9 June 2016

WINCANTON plc
Preliminary Announcement of Results
for the financial year ended 31 March 2016

Strong earnings growth and debt reduction delivered, dividends reintroduced

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 2016.

	2016	2015	Change	Change (excl. WRM)
Revenue (£m)	**1,147.4**	1,107.4	3.6%	4.4%
Underlying EBITDA (£m)	**65.4**	64.1	2.0%	5.3%
Underlying operating profit (£m)	**50.9**	49.7	2.4%	5.4%
Underlying operating margin (%)	**4.4%**	4.5%		
Underlying profit before tax (£m)	**35.3**	31.4	12.4%	
Profit before tax (£m)	**65.8**	24.9		
Underlying EPS (pence)	**23.9**	21.1	13.3%	
Basic EPS (pence)	**50.7**	16.6		
Closing net debt (£m)	**(39.5)**	(57.6)	(31.4)%	
Dividend per share - final (pence)	**5.5p**	-		

Highlights

- Revenue growth of 4.4%* with a strong performance on new business wins and additional volumes in retail general merchandise. New business wins include a five year contract to manage B&Q's distribution centres and a three year agreement for transport logistics with Halfords. Contract renewals signed with long-established customers, including HJ Heinz and Müller Milk and Ingredients (previously Dairy Crest)
- Underlying operating profit increased by 5.4%*. Pullman business trading profitably with all onerous contracts now exited
- Strong underlying EPS growth of 13.3% to 23.9 pence per share (2015: 21.1 pence per share) driven by higher underlying operating profit together with lower finance and tax charges
- Disposal of Records Management business for enterprise value of £60m and a gain on sale of £32.4m. Cash proceeds used to repay debt and make an additional £7m contribution in year to our pension scheme
- Reintroduction of dividends with a recommended final dividend of 5.5p proposed for 2015/16. Dividend policy expected to be progressive with annual growth broadly matched to growth in underlying earnings

Note: Underlying measures of performance for EBITDA, operating profit, profit before tax and earnings per share are stated before net other items of £30.5m (2015: £(6.5)m), comprising amortisation of acquired intangibles of £(4.5)m (2015: £(6.5)m) and exceptionals of £35.0m (primarily the gain on disposal of the Records Management business) (2015: £nil). Operating profit, including these items, amounted to £81.4m (2015: £43.2m).

* on a like for like basis excluding WRM from both years.

Adrian Colman, Wincanton Chief Executive Officer commented:
"After a year of continued progress, the reintroduction of dividends is an important milestone and an indicator of the health of Wincanton. We believe that the business is on a strong foundation, having reduced debt and onerous lease obligations over the last few years, to enable it to invest for future growth as well as to meet the needs of its key stakeholders. The Group is well positioned, with a strong track record of profitable growth, to make further progress for the benefit of shareholders and all other stakeholders including the pension scheme, our customers and all colleagues in the business. We look forward to the future with confidence."

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	Tel: 020 7466 5000

A meeting for analysts will be held at Buchanan, 107 Cheapside, London, EC2V 6DN on 9 June 2016 commencing at 9.30am. Wincanton's Preliminary Results 2016 are available at www.wincanton.co.uk

An audio webcast of the analysts' meeting will be available from 12 noon today http://vm.buchanan.uk.com/2016/wincanton090616/registration.htm

Chairman's statement

Introduction

2015/16 proved to be a year of intense activity for Wincanton and also something of a milestone. The Records Management business (WRM), which lacked fit with the rest of the Group, was sold for an enterprise value of £60m, which represents an excellent return for shareholders. The Pullman business was stabilised and returned to profitability in the second half. The Contract logistics business continued to grow revenues and profits in a market that remains highly competitive as our customers strive to make progress across a broad cross-section of changing markets.

Whatever the sector, rising customer expectations, unprecedented information transparency, the rapid evolution of multichannel and accelerating technological change all impose intense cost efficiency and responsiveness challenges on customers' supply chains, of which Wincanton is an integral part. Our role in meeting and exceeding our customers' needs and requirements have been achieved with the utmost proficiency.

A key milestone has been the Board's decision to resume the payment of an annual dividend, starting with a recommended final dividend for the current year. Over the last four years, the Group has sought to simplify and concentrate on its UK contract logistics heartland, strengthen what was a heavily geared balance sheet and drive customer and operational focus. It is appropriate to record that shareholders have without exception been supportive and patient during this period. This has enabled the Board to address Wincanton's priorities in the appropriate order and for the long term benefit of all stakeholders.

Results

Group revenues at £1.15bn were up by 3.6% on the prior year and by 4.4% excluding the WRM disposal from both years. Underlying operating profits were up by 2.4% from £49.7m to £50.9m and by 5.4% excluding WRM again from both years.

The Contract logistics business continued to grow revenues and profits materially during the year. Although the new business pipeline provided fewer large opportunities than in the prior year, the emphasis on existing customer account growth and renewal together with delivering cost efficiencies once again underwrote financial performance. Within Specialist businesses, profits were down, due to only a part year contribution from WRM prior to disposal and increased first half losses from Pullman, prior to the successful resolution of its two onerous customer contracts in the second half.

Underlying profit before tax was up 12.4% to £35.3m, reflecting lower financing costs due to reduced average net debt and last year's refinancing. Underlying earnings per share continued to advance, up by 13.3% to 23.9p.

The focus on strengthening the balance sheet continued. Net debt at the year end was down, from £57.6m in the prior year, to £39.5m. The net cash inflow from the WRM disposal plus the free cash flow generated within the year were in fact well in excess of this £18.1m reduction. These cash inflows were partly offset by a managed reduction in year end working capital movements which has resulted in a £37.3m reduction in our trade payables from last year. As a result of the reduced working capital volatility, average net debt and period end net debt will be more closely aligned in future.

The period end IAS 19 accounting deficit stood at £105.6m (gross of deferred tax), down from £144.2m in the prior year. However, the more meaningful actuarial deficit is significantly higher, and the Board continues to be focused on meeting the Group's ongoing obligations to this important stakeholder group.

People and the Board

There was a smooth transition of Adrian Colman into his new role of Chief Executive Officer, and I would like to thank the outgoing Chief Executive, Eric Born, for his contribution to Wincanton's recovery in his four years in the role. Following Adrian's promotion in August 2015, a search was conducted to appoint his replacement as Group Finance Director. It was a pleasure to welcome Tim Lawlor to the Board in that role, his appointment effective from the end of September 2015. Tim's extensive experience, and his ready understanding of a demanding business to business contracting environment has already proved an asset. There were no other Board changes during the period.

Most importantly, the hard work and dedication of Wincanton's 17,500 employees should once again be recognised. The Board appreciates that their commitment to safely and enthusiastically meeting the needs of our customers remains one of Wincanton's key competitive advantages. We do not take it for granted.

Dividend

The Board is proposing a final dividend of 5.5p for 2015/16 payable in August 2016. It is anticipated that in future years, the interim and final dividend split will be broadly one-third / two-thirds.

The Board's intention is to adopt a progressive dividend policy, with annual dividend growth broadly matched to the growth in underlying earnings.

Outlook

The key themes that have been the hallmark of Wincanton's recovery phase over the last four years – the strong emphasis on contract renewal and customer retention, delivering internal and customer cost efficiencies, on operational and portfolio simplification and on generating free cash flow - will remain.

Importantly, the Group now has the financial capability to also support limited scale investments in skills and technology to both protect and grow the core contract logistics business for the longer term. This will be done progressively, and in bite size chunks, to avoid raising the Group's overall risk profile.

During the coming year, the Board expects Wincanton to make continued progress.

Chief Executive’s statement

Introduction

We have continued to deliver improved operating performance during the year and delivered both organic revenue and profit growth. A key part of the profit growth has been the return to stability and profitability of the Pullman business in the second half of this year. Furthermore, we have delivered a material reduction in the level of net debt following the disposal of Records Management (WRM) in late 2015. The sale of that business enables us to focus purely on the contract logistics skills and specialisms of the Group in its core UK and Ireland markets.

Our markets

The UK and Ireland marketplace in which we operate has been relatively stable and the economy overall has performed positively in the financial year ended 31 March 2016. We have seen a strong performance year over year in the volume of business with our retail customers in the household and home-related products sectors.

The retail marketplace continues to change rapidly with multichannel retail becoming increasingly important. We continue to see further growth opportunities for the Group in this area as a high proportion of multichannel logistics operations are still in their infancy compared to traditional logistics operations. Our scale, operational excellence, technology capabilities and innovation means we are well placed to partner with retailers to help them develop and outsource their multichannel logistics operations to a larger extent over the coming years.

The retail grocery marketplace remains a challenging environment for many of our customers due to the combination of the changing consumer habits and shopping profiles, deflationary pressures on goods and price competition from discounters. Our retail grocery portfolio has remained broadly stable, which is encouraging given the change happening in the industry and reflects our delivery of continued operational and financial performance for customers to help them meet the challenges they face in their marketplace.

The construction marketplace continues to perform well although the growth trend in the UK market has flattened off over the last year, as a number of decisions on projects have been delayed in part due to macro-economic uncertainty over the future outlook for the UK economy.

Other markets in which we operate, such as defence, fuels and bulk foods, have remained stable over the course of the year and are forecast to remain resilient. We continue to look for opportunities in these markets to leverage our strong existing credentials.

Strategic update

We have undertaken a wide-ranging review of our operations and strategic aims during the year. This review has confirmed that the primary markets we serve and the geographical regions in which we operate remain attractive and our strategic focus should continue in these areas. Additionally our business performance will continue to be driven by:

- Delivering improvements for our customers in our existing operations and retaining existing contracts
- Improving ‘share of wallet’ with our existing customers and focusing on cross-selling of our services
- Acquiring new customers through improved prospecting process and innovative service propositions
- Driving ongoing cost reductions and cash generation

From the review process we have recognised that the key to our future success requires a stronger emphasis on:

- Placing the customer even closer to the heart of our organisation
- Key major growth markets and opportunities in retail, consumer products and construction
- Developing more innovative propositions and solutions which harness the creativity of Wincanton and its ability to bring collaborative benefits to our customers

Strategic progress in the year ended 31 March 2016

In the year ended 31 March 2016, we made the following significant progress against our strategic aims and objectives:

Delivering improvements for our customers in our existing operations and retaining existing contracts

The Group delivered another good performance in renewing contracts with long-standing customers such as HJ Heinz and Müller Milk and Ingredients (previously Dairy Crest) during the period, built on the foundation of operational excellence, reliability and dependability over the long term. These renewals extended our relationships with these valued customers to 24 and 25 years respectively. As with any contracting business not all business is retained and the wins noted above were balanced by certain contracts we exited or which were not renewed during the year. These included contracts such as the onerous Pullman home shopping contracts and the Morrisons convenience grocery distribution activity following the disposal of their convenience stores.

Improving 'share of wallet' with our existing customers and focusing on cross selling of our services
We have focused our teams on building strong relationships with customers to ensure we understand their needs and the opportunities where we can help add value to their businesses. New business wins included the entire warehousing operations for one of the UK's leading home and DIY retailers, B&Q, where not only was our service proposition and excellent record of transition key to the customer's decision to award, our commercial offer was also innovative and compelling.

Acquiring new customers through improved prospecting process and innovative service propositions
We were delighted to be awarded the transportation services contract with cycling and motoring specialist Halfords and have created a strong partnership approach with them in our first year of operations. As well as taking over an existing central operation we have also established a network of out bases utilising available space in both our own sites and those we operate for other customers. This type of collaboration brings financial and operational efficiencies to both the customers involved and ourselves.

Other notable wins in the year included bulk sugar transportation for British Sugar. During the year, we demonstrated our innovative and flexible approach with the delivery of a number of short term but significant projects for customers including a 'pop up' seasonal peak operation for Amazon which provided a flexible solution to their need to meet volume growth by intelligently utilising space within our warehouse network. This demonstrated Wincanton's skill at achieving fast start-up operations for customers and our ability to create a 'plug and play' solution that delivers robust operating performance from day one.

Driving ongoing cost reductions and cash generation
We maintained our underlying operating margin reporting 4.4% in 2015/16 (2015: 4.5%). 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.

We continued the year over year trend of reducing the level of closing net debt to £39.5m (2015: £57.6m) and the average level of net debt to £108m (2015: £136m), as a result of the continued focus on cash generation, improved year round working capital management plus the impact of the Records Management disposal proceeds of £55.7m.

Future focus
We will look to bring greater focus to deliver our growth aspirations and will make some adjustments to the operational structure of the business by integrating the two remaining Specialist businesses, Containers and Pullman, within Contract logistics. Both of these businesses have a high level of customer overlap with Contract logistics customers and we will ensure that there is a single point of customer relationship accountability in the future.

In future we will manage and report the business under two segments as follows:

- Retail & Consumer – Our existing retail business will work more closely with our consumer products business to ensure that we bring the thought-leadership and collaboration opportunities to customers vertically through the entire supply chain from producer to retailer. From a service proposition perspective we will seek to build on the substantial existing multichannel operations that we run for customers and will continue to broaden our offering in the e-fulfilment arena to meet the change in consumer shopping habits.
- Industrial & Transport – This segment will seek to maximise the opportunity for delivering value to our customers from an integrated and optimised transport operation. The Containers business will form part of this integrated transport operation. The Pullman business will also sit within this segment as a provider of transport and fleet services.

Our people
Our people are core to the great operational delivery that Wincanton excels at, working to make our customers' business better every day. I would like to thank them for their dedication and performance during the year. In the year we welcomed more than 1,900 new colleagues, primarily from the new B&Q and Halfords operations, who transferred to us as part of new business won in the year. Our experience and expertise in the transfer and induction of large numbers of employees, whilst maintaining service delivery and quality in the operation, is a key strength of Wincanton and we seek to make these new colleagues quickly feel part of the Group and engaged to deliver a high level of performance for our customers.

In partnership with our customer Screwfix, the Wincanton team has been awarded the accolade of 'Supply Chain Team of the Year' at the Retail Week's annual Supply Chain Awards. This leading industry award comes as a result of both businesses and their people working together to increase innovation, sustainability and efficiency for Screwfix customers.

The health and safety of our colleagues is of the highest importance and the Group has continued to reduce the number of reported incidents that occurred in operations during the last year. We believe we are industry leading in our approach and results and this is a great credit to the determination of the entire Wincanton team to deliver a safe working environment for all colleagues.

During the year, we have maintained our focus on driver resourcing and the resiliency this programme underpins in our business is a real strength of the Group as a proposition to customers. 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. This competition is a year long programme that culminates with a final day of competition of driving skills, last year at Silverstone circuit, celebrating the skills and capabilities of our driver population.

Developing our people is a high priority for the Group and the Wincanton Academy is now an established part of our development programmes, allowing high-performing colleagues to grow their skills and expertise around customer excellence, leadership and commercial finance. Our Accelerate and Get Ahead schemes for aspiring managers saw 36 colleagues participate. Developing a pipeline of talent is crucial for the maintenance of existing activities and driving the delivery of our ambitious growth targets. As part of this drive we are also focused on ensuring we maximise the opportunities for colleagues irrespective of background or gender and evidence of this success is that almost half of the delegates on our talent programmes are female.

As a founding member of the NOVUS Trust initiative the business is working with the Chartered Institute of Logistics and Transport to provide a pipeline of future talent and we believe this investment will help to ensure both the long term prosperity and also future sustainability of not only our business but also the wider logistics industry. This year we have offered places to graduates from the NOVUS backed degree programme from Huddersfield University to join the Group.

Summary

As a reflection of the progress the business has made in recent years we are especially pleased that we are reintroducing dividend payments with a proposed final dividend for the year of 5.5p payable to shareholders in August 2016. This is anticipated to be the start of a progressive dividend policy with annual growth broadly matched to the growth in underlying earnings of the business in future years. The reinstatement of the dividend marks the start of the next phase for Wincanton following the completion of the recovery and transformation programme over the last five years. We believe that the business is now on a strong foundation focused on its core activity, having reduced debt and onerous lease obligations. It now has the capacity to make investments for future growth as well as to meet the needs of its key stakeholders. Furthermore, we believe the Group is well positioned, with a strong track record of profitable growth, to make further progress for the benefit of shareholders and all other stakeholders including the pension scheme, our customers and all colleagues. We look forward to the future with confidence.

Financial review

In the year ended 31 March 2016, Wincanton reported revenue of £1,147.4m (2015: £1,107.4m), which represents a year on year increase of 3.6% (4.4% excluding WRM from both years). A strong performance on new business wins and additional volumes in particular with retail general merchandise customers plus higher volumes in construction were partially offset by the impact from contract exits and losses and the disposal of the Records Management business part way through the year.

Underlying operating profit grew by 2.4% to £50.9m (2015: £49.7m), providing an underlying operating margin of 4.4% marginally down from 4.5% in the prior year. Excluding the profits of the disposed Records Management business, underlying operating profit was £48.7m, up 5.4% from £46.2m in 2015, with margins consistent at 4.3%.

Net financing costs were £15.6m (2015: £18.3m), £2.7m lower year on year. Financing charges consist of interest payable on loans and finance leases of £9.9m (2015: £11.0m) and £5.7m of non-cash items (2015: £7.3m) in relation to pension financing charges and the unwinding of discounts on provisions.

Amortisation of acquired intangibles of £4.5m are £2.0m lower than the prior year as balances relating to the acquired containers businesses were fully amortised at the end of March 2015.

On 4 November 2015, the Group announced the disposal of the Records Management business, for an enterprise value of £60m, on a cash and debt free basis, and resulting in a pre-tax exceptional gain of £32.4m as set out below.

Profit on disposal of Records Management:

	£m
Enterprise value	60.0
Tax and working capital adjustments	(4.3)
	55.7
Assets disposed of:	
Tangible fixed assets	(16.4)
Stock	(0.2)
Debtors	(0.6)
	(17.2)
Transaction and other associated costs	(6.1)
Profit on disposal	32.4

The cash proceeds of £55.7m received is after the deduction for retained working capital of £2.4m and certain tax costs of £1.9m. Proceeds have been used primarily to reduce the Group's M&G fixed interest debt. In addition, a further deficit recovery payment of £7m has been made to the Wincanton Pension Scheme.

In addition to the gain on sale, exceptionals include a £2.6m credit arising from a release of warranty balances established on the sale of the European operations in 2012.

Tax in the year was a charge of £4.7m compared with £5.6m in the prior year, a reduction due to the fall in the tax rate together with the utilisation of brought forward losses. Underlying earnings per share of 23.9p increased by 13.3% from 21.1p in the prior year reflecting the improved operating profit and the lower net financing and underlying tax charges year over year. Basic earnings per share was 50.7p compared with 16.6p in 2014/15, the increase also reflecting the exceptionals and lower amortisation charges.

Trading

			2016 £m			2015 £m
	Contract logistics	**Specialist businesses**	**Total**	Contract logistics	Specialist businesses	Total
Revenue	**979.2**	**168.2**	**1,147.4**	928.8	178.6	1,107.4
Underlying operating profit	**48.4**	**2.5**	**50.9**	44.8	4.9	49.7
Margin (%)	**4.9%**	**1.5%**	**4.4%**	4.8%	2.7%	4.5%

The Group's internal management structure in the year to 31 March 2016 aligned the Group under two sectors; Contract logistics, which is a provider of supply chain logistics solutions and services and Specialist businesses consisting of Containers, Wincanton Records Management and Pullman. This structure has been constant in both years to 31 March 2016 and hence the segments disclosure remains unchanged. Following the disposal of Records Management and the resultant reduction in the size of the Specialist businesses segment, the Group has reviewed its operational and reporting structure. With effect from 1 April 2016, the Group has reorganised its operations into two operating segments, Retail & Consumer and Industrial & Transport. Reporting will be aligned with this structure and from 1 April 2016, the segment information disclosed will reflect this change.

Contract logistics

The Contract logistics business reported revenues of £979.2m in the year, a 5.4% year on year increase compared with the £928.8m reported in the year to 31 March 2015. The contractual split of this segment between open and closed book remains relatively constant at 69% open book (2015: 67%).

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

	2016 £m	2015 £m
Construction	**153.1**	135.2
FMCG	**188.1**	179.7
Retail grocery	**229.8**	237.4
Retail general merchandise	**261.5**	221.2
Tankers and bulk	**80.0**	94.6
Other	**66.7**	60.7
	979.2	928.8

The revenue increase was driven primarily by strong volumes and new business wins in the retail general merchandise and construction sectors, together with good volume performance in the FMCG sector.

The business successfully concluded a number of important renewals and extensions of services with key customers in the year. New business wins in the retail general merchandise sector included a five-year contract to operate B&Q's distribution centres, a three-year agreement for transport logistics with Halfords and the expansion of our services for B&Q to include home delivery services for their Kitchens, Bedrooms and Tiles products. Additionally, in the defence business the Group extended the breadth and length of its contract with BAE Systems where it manages goods inspection, storage and packing, and transportation services into their Military Air and Information division.

The Group also successfully renewed business with long-standing customers such as HJ Heinz and Müller Milk and Ingredients (previously Dairy Crest) during the period, taking our relationship with these valued customers to over 24 and 25 years respectively.

In a contracting business such as Wincanton inevitably the new business growth has been partially offset by contract losses and exits due to changes in customer requirements or transfers to alternative providers. During the period, these included the cessation of activity with Morrisons in the third quarter following the announcement of the sale of their convenience store network. In both tankers and retail grocery revenue has been lower in the period due to reduced volumes and the in-sourcing of a contract in each sector.

Underlying operating profit for the year was £48.4m, up 8.0% on the £44.8m reported last year.

Specialist businesses
The Specialist businesses segment of the Group comprises Wincanton container logistics, Wincanton Records Management up to the date of its disposal, and the vehicle maintenance and repair business, Pullman.

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

	2016 £m	2015 £m
Containers	**79.7**	81.0
Pullman	**73.6**	75.2
Records Management*	**14.9**	22.4
	168.2	178.6

* Disposed of with effect from 8 December 2015.

Revenue for this segment was £168.2m, 5.8% down on the previous year of £178.6m. Underlying operating margin fell to 1.5% (2015: 2.7%) and underlying operating profit reduced to £2.5m (2015: £4.9m). As previously highlighted, the reduction in both margin and operating profit in the sector are attributable to the disposal of Records Management and the losses suffered in the Pullman business, primarily due to two loss making contracts in its home shopping operation. During the year, Pullman continued its recovery plan which included the introduction of a new management team, successful exit from the two loss making contracts and commencement of a turnaround of other underperforming elements of the Pullman business. As a result of the progress, Pullman's trading returned to profitability in the second half of the year. Furthermore, the final months of operation and exit from the onerous home shopping contracts were managed better than expected and the losses on these two contracts through to closure were lower in the second half than anticipated.

The Container transport market continues to be competitive but it presents a number of opportunities for the business, in particular in growing with customers serviced in the Contract logistics segment.

Records Management produced a strong organic growth performance up to the date of disposal.

Net financing costs

	2016 £m	2015 £m
Bank interest payable on loans/leases	**10.1**	11.2
Interest receivable	**(0.2)**	(0.2)
Net interest payable	**9.9**	11.0
Discounts unwinding re provisions	**1.3**	2.3
Pension financing item	**4.4**	5.0
Net financing costs	**15.6**	18.3

Financing costs, related to the Group's debt, of £10.1m reduced by £1.1m compared to the prior year charge of £11.2m, principally due to the lower average debt in the year which was £28m lower at £108m (2015: £136m) and following the repayment of £50m of the M&G debt in the final quarter of the year. The non-cash financing items total £5.7m (2015: £7.3m) and comprise the discounts unwinding on the Group's long term provisions for onerous property leases and insurance claims plus the pensions financing charge in respect of the defined benefit deficit.

Taxation
The tax charge of £4.7m (2015: £5.6m) reflects an effective tax rate on underlying profits of 18.4% (2015: 22.0%). This reduction is a result of the drop in the main UK corporation tax rate from 21% to 20% and from 20% to 18% in respect of the deferred tax rate, together with utilisation of brought forward losses recognised in the period. This has resulted in an effective tax rate slightly below the standard UK rate for the current year, as compared to marginally above in the prior year. The factors influencing the effective tax rate in 2015/16 are expected to remain reasonably constant, resulting in an effective tax rate continuing slightly below the headline UK rate for the foreseeable future.

The Group paid cash tax in the current year of £3.1m, lower by £1.1m compared to the prior year payment of £4.2m, primarily as the Group received a refund of overpaid tax of £1.8m in respect of finalisation of prior year tax returns. 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. This is expected to continue going forward.

The total deferred tax asset carried forward at 31 March 2016 has reduced to £22.8m (2015: £30.3m), primarily as a result of the reduction in the pension deficit and the deferred tax asset thereon.

Profit after tax, earnings per share and dividend
The profit after tax reported for the Group for the year of £61.1m compares to £19.3m in the prior year.

These retained earnings translate to a basic earnings per share of 50.7p (2015: 16.6p), the year on year increase primarily driven by the exceptional gain on the disposal of Records Management recognised in the year. As set out in note 6 the Group reports an alternative, underlying earnings per share figure, excluding the impact of amortisation of acquired intangibles and the exceptional gain, which has increased year on year by 13.3% to 23.9p from 21.1p.

Dividends

In light of the continued improvement in the Group's net debt position and the Board's confidence in the Group's strategy, the Board has proposed a final dividend of 5.5p. In setting the dividend the Board has considered a range of factors, including the Group's strategy (including downside sensitivities), the current and projected level of distributable reserves and projected cash flows.

In future years, the Board expects to show progressive dividend growth broadly matched with growth in underlying earnings. We expect that the interim and final dividend split will be broadly one-third / two-thirds.

Financial position

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

	2016 £m	2015 £m
Non-current assets	**148.5**	185.4
Net current liabilities (ex net debt)	**(150.9)**	(203.2)
Non-current liabilities (ex net debt/pension deficit)	**(36.8)**	(42.1)
Net debt	**(39.5)**	(57.6)
Pensions deficit (gross of deferred tax)	**(105.6)**	(144.2)
Net liabilities	**(184.3)**	(261.7)

The movement in the year of £77.4m is principally due to retained profit for the year of £61.1m following the Records Management disposal. In addition, the remeasurement in the pension deficit, net of deferred tax, is a small gain of £16.0m which is attributable to the higher discount rate prevailing at 31 March 2016, offset by a fall in the market value of assets held by the Scheme.

Financing and covenants

The Group's committed facilities at the year end were £215m and the headroom in these committed facilities to reported net debt at 31 March 2016 was £176m (2015: £242m). The Group also has additional operating overdrafts which provide day to day flexibility and amount to a further £11m in uncommitted facilities. Sterling and Euro pools are operated and whenever possible, surplus cash is netted against overdrafts.

The Group's facilities comprise the following: the main bank facility of £170m which amortises by £10m in June 2016 and each year thereafter until it matures in June 2019; £25m from the Prudential/M&G UK Companies Financing Fund LP, which matures in January 2022, after four equal repayments commencing in January 2019; and the balance of the US Private Placement debt of £20m which matures in November 2016. It is expected that the US Private Placement debt will be redeemed from cash generated in the year and other existing facilities.

During the year, the Group fully repaid the maturing element of its US Private Placement debt, of £34m, and repaid £50m of the Prudential/M&G UK Companies Financing Fund LP, the latter using proceeds from the disposal of Records Management.

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, £45m 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 2016
Adjusted net debt:EBITDA	<2.75:1	1.07
Interest cover	>3.5:1	7.7
Fixed charge cover	>1.4:1	2.4

Net debt and cash flows

Group net debt at the year end was £39.5m (2015: £57.6m), representing a net cash inflow in the year of £18.1m. This inflow reflects cash generated from operations offset by the settlement of a number of significant onerous lease liabilities in the second half. The cash proceeds from the Records Management disposal of £55.7m, less the pension scheme contribution and other payments, have reduced the absolute level of debt in the second half, although this is partly offset in the closing reported debt position by a managed reduction in working capital movements at the year end, with an associated reduction in trade payables of £37.3m from last year. The Group's average level of net debt during the year was reduced by £28m from £136m in 2014/15 to £108m in 2015/16 from the cash generation of the business and, in part, the disposal proceeds received in late 2015. Going forward our reported year end closing net debt will be more aligned to our reported average net debt as we lower intra-period volatility of cash and working capital and closing net debt will be a good proxy for the overall indebtedness of the Group.

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

	2016 £m	2015 £m
Underlying operating profit	**50.9**	49.7
Depreciation and amortisation	**14.5**	14.4
EBITDA	**65.4**	64.1
Net capital expenditure	**(6.0)**	(9.7)
Net financing costs	**(9.1)**	(12.6)
Pension deficit payment	**(20.9)**	(14.4)
Disposal of WRM	**55.7**	–
Onerous leases	**(7.7)**	(12.1)
Working capital movement	**(51.8)**	(1.6)
Tax / other	**(7.5)**	(6.4)
Total	**18.1**	7.3

Included in the net financing cost outflows last year was £2.6m of arrangement fees payable in respect of the new refinancing facility agreed and the latest tranche of the M&G facility fee (£nil for 2015/16). The amount of cash interest paid, excluding fees, of £8.5m reduced significantly in the year reflecting the lower level of average net debt compared to the prior year. The average borrowing rate on debt including all fees, but excluding the non-cash items of discounts unwinding and pension financing charges, is 8.3% (7.3% in 2014/15) this has increased year on year due to the fixed fee element forming a larger proportion of the overall financing costs.

Net capital expenditure totalled £6.0m (2015: £9.7m). The year on year reduction is driven by the increase in receipts from sales of end of contract assets in the year of £4.4m (2015: £0.5m). Gross capital spend of £10.4m in the year was in line with prior years (2015: £10.3m) with key projects including £1.3m for specialist vehicles for construction, £1.0m for racking and other fit out in Records Management sites prior to sale and lastly £3.4m on the Group's information systems infrastructure.

The cash outflows in respect of the onerous lease liabilities in the year ended 31 March 2016 were £7.7m, a £4.4m reduction compared to the prior year of £12.1m. This is in line with the previously expressed view that the Group's cash exposure to these onerous leases will fall materially over time. During the year the Group successfully secured a number of agreements to exit from certain properties and to settle remaining dilapidations discussions. In the coming year to 31 March 2017, and subsequent years, the cash outflows in respect of onerous property leases are forecast to continue to reduce.

The working capital outflow of £(51.8)m compared to prior year outflow of £(1.6)m reflects the reduced scope of year end working capital movements.

The Group also acquired £4.5m of its own shares (2015: £nil) in order to satisfy extant share awards.

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

Defined benefit arrangements
The Wincanton plc Pension Scheme (the Scheme), which closed its defined benefit sections to future accrual on 31 March 2014, had an IAS 19 deficit of £105.6m (2015: £144.2m) (£86.6m net of deferred tax) at the year end. The deficit has reduced due to a reduction in liabilities, resulting from an increase in the discount rate and contributions received from the Group, being partly offset by a fall in the market value of the investments. The discount rate has increased to 3.5% compared with the prior year of 3.25%. Each 0.1% movement in the rate impacts the liabilities of the scheme by 1.9%, currently some £19.0m.

The triennial valuation as at 31 March 2014 was finalised with the Trustee in April 2015, with a technical provision basis deficit agreed of £195m. The additional cash contribution made in the current year to fund the deficit was £14.5m as agreed in the latest valuation. Certain administration costs have been paid directly by the Group and in line with the agreement with the Trustee, deducted from these contributions. Going forward the payment profile agreed with the Trustee increases the deficit recovery payment by RPI each year through the recovery period to September 2024. In addition, following the disposal of Records Management an additional payment of £7.0m of deficit recovery contribution was made to the Scheme in the year.

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

	2016	2015
Deferred	**8,525**	8,720
Pensioners	**7,125**	7,130
	15,650	15,850

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 2015/16 with changes to both the return-seeking and matching portfolios. A trigger mechanism is being used to reduce the return-seeking asset allocation as the funding level improves and at 31 March 2016 the target allocation is 51:49 return-seeking to matching (2015: 51:49). During the year both the overall market and the funding level have been impacted by the continuing low interest rate environment, albeit partially offset by investment performance. As part of the de-risking strategy the Trustee, in conjunction with the Company, has put in place liability hedging arrangements in the year covering c. 38% (2015: c. 35%) of the interest rate and inflation exposure of the Scheme.

Defined contribution arrangements

The Group's defined contribution arrangements include the Retirement Savings Section, Pension Builder Plan and Auto Enrolment section in the UK and a separate similar local scheme in Ireland. Active membership of these schemes was 15,437 (2015: 14,317) in the year. The income charge incurred for these arrangements totals £18.1m (2015: £16.3m).

Consolidated income statement

For the year ended 31 March 2016

	Note	**2016 £m**	2015 £m
Revenue	2	**1,147.4**	1,107.4
Underlying operating profit	2	**50.9**	49.7
Amortisation of acquired intangibles		**(4.5)**	(6.5)
Exceptionals	3	**35.0**	–
Operating profit		**81.4**	43.2
Financing income	4	**0.2**	0.2
Financing cost	4	**(15.8)**	(18.5)
Net financing costs	4	**(15.6)**	(18.3)
Profit before tax		**65.8**	24.9
Income tax expense	5	**(4.7)**	(5.6)
Profit attributable to equity shareholders of Wincanton plc		**61.1**	19.3
Earnings per share			
– basic	6	**50.7p**	16.6p
– diluted	6	**47.4p**	14.9p

Consolidated statement of comprehensive income

For the year ended 31 March 2016

	Note	**2016 £m**	2015 £m
Profit for the year		**61.1**	19.3
Other comprehensive income/(expense)			
Items which will not subsequently be reclassified to the income statement			
Remeasurements of defined benefit liability	10	**23.0**	(40.5)
Income tax relating to items that will not be reclassified subsequently to profit or loss	5	**(7.0)**	8.1
		16.0	(32.4)
Items which are or may subsequently be reclassified to the income statement			
Net foreign exchange gain/(loss) on investment in foreign subsidiaries net of hedged items	4	**0.3**	(0.8)
Effective portion of changes in fair value of cash flow hedges		**(0.4)**	(1.3)
Net change in fair value of cash flow hedges transferred to the income statement		**1.3**	1.5
		1.2	(0.6)
Other comprehensive income/(expense) for the year, net of income tax		**17.2**	(33.0)
Total comprehensive income/(expense) attributable to equity shareholders of Wincanton plc		**78.3**	(13.7)

Consolidated balance sheet

At 31 March 2016

	Note	**2016 £m**	2015 £m
Non-current assets			
Goodwill and intangible assets		**90.0**	96.8
Property, plant and equipment		**35.6**	58.2
Investments, including those equity accounted		**0.1**	0.1
Deferred tax assets		**22.8**	30.3
		148.5	185.4
Current assets			
Inventories		**4.8**	5.8
Trade and other receivables		**139.4**	135.2
Cash and cash equivalents		**36.3**	105.8
		180.5	246.8
Current liabilities			
Income tax payable		**(7.3)**	(8.7)
Borrowings and other financial liabilities		**(20.4)**	(35.3)
Trade and other payables		**(272.1)**	(316.6)
Employee benefits		**(0.3)**	(0.2)
Provisions	9	**(15.4)**	(18.7)
		(315.5)	(379.5)
Net current liabilities		**(135.0)**	(132.7)
Total assets less current liabilities		**13.5**	52.7
Non-current liabilities			
Borrowings and other financial liabilities		**(55.4)**	(128.1)
Employee benefits	10	**(105.6)**	(144.2)
Provisions	9	**(36.0)**	(41.2)
Deferred tax liabilities		**(0.8)**	(0.9)
		(197.8)	(314.4)
Net liabilities		**(184.3)**	(261.7)
Equity			
Issued share capital		**12.4**	12.2
Share premium		**12.9**	12.8
Merger reserve		**3.5**	3.5
Hedging reserve		**(0.7)**	(1.6)
Translation reserve		**(0.2)**	(0.5)
Retained earnings		**(212.2)**	(288.1)
Total equity deficit		**(184.3)**	(261.7)

These financial statements were approved by the Board of Directors on 8 June 2016 and were signed on its behalf by:

A Colman
Chief Executive Officer

T Lawlor
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 March 2016

	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 2014	12.2	12.8	3.5	(1.8)	0.3	(14.9)	(262.1)	(250.0)
Profit for the year	–	–	–	–	–	–	19.3	19.3
Other comprehensive income/(expense)	–	–	–	0.2	(0.8)	–	(32.4)	(33.0)
Total comprehensive income/(expense)	–	–	–	0.2	(0.8)	–	(13.1)	(13.7)
Share based payment transactions	–	–	–	–	–	–	1.5	1.5
Deferred tax on share based payment transactions	–	–	–	–	–	–	0.5	0.5
Own shares disposed of on exercise of options	–	–	–	–	–	0.8	(0.8)	–
Balance at 31 March 2015	12.2	12.8	3.5	(1.6)	(0.5)	(14.1)	(274.0)	(261.7)
Balance at 1 April 2015	**12.2**	**12.8**	**3.5**	**(1.6)**	**(0.5)**	**(14.1)**	**(274.0)**	**(261.7)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**61.1**	**61.1**
Other comprehensive income	**–**	**–**	**–**	**0.9**	**0.3**	**–**	**16.0**	**17.2**
Total comprehensive income	**–**	**–**	**–**	**0.9**	**0.3**	**–**	**77.1**	**78.3**
Share based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**0.9**	**0.9**
Current tax on share based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**2.2**	**2.2**
Deferred tax on share based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Shares issued	**0.2**	**–**	**–**	**–**	**–**	**(0.2)**	**–**	**–**
Own shares acquired	**–**	**–**	**–**	**–**	**–**	**(4.5)**	**–**	**(4.5)**
Own shares disposed of on exercise of options	**–**	**0.1**	**–**	**–**	**–**	**15.7**	**(15.8)**	**–**
Balance at 31 March 2016	**12.4**	**12.9**	**3.5**	**(0.7)**	**(0.2)**	**(3.1)**	**(209.1)**	**(184.3)**

Consolidated statement of cash flows

For the year ended 31 March 2016

	2016 £m	2015 £m
Operating activities		
Profit before tax	**65.8**	24.9
Adjustments for		
– depreciation and amortisation	**19.0**	20.9
– interest expense	**15.6**	18.3
– exceptionals	**(35.0)**	**–**
– share-based payments fair value charges	**0.9**	1.5
	66.3	65.6
Increase in trade and other receivables	**(4.5)**	(0.3)
Decrease in inventories	**0.8**	0.6
Decrease in trade and other payables	**(49.0)**	(4.0)
Decrease in provisions	**(10.0)**	(15.1)
Increase in employee benefits before pension deficit payment	**0.9**	2.1
Income taxes paid	**(3.1)**	(4.2)
Cash generated before pension deficit payment	**1.4**	44.7
Pension deficit payment	**(20.9)**	(14.4)
Cash flows from operating activities	**(19.5)**	30.3
Investing activities		
Proceeds from sale of property, plant and equipment	**4.4**	0.6
Proceeds from Records Management disposal	**55.7**	**–**
Interest received	**0.2**	0.2
Additions of property, plant and equipment	**(10.0)**	(10.0)
Additions of computer software costs	**(0.4)**	(0.3)
Cash flows from investing activities	**49.9**	(9.5)
Financing activities		
Own shares acquired	**(4.5)**	**–**
Decrease in borrowings	**(86.2)**	(33.6)
Payment of finance lease liabilities	**–**	(0.5)
Interest paid	**(9.3)**	(12.8)
Cash flows from financing activities	**(100.0)**	(46.9)
Net decrease in cash and cash equivalents	**(69.6)**	(26.1)
Cash and cash equivalents at beginning of year	**105.8**	131.9
Effect of exchange rate fluctuations on cash held	**0.1**	**–**
Cash and cash equivalents at end of year	**36.3**	105.8
Represented by		
– cash at bank and in hand	**26.3**	93.2
– restricted cash, being deposits held by the Group's captive insurer	**10.0**	12.6
	36.3	105.8

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 2016 and 31 March 2015. Statutory accounts for the year ended 31 March 2016 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 March 2015 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. In the year to 31 March 2016 the Group managed its operations in two distinct operating segments: Contract logistics (the majority of activities being transport and warehousing for various market sectors including retail, manufacturing, defence and construction) and Specialist businesses (Pullman, Containers and Wincanton Records Management, up to the date of its disposal).

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 performance of the operating segments on the basis of revenue and underlying operating profit. Assets and liabilities are reviewed at a consolidated level only, therefore segmental information is not provided.

	Contract logistics		**Specialist businesses**		**Consolidated**	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Revenue from external customers[1]	**979.2**	928.8	**168.2**	178.6	**1,147.4**	1,107.4
Depreciation	**(8.6)**	(9.5)	**(3.0)**	(2.8)	**(11.6)**	(12.3)
Amortisation of software intangibles	**(2.9)**	(2.1)	**–**	–	**(2.9)**	(2.1)
Reportable segment underlying operating profit[2]	**48.4**	44.8	**2.5**	4.9	**50.9**	49.7
Total Group assets[3]					**329.0**	432.2
Additions to reportable segment non-current assets:						
– property, plant and equipment	**8.3**	8.4	**1.7**	1.6	**10.0**	10.0
– computer software costs	**0.4**	0.3	**–**	–	**0.4**	0.3
Total Group liabilities					**(513.3)**	(693.9)

1 Included in segment revenue is £1,134.7m (2015: £1,083.7m) in respect of customers based in the UK.

2 Underlying operating profit includes the share of results of the joint venture and is stated before amortisation of acquired intangibles and, where applicable, exceptionals.

3 Total Group assets include non-current assets of £148.4m (2015: £180.2m) in the UK.

Revenue of £156.7m arose from sales to the Group's largest single customer, being a group of companies under common control, and is reported within the Contract logistics segment above. In 2015 no single customer contributed 10% or more of total revenue, therefore no disclosure was required. 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.

Following the disposal of Records Management and the resultant reduction in the size of the Specialist businesses segment, the Group has reviewed its operational and reporting structure. With effect from 1 April 2016, the Group has reorganised its operations into two operating segments, Retail & Consumer and Industrial & Transport. Reporting has been aligned with this structure and from 1 April 2016 the segment information disclosed will reflect this change.

3. Exceptionals

	2016 £m	2015 £m
Exceptional income		
Disposal of Records Management	**32.4**	–
Release of warranty balances	**2.6**	–
	35.0	–

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.

On 8 December 2015 the Group disposed of Records Management for a cash consideration of £55.7m. Property, plant and equipment and working capital of £16.4m and £0.8m respectively were disposed of and, after transaction and other costs of £6.1m, an exceptional profit on disposal of £32.4m has been recognised.

During the year warranty balances of £2.6m (2015: £nil) established on the sale of the European operations in 2012 were released as a result of the reduction in likelihood of claims materialising.

4. Net financing costs

Recognised in the income statement

	2016 £m	2015 £m
Interest income	**0.2**	0.2
	0.2	0.2
Interest expense	**(10.1)**	(10.8)
Finance charges payable in respect of finance leases	**–**	(0.4)
Unwinding of discount on provisions	**(1.3)**	(2.3)
Interest on the net defined benefit pension liability	**(4.4)**	(5.0)
	(15.8)	(18.5)
Net financing costs	**(15.6)**	(18.3)

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

Recognised in other comprehensive income

	2016 £m	2015 £m
Foreign currency translation differences for foreign operations	**0.3**	(0.8)
	0.3	(0.8)

The above amounts are recognised in the translation reserve.

5. Income tax expense

Recognised in the income statement

	2016 £m	2015 £m
Current tax expense		
Current year	**6.7**	5.9
Adjustments for prior years	**(2.9)**	(2.6)
	3.8	3.3
Deferred tax expense		
Current year	**0.8**	0.4
Adjustments for prior years	**0.1**	1.9
	0.9	2.3
Total income tax expense	**4.7**	5.6
Reconciliation of effective tax rate		
Profit before tax	**65.8**	24.9
Income tax using the UK corporation tax rate of 20% (2015: 21%)	**13.2**	5.2
Effect of tax rates in foreign jurisdictions	**–**	(0.2)
Trading losses utilised in the period	**–**	(0.1)
Non-deductible expenditure	**1.2**	1.4
Exceptionals	**(8.0)**	–
Other	**1.2**	–
Change in UK corporation tax rate	**(0.1)**	–
Adjustments for prior years		
– current tax	**(2.9)**	(2.6)
– deferred tax	**0.1**	1.9
Total tax expense for the year	**4.7**	5.6

Recognised in other comprehensive income		
Remeasurements of defined benefit pension liability	**7.0**	(8.1)
Effect of movement in foreign exchange	**–**	(0.1)
	7.0	(8.2)

Recognised directly in equity		
Current tax on share based payments	**(2.2)**	–
Deferred tax on share based payments	**(0.5)**	(0.5)
	(2.7)	(0.5)

The main UK Corporation tax rate reduced from 21% to 20% with effect from 1 April 2015, will reduce to 19% with effect from 1 April 2017 and will further reduce to 18% with effect from 1 April 2020. The closing UK deferred tax provision is calculated based on the rate of 18% which was substantively enacted at the balance sheet date.

6. Earnings per share

Earnings per share calculation is based on the earnings attributable to the equity shareholders of Wincanton plc of £61.1m (2015: £19.3m) and the weighted average shares of 120.5m (2015: 116.3m) which have been in issue throughout the year. The diluted earnings per share calculation is based on there being 8.5m (2015: 13.5m) additional shares deemed to be issued at £nil consideration under the Company's share option schemes. The weighted average number of ordinary shares for both basic and diluted earnings per share are calculated as follows:

	2016 millions	2015 millions
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at the beginning of the year	**116.5**	116.1
Net effect of shares issued and purchased during the year	**4.0**	0.2
	120.5	116.3
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at the end of the year	**120.5**	116.3
Effect of share options on issue	**8.5**	13.5
	129.0	129.8

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

	2016 pence	2015 pence
Underlying earnings per share		
– basic	**23.9**	21.1
– diluted	**22.3**	18.9

Underlying earnings are determined as follows:

	Note	**2016 £m**	2015 £m
Profit for the year attributable to equity shareholders of Wincanton plc		**61.1**	19.3
Exceptionals	3	**(35.0)**	–
Amortisation of acquired intangibles		**4.5**	6.5
Tax impact of above items		**(1.8)**	(1.3)
Underlying earnings		**28.8**	24.5

Underlying earnings and underlying earnings per share include the results of Records Management, which was sold in December 2015. Underlying earnings excluding Records Management results and a proforma reduction in finance charge are £28.4m and earnings per share 23.5p.

7. Dividend

Under Adopted IFRS dividends are only provided in the financial statements when they become a liability of the Company. No dividends have been paid in the current or prior year.

The Board is proposing a final dividend of 5.5p for 2015/16 (2015: nil) which, if approved by shareholders, will be paid on 5 August 2016 to shareholders on the register on 8 July 2016, an estimated total of £6.7m. In setting the dividend the Board has 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 the projected cash flows.

It is anticipated that in future years, the interim and final dividend split will be broadly one third / two thirds. The Board's intention is to adopt a progressive dividend policy with annual dividend growth broadly matched with growth in underlying earnings.

8. Analysis of changes in net debt

	1 April 2015 £m	Cash flow £m	Net movement on cash flow hedges £m	Exchange movements £m	**31 March 2016 £m**
Cash and bank balances	105.8	(69.6)	–	0.1	**36.3**
Bank loans & overdrafts	(161.8)	86.2	–	0.5	**(75.1)**
Other financial liabilities	(1.6)	–	0.9	–	**(0.7)**
Net debt	**(57.6)**	**16.6**	**0.9**	**0.6**	**(39.5)**

9. Provisions

	Note	**Insurance £m**	**Property £m**	**Other provisions £m**	**Total £m**
At 1 April 2015		37.4	21.9	0.6	59.9
Effect of movements in foreign exchange		–	0.3	–	0.3
Provisions used during the year		(9.4)	(7.7)	(0.1)	(17.2)
Unwinding of discount	4	0.5	0.8	–	1.3
Provisions made during the year		7.1	–	–	7.1
At 31 March 2016		**35.6**	**15.3**	**0.5**	**51.4**
Current		**9.2**	**5.7**	**0.5**	**15.4**
Non-current		**26.4**	**9.6**	**–**	**36.0**
		35.6	**15.3**	**0.5**	**51.4**

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

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

10. Employee benefits

Employees of Wincanton participated in funded pension arrangements in the UK and Ireland during the year ended 31 March 2016 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. The weighted average duration of the defined benefit obligation is around 18 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 2015 and 2016.

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. It was agreed between the Trustee and the Group in April 2015 and submitted to the Pension Regulator. The Group, in consultation with the Scheme actuary, agreed to leave the terms of the additional cash contribution that the Group makes to the Scheme in order to address the past service deficit unchanged from that previously agreed and it will continue to increase by RPI each year through to September 2024. In addition, it was agreed that certain administration expenses would be paid directly by the Group and deducted from these deficit funding contributions. The expenses which amount to £0.6m (2015: £nil) are not included in the contributions below. The deficit funding contribution in the year net of these expenses was £13.9m (2015: £14.4m). Following the disposal of Records Management the Group paid an additional £7m into the Scheme, giving a total net contribution in the year of £20.9m.

In the year commencing 1 April 2016 the Group contributions are expected to be the deficit funding contribution of £14.8m (£14.2m after deduction of certain administration expenses as mentioned above) which has been increased by RPI as set out in the triennial valuation as at 31 March 2014. In addition, other administration costs of the Scheme will be borne directly by the Group, these are expected to total £0.8m (2015: £0.7m).

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

- hedging instruments within the investment portfolio; and
- reducing investment risk when pre-determined funding levels are reached.

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

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

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

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

	2016 £m	2015 £m
Present value of unfunded defined benefit obligations	**(1.7)**	(1.8)
Present value of funded defined benefit obligations	**(1,001.0)**	(1,067.2)
Fair value of Scheme assets	**897.1**	924.8
Net defined benefit liability	**(105.6)**	(144.2)

The movement in the above net defined benefit liability in the year was primarily the result of an increase in the discount rate and the deficit funding contributions made which have been offset by a decrease in the market value of assets. The net defined benefit liability, after taking into account the related deferred tax asset, is £86.6m (2015: £115.5m).

Movements in the present value of the net defined benefit liability

31 March 2016	**Assets £m**	**Obligations £m**	**Net liability £m**	**Unfunded arrangements £m**	**Total net liability £m**
Opening position	**924.8**	**(1,067.2)**	**(142.4)**	**(1.8)**	**(144.2)**
Included in Income statement:					
Administration costs	**(1.5)**	**–**	**(1.5)**	**–**	**(1.5)**
Interest on the net defined benefit liability	**29.8**	**(34.1)**	**(4.3)**	**(0.1)**	**(4.4)**
Cash:					
Employer contributions	**21.5**	**–**	**21.5**	**–**	**21.5**
Benefits paid	**(32.2)**	**32.2**	**–**	**–**	**–**
Included in Other comprehensive income:					
Changes in financial assumptions	**–**	**53.3**	**53.3**	**0.2**	**53.5**
Experience	**–**	**14.8**	**14.8**	**–**	**14.8**
Return on assets excluding amounts included in net financing costs	**(45.3)**	**–**	**(45.3)**	**–**	**(45.3)**
Closing defined benefit liability	**897.1**	**(1,001.0)**	**(103.9)**	**(1.7)**	**(105.6)**

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

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:

	2016 %	2015 %
Discount rate	**3.50**	3.25
Price inflation rate – RPI	**2.95**	3.00
Price inflation rate – CPI	**1.95**	2.00
Rate of increase of pensions in deferment		
– for service to 31 March 2006	**2.90**	2.95
– for service from 1 April 2006	**2.10**	2.10

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

	2016 Years	2015 Years
Male aged 65 today	**21.4**	21.4
Male aged 45 today	**23.8**	23.7
Female aged 65 today	**23.5**	23.4
Female aged 45 today	**26.5**	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, although in reality it is more likely that more than one assumption would change and potentially the results would offset each other. For example, a fall in interest rates will increase the Scheme obligations, but may also trigger an offsetting increase in market value of certain Scheme assets.

	Change in assumption	Impact on liability £m
Discount rate	**+0.1%**	**19.0**
Price inflation – RPI	**+0.1%**	**(12.8)**
Mortality rate	**+ 1 year**	**(30.0)**

Defined contribution schemes

The total expense relating to the Group's defined contribution schemes in the current year was £18.1m (2015: £16.3m).