED 31 MARCH 2018

	Note	**2018 £m**	2017 £m
Revenue	2	**1,171.9**	1,118.1
Underlying operating profit	2	**52.9**	52.1
Amortisation of acquired intangibles		**(2.3)**	(2.2)
Exceptional items	3	**(6.2)**	6.1
Operating profit	2	**44.4**	56.0
Financing income	4	**–**	0.1
Financing cost	4	**(6.5)**	(10.7)
Net financing costs	4	**(6.5)**	(10.6)
Profit before tax		**37.9**	45.4
Income tax expense	5	**(6.7)**	(3.4)
Profit attributable to equity shareholders of Wincanton plc		**31.2**	42.0
Earnings per share			
– basic	6	**25.2p**	34.2p
– diluted	6	**24.8p**	33.0p

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2018

	Note	**2018 £m**	2017 £m
Profit for the year		**31.2**	42.0
Other comprehensive income/(expense)			
Items which will not subsequently be reclassified to the income statement			
Remeasurements of defined benefit liability	9	**13.8**	17.6
Income tax relating to items that will not subsequently be reclassified to profit or loss	5	**(2.4)**	(4.0)
		11.4	13.6
Items which are or may subsequently be reclassified to the income statement			
Net foreign exchange loss on investment in foreign subsidiaries net of hedged items	4	**–**	(0.1)
Effective portion of changes in fair value of cash flow hedges		**(0.1)**	0.4
Net change in fair value of cash flow hedges transferred to the income statement		**0.1**	0.2
		–	0.5
Other comprehensive income for the year, net of income tax		**11.4**	14.1
Total comprehensive income attributable to equity shareholders of Wincanton plc		**42.6**	56.1

Consolidated balance sheet

AT 31 MARCH 2018

	Note	**2018 £m**	2017 £m
Non-current assets			
Goodwill and intangible assets		**82.7**	86.9
Property, plant and equipment		**41.7**	43.7
Investments, including those equity accounted		**0.1**	0.1
Deferred tax assets		**11.5**	17.2
		136.0	147.9
Current assets			
Inventories		**4.4**	4.0
Trade and other receivables		**140.7**	133.4
Assets classified as held for sale		**6.1**	–
Cash and cash equivalents	8	**17.6**	40.9
		168.8	178.3
Current liabilities			
Income tax payable		**(5.7)**	(6.4)
Borrowings and other financial liabilities	8	**–**	(0.2)
Trade and other payables		**(264.1)**	(265.4)
Employee benefits		**–**	(0.2)
Provisions		**(17.8)**	(15.2)
		(287.6)	(287.4)
Net current liabilities		**(118.8)**	(109.1)
Total assets less current liabilities		**17.2**	38.8
Non-current liabilities			
Borrowings and other financial liabilities	8	**(47.1)**	(65.0)
Employee benefits	9	**(49.5)**	(78.4)
Provisions		**(33.1)**	(34.8)
		(129.7)	(178.2)
Net liabilities		**(112.5)**	(139.4)
Equity			
Issued share capital		**12.5**	12.4
Share premium		**12.9**	12.9
Merger reserve		**3.5**	3.5
Hedging reserve		**(0.1)**	(0.1)
Translation reserve		**(0.3)**	(0.3)
Retained earnings		**(141.0)**	(167.8)
Total equity deficit		**(112.5)**	(139.4)

These financial statements were approved by the Board of Directors on 16 May 2018 and were signed on their behalf by:

A Colman
Chief Executive Officer

T Lawlor
Chief Financial Officer

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2018

	Issued share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings: Own shares £m	Retained earnings: Profit and loss £m	Total equity deficit £m
Balance at 1 April 2016	12.4	12.9	3.5	(0.7)	(0.2)	(3.1)	(209.1)	(184.3)
Profit for the year	–	–	–	–	–	–	42.0	42.0
Other comprehensive income	–	–	–	0.6	(0.1)	–	13.6	14.1
Total comprehensive income	–	–	–	0.6	(0.1)	–	55.6	56.1
Share based payment transactions	–	–	–	–	–	2.7	(4.4)	(1.7)
Current tax on share based payment transactions	–	–	–	–	–	–	1.1	1.1
Deferred tax on share based payment transactions	–	–	–	–	–	–	(0.1)	(0.1)
Own shares acquired	–	–	–	–	–	(0.1)	–	(0.1)
Dividends paid to shareholders	–	–	–	–	–	–	(10.4)	(10.4)
Balance at 31 March 2017	12.4	12.9	3.5	(0.1)	(0.3)	(0.5)	(167.3)	(139.4)
Balance at 1 April 2017	**12.4**	**12.9**	**3.5**	**(0.1)**	**(0.3)**	**(0.5)**	**(167.3)**	**(139.4)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**31.2**	**31.2**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**11.4**	**11.4**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**42.6**	**42.6**
Share based payment transactions	**–**	**–**	**–**	**–**	**–**	**0.7**	**(2.8)**	**(2.1)**
Current tax on share based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Shares issued	**0.1**	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**–**
Own shares acquired	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**–**	**(2.1)**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(11.6)**	**(11.6)**
Balance at 31 March 2018	**12.5**	**12.9**	**3.5**	**(0.1)**	**(0.3)**	**(2.0)**	**(139.0)**	**(112.5)**

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2018

	2018 £m	2017 £m
Operating activities		
Profit before tax	**37.9**	45.4
Adjustments for		
– depreciation and amortisation	**14.2**	14.0
– interest expense	**6.5**	10.6
– exceptional items (non cash)	**–**	(4.6)
– share based payments fair value charges	**(2.1)**	(1.7)
	56.5	63.7
(Increase)/decrease in trade and other receivables	**(7.2)**	6.2
(Increase)/decrease in inventories	**(0.4)**	0.8
Decrease in trade and other payables	**(1.6)**	–
Increase/(decrease) in provisions	**0.2**	(4.3)
(Decrease)/increase in employee benefits before pension deficit payment	**(2.6)**	0.9
Income taxes paid	**(4.0)**	(2.6)
Cash generated before pension deficit payment	**40.9**	64.7
Pension deficit payment	**(14.6)**	(14.1)
Cash flows from operating activities	**26.3**	50.6
Investing activities		
Proceeds from sale of property, plant and equipment	**0.4**	0.1
Proceeds from sale of computer software	**0.1**	0.4
Interest received	**–**	0.1
Additions of property, plant and equipment	**(14.5)**	(18.0)
Additions of computer software	**–**	(1.2)
Cash flows from investing activities	**(14.0)**	(18.6)
Financing activities		
Own shares acquired	**(1.8)**	(0.1)
Borrowings repaid	**(25.0)**	(20.1)
Increase in borrowings	**6.9**	10.1
Equity dividends paid	**(11.6)**	(10.4)
Interest paid	**(4.1)**	(6.9)
Cash flows from financing activities	**(35.6)**	(27.4)
Net (decrease)/increase in cash and cash equivalents	**(23.3)**	4.6
Cash and cash equivalents at beginning of year	**40.9**	36.3
Cash and cash equivalents at end of year	**17.6**	40.9
Represented by:		
– cash at bank and in hand	**11.7**	33.0
– restricted cash, being deposits held by the Group's insurance subsidiary	**5.9**	7.9
	17.6	40.9

Notes to the consolidated financial statements

1. Accounting policies

The financial information set out in this preliminary announcement does not constitute Wincanton plc's statutory accounts for the years ended 31 March 2018 and 31 March 2017. Statutory accounts for the year ended 31 March 2018 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 March 2017 have been delivered to the Registrar of Companies. The Auditor has reported on those accounts; their reports were unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

2. Operating segments

Wincanton plc provides contract logistics services in the UK and Ireland. The Group manages its operations in two distinct operating segments; Retail & Consumer (including retail general merchandise, retail grocery and consumer products) and Industrial & Transport (including transport services, construction and other).

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

	Note	**Retail & Consumer 2018 £m**	**Industrial & Transport 2018 £m**	**Total 2018 £m**	Retail & Consumer 2017 £m	Industrial & Transport 2017 £m	Total 2017 £m
Revenue from external customers[1]		**691.7**	**480.2**	**1,171.9**	649.3	468.8	1,118.1
Underlying EBITDA[2]		**36.4**	**28.4**	**64.8**	32.0	31.9	63.9
Depreciation		**(5.6)**	**(4.4)**	**(10.0)**	(5.0)	(4.8)	(9.8)
Amortisation of software intangibles		**(1.1)**	**(0.8)**	**(1.9)**	(1.2)	(0.8)	(2.0)
Underlying operating profit[2]		**29.7**	**23.2**	**52.9**	25.8	26.3	52.1
Amortisation of acquired intangibles				**(2.3)**			(2.2)
Exceptionals	3			**(6.2)**			6.1
Operating profit				**44.4**			56.0
Net financing costs	4			**(6.5)**			(10.6)
Profit before tax				**37.9**			45.4
Total Group assets[3]				**304.8**			326.2
Additions to reportable segment non-current assets:							
– property, plant and equipment		**3.7**	**10.8**	**14.5**	3.0	15.0	18.0
– computer software costs		**–**	**–**	**–**	0.7	0.5	1.2
Total Group liabilities				**(417.3)**			(465.6)

1 Included in segment revenue is £1,160.4m (2017: £1,109.0m) in respect of customers based in the UK.

2 Underlying EBITDA refers to underlying operating profit before depreciation and amortisation. Underlying operating profit is stated before amortisation of acquired intangibles and exceptional items.

3 Total Group assets include non-current assets of £136.0m (2017: £147.9m), of which £135.9m (2017: £147.9m) are held in the UK.

Revenue of £212.5m (2017: £201.7m) and £145.7m (2017: £143.3m) arose from sales to the Group's two largest single customers, being groups of companies under common control, and is reported within the Retail & Consumer segment above. No other single customer or group of customers under common control contributed 10% or more to the Group's revenue in either the current or prior year.

3. Exceptional items

	2018 £m	2017 £m
Restructuring costs	**(8.2)**	–
Pension liability management exercise	**2.0**	(0.9)
Other items	**–**	7.0
	(6.2)	6.1

The Group has undertaken a restructuring programme in the year within the Industrial & Transport sector and the Group's support functions, to ensure that the business is competitively positioned for the future. A charge of £8.2m is included as exceptional for the year comprising primarily of the costs of exit of people and associated property costs.

The Group initiated a pension scheme liability management exercise in conjunction with the Trustee at the end of last year. The estimated costs of the exercise were accrued in the prior year, with the settlement gains and adjustment to the estimated costs being recognised in the current year.

Other items in the prior year of £7.0m comprise non-cash gains of £4.6m which were recognised on the remeasurement of liabilities relating to disposed businesses, including warranty balances held in respect of the disposal of the European operations and WRM; and the settlement of a claim against a supplier.

4. Net financing costs

Recognised in the income statement

	Note	**2018 £m**	2017 £m
Interest income		**–**	0.1
Interest expense		**(4.1)**	(6.0)
Unwinding of discount on provisions		**(0.6)**	(1.2)
Interest on the net defined benefit pension liability	9	**(1.8)**	(3.5)
		(6.5)	(10.7)
Net financing costs		**(6.5)**	(10.6)

Recognised in other comprehensive income

	2018 £m	2017 £m
Foreign currency translation differences for foreign operations – recognised in the translation reserve	**–**	(0.1)

5. Income tax expense

Recognised in the income statement

	2018 £m	2017 £m
Current tax expense		
Current year	**4.2**	7.0
Adjustments for prior years	**(0.8)**	(4.3)
	3.4	2.7
Deferred tax expense		
Current year	**3.0**	1.6
Adjustments for prior years	**0.3**	(0.9)
	3.3	0.7
Total income tax expense	**6.7**	3.4

	2018 £m	2017 £m
Reconciliation of effective tax rate		
Profit before tax	**37.9**	45.4
Income tax using the UK corporation tax rate of 19% (2017: 20%)	**7.2**	9.1
Non-deductible expenditure	**0.3**	0.4
Non-taxable income	**–**	(1.0)
Change in UK corporation tax rate	**(0.3)**	–
Effect of tax rate in foreign jurisdictions	**–**	(0.1)
Adjustments for prior years		
– current tax	**(0.8)**	(4.3)
– deferred tax	**0.3**	(0.9)
Other	**–**	0.2
Total tax expense for the year	**6.7**	3.4

Recognised in other comprehensive income

	2018 £m	2017 £m
Items which will not subsequently be reclassified to the Income statement:		
Remeasurements of defined benefit pension liability	**2.4**	4.0

Recognised directly in equity

	2018 £m	2017 £m
Current tax on share based payment transactions	**(0.1)**	(1.1)
Deferred tax on share based payments transactions	**–**	0.1
	(0.1)	(1.0)

The main UK Corporation tax rate reduced to 19% with effect from 1 April 2017 (20% prior to 1 April 2017) and will further reduce to 17% with effect from 1 April 2020 which should reduce the Group's future current tax charge accordingly.

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

The total tax expense above includes tax credits of £0.4m (2017: £0.4m) in respect of amortisation of acquired intangibles and exceptional tax of £1.2m (2017: £3.7m).

6. Earnings per share

Earnings per share calculation is based on the profit attributable to the equity shareholders of Wincanton plc of £31.2m (2017: £42.0m) and the weighted average shares in issue throughout the year as calculated below of 123.8m (2017: 122.8m). The diluted earnings per share calculation is based on there being 2.1m (2017: 4.3m) additional shares deemed to be issued at £nil consideration under the Company's share option schemes.

	2018 millions	2017 millions
Weighted average number of Ordinary Shares (basic)		
Issued Ordinary Shares at the beginning of the year	**123.5**	121.9
Net effect of shares issued and purchased during the year	**0.3**	0.9
	123.8	122.8
Weighted average number of Ordinary Shares (diluted)		
Weighted average number of Ordinary Shares for the year (as above)	**123.8**	122.8
Effect of share options on issue	**2.1**	4.3
	125.9	127.1

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

	2018 pence	2017 pence
Underlying earnings per share		
– basic	**30.8**	27.7
– diluted	**30.3**	26.8

Underlying earnings are determined as follows:

	Note	**2018 £m**	2017 £m
Profit for the year attributable to equity shareholders of Wincanton plc		**31.2**	42.0
Exceptional items	3	**6.2**	(6.1)
Amortisation of acquired intangibles		**2.3**	2.2
Tax impact of above items and exceptional tax items		**(1.6)**	(4.1)
Underlying earnings		**38.1**	34.0

7. Dividends

Dividends paid in the year comprise:

	2018 £m	2017 £m
Final dividend for the year ended 31 March 2017 of 6.1p per share (2016: 5.5p)	**7.6**	6.7
Interim dividend for the period ended 30 September 2017 of 3.27p per share (2016: 3.0p)	**4.0**	3.7
	11.6	10.4

The Directors are proposing a final dividend of 6.63p per share for the year ended 31 March 2018 (2017: 6.1p) which, if approved by shareholders, will be paid on 3 August 2018 to shareholders on the register on 6 July 2018, an estimated total of £8.2m. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 28 June 2018 and in accordance with Adopted IFRS has not been included as a liability in these financial statements.

In setting the dividend the Directors have considered a range of factors, including the Group's strategy (including downside sensitivities), the Group's net debt position, the current and projected level of distributable reserves and projected cash flows.

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

8. Analysis of changes in net debt

	1 April 2017 £m	**Cash flow £m**	**31 March 2018 £m**
Cash and bank balances	40.9	(23.3)	**17.6**
Bank loans and overdrafts	(65.1)	18.1	**(47.0)**
Other financial liabilities	(0.1)	–	**(0.1)**
Net debt	(24.3)	(5.2)	**(29.5)**

9. Employee benefits

Employees of Wincanton participated in funded pension arrangements in the UK and Ireland during the year ended 31 March 2018 details of which are given below.

The principal Wincanton Scheme in the UK (the Scheme) is a funded arrangement which has two defined benefit sections and two defined contribution sections, called the Wincanton Retirement Savings Section and the Wincanton Pension Builder Plan. The employees of Wincanton Ireland Limited are eligible to participate in a separate defined contribution scheme. Assets of these pension arrangements are held in separate Trustee administered funds independent of Wincanton. The weighted average duration of the funded defined benefit obligation is approximately 20 years.

In previous years, a small number of employees, who were subject to the statutory earnings cap on pensionable earnings prior to 6 April 2006, were entitled to participate in an unfunded unapproved arrangement in addition to accruing benefits from the Scheme. There have been no active members of this arrangement throughout the years ended 31 March 2017 and 2018.

The defined benefit sections of the Scheme were closed to future accrual on 31 March 2014. This means that no future service benefit will accrue but pensions built up to the date of closure have been preserved.

The latest formal valuation of the Scheme was carried out as at 31 March 2014 by the Scheme actuary, Hymans Robertson, and was agreed with the Trustee in 2015. In addition, it was agreed that certain administration expenses would be paid directly by the Group and deducted from the deficit funding contributions. The expenses, which amount to £0.7m (2017: £0.7m), are not included in the contributions below. The deficit funding contribution in the year net of these expenses was £14.6m (2017: £14.1m) with a further £1.5m top up payment to the Scheme as a result of an enhanced transfer value exercise. Discussions are ongoing with the Trustee in respect of the triennial valuation of the Scheme. The future deficit funding contributions are subject to the outcome of these discussions which we expect to conclude in 2018. The defined benefit sections of the Scheme expose the Group to various risks: longevity risk (members living longer than expected), inflation and interest rate risk (higher or lower than expected), and market (investment) risk (lower returns than expected). The Trustee and Group have taken steps to mitigate these risks through the use of:

- hedging instruments within the investment portfolio; and
- diversification of the investment portfolio.

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

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

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

	2018 £m	2017 £m
Present value of unfunded defined benefit obligations	**(2.3)**	(2.2)
Present value of funded defined benefit obligations	**(1,123.1)**	(1,156.7)
Fair value of Scheme assets	**1,075.9**	1,080.5
Net defined benefit liability	**(49.5)**	(78.4)

The movement in the above net defined benefit liability in the year was primarily the result of a reduction in liabilities due to demographic assumptions, an increase in the market value of the investments and contributions received from the Group, being partly offset by an increase in liabilities resulting from an increase in the inflation rate assumption. The net defined benefit liability, after taking into account the related deferred tax asset, is £41.1m (2017: £65.1m).

Movements in the present value of the net defined benefit liability

31 March 2018	Assets £m	Obligations £m	Net liability £m	Unfunded arrangements £m	Total net liability £m
Opening position	**1,080.5**	**(1,156.7)**	**(76.2)**	**(2.2)**	**(78.4)**
Included in Income statement:					
Administration costs	**(1.7)**	**–**	**(1.7)**	**–**	**(1.7)**
Effect of settlements	**(25.8)**	**27.6**	**1.8**	**–**	**1.8**
Interest on the net defined benefit liability	**27.3**	**(29.1)**	**(1.8)**	**–**	**(1.8)**
Cash:					
Employer contributions	**16.8**	**–**	**16.8**	**–**	**16.8**
Benefits paid	**(39.5)**	**39.5**	**–**	**–**	**–**
Included in Other comprehensive income:					
Changes in financial assumptions	**–**	**(33.4)**	**(33.4)**	**(0.1)**	**(33.5)**
Changes in demographic assumptions	**–**	**23.8**	**23.8**	**–**	**23.8**
Experience	**–**	**5.2**	**5.2**	**–**	**5.2**
Return on assets excluding amounts included in net financing costs	**18.3**	**–**	**18.3**	**–**	**18.3**
Closing defined benefit liability	**1,075.9**	**(1,123.1)**	**(47.2)**	**(2.3)**	**(49.5)**

31 March 2017	Assets £m	Obligations £m	Net liability £m	Unfunded arrangements £m	Total net liability £m
Opening position	897.1	(1,001.0)	(103.9)	(1.7)	(105.6)
Included in Income statement:					
Administration costs	(1.7)	–	(1.7)	–	(1.7)
Interest on the net defined benefit liability	30.8	(34.2)	(3.4)	(0.1)	(3.5)
Cash:					
Employer contributions	14.8	–	14.8	–	14.8
Benefits paid	(57.0)	57.0	–	–	–
Included in Other comprehensive income:					
Changes in financial assumptions	–	(202.1)	(202.1)	(0.4)	(202.5)
Changes in demographic assumptions		24.2	24.2	–	24.2
Experience	–	(0.6)	(0.6)	–	(0.6)
Return on assets excluding amounts included in net financing costs	196.5	–	196.5	–	196.5
Closing defined benefit liability	1,080.5	(1,156.7)	(76.2)	(2.2)	(78.4)

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:

	2018 %	2017 %
Discount rate	**2.60**	2.60
Price inflation rate – RPI	**3.35**	3.15
Price inflation rate – CPI	**2.35**	2.15
Rate of increase of pensions in deferment	**2.35**	2.15
Rate of increase of pensions in payment[1]	**1.85-3.25**	1.75-3.05

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

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

	2018 Years	2017 Years
Male aged 65 today	**21.1**	21.2
Male aged 45 today	**23.0**	23.5
Female aged 65 today	**22.9**	23.4
Female aged 45 today	**25.4**	26.4

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 and includes the impact of the interest rate and inflation rate hedging. 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	**Increase/(decrease) in liability £m**	**Increase/(decrease) in assets £m**
Discount rate	**+0.1%**	**(22.0)**	**(24.0)**
Price inflation – RPI	**+0.1%**	**14.0**	**13.0**
Mortality rate	**+ 1 year**	**44.9**	**–**

Defined contribution schemes

The total expense relating to the Group's defined contribution schemes in the current year was £19.0m (2017: £17.9m).