16 May 2019

WINCANTON plc
Preliminary Announcement of Results
for the financial year ended 31 March 2019

"Operational strength driving robust earnings growth"

Wincanton plc ("Wincanton" or the "Group"), the largest British third party logistics company, today announces its preliminary results for the year ended 31 March 2019.

Key financial measures	**2019**	**2018**	Change (%)
Revenue (£m)	**1,141.5**	**1,171.9**	(2.6)%
Underlying EBITDA (£m)[1]	**66.7**	**64.8**	2.9%
Underlying operating profit (£m)[2]	**55.3**	**52.9**	4.5%
Underlying profit before tax (£m)[2]	**49.3**	**46.4**	6.3%
Underlying EPS[2]	**33.5p**	**30.8p**	8.8%
Dividend per share	**10.89p**	**9.90p**	10.0%
Free cash flow (£m)[3]	**57.0**	**25.0**	128.0%
Net debt (£m)[4]	**(19.3)**	**(29.5)**	(34.6)%
Statutory results			
Operating profit (£m)[2]	**54.6**	**44.4**	23.0%
Profit before tax (£m)	**48.6**	**37.9**	28.2%
Basic EPS	**34.5p**	**25.2p**	36.9%

1 Underlying EBITDA refers to underlying operating profit before depreciation and amortisation and is reconciled in Note 2 in the disclosure notes below.
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 Free cash flow is defined as the movement in net debt, before pension payments, dividends and the acquisition of own shares. Further information is provided in the Financial Review below.
4 Net debt is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities. Note 8 in the disclosure notes below provides a breakdown of net debt for the current and prior periods.

Operational highlights

- Strong level of new business wins, include EDF Energy, Weetabix, Co-op, HMRC, Aggregate Industries, Roper Rhodes, Hapag-Lloyd, Jollyes and DCS
- High customer satisfaction drove successful renewals of major contracts in the year including Asda, Loaf.com, Halfords, Micheldever Tyre Services, Lucozade Ribena Suntory, Marley, Ibstock, British Sugar and Valero
- Ongoing growth in Retail General Merchandise of 9.0% reflects strong growth in multichannel fulfilment and in our market leading two-man home delivery solutions
- W^2 innovation programmes driving differentiated market position

Financial highlights

- Contract wins largely offset impact of losses from prior year and first half; revenue decline of 2.6% to £1,141.5m (2018: £1,171.9m)
- Underlying operating profit increased by 4.5% to £55.3m (2018: £52.9m) due to exit from lower margin contracts in year, benefits of restructuring last year and ongoing improvement initiatives
- Underlying profit before tax increased by 6.3% to £49.3m (2018: £46.4m) generating underlying EPS growth of 8.8% to 33.5p (2018: 30.8p)
- Robust free cash flow generation of £57.0m (2018: £25.0m), with net debt reduced to £19.3m (2018: £29.5m) and pension deficit on an IAS 19 basis reduced to £7.1m (2018: £49.5m)
- Strong growth of 10.0% in dividend over prior year with proposed final dividend of 7.29p giving a total dividend for FY18/19 of 10.89p

As announced earlier this month, Adrian Colman will step down as Chief Executive and be succeeded by James Wroath no later than the end of October. Adrian will remain as Chief Executive until that time.

Adrian Colman, Chief Executive, commented:

"This year, we have seen key areas such as our Retail General Merchandise business grow strongly, demonstrating the real value that we deliver to our customers. In the second half of the year we secured substantial new contract wins that should position the Group well in the coming periods. Revenue performance overall in the year was impacted by the loss of certain contracts at the end of the previous financial year and the first half of this year.

Disciplined contract selection, performance improvement and cost management initiatives across the Group, including the benefits from restructuring actions taken last year, have combined to deliver underlying operating profit growth of 4.5% and underlying earnings per share growth of 8.8%. Our dividend per share growth of 10.0%, demonstrates our healthy balance sheet, strong cash generation and our confidence in delivering returns for all stakeholders. We will continue to develop our market-leading capabilities to enhance our excellent customer service and operational delivery, enabling us to make further progress in the years ahead."

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A meeting for analysts will be held at Buchanan, 107 Cheapside, London, EC2V 6DN on 16 May 2019 commencing at 9.30am. Wincanton's Preliminary Results 2019 are available at www.wincanton.co.uk

An audio webcast of the analysts' meeting will be available shortly after 12 noon today:

https://webcasting.buchanan.uk.com/broadcast/5c6bc42ce6e1d92d38f4ed64

Chairman's review

Introduction

I was delighted to have been appointed Chairman of Wincanton in August of last year. One of the things that particularly struck me as I visited our sites is the commitment of our people to doing a good job for our customers. This is one of the core reasons that has made Wincanton such a trusted brand. Our people's commitment to doing things well also underlies the Group's impressive track record in health and safety.

Over recent years, Wincanton has successfully rebuilt its financial position. Its balance sheet and cash flow are much healthier and the reliability of its earnings much improved. Our challenge now is to use the Group's respected market position, its extensive national coverage in the UK and its strong operational base to develop and grow profitably. I believe Wincanton can deliver much better value for its shareholders in the years ahead.

Results

The Group delivered good growth in underlying profit before tax of 6.3% in the year and underlying earnings per share were up by 2.7p over the prior year to 33.5p, an increase of 8.8%. Revenue performance was impacted by the loss of certain contracts at the end of the previous financial year and first half of this year. We have, however, been seeking to shift our business increasingly towards more value-added activities with improved profit margins. Pleasingly, there was a strong level of new business wins and a high level of contract renewals in the second half of the financial year which positions us well to grow in the year ahead. Our cash generation remains strong. This enables us to invest in our organic growth strategy as well as satisfying the needs of our various stakeholders such as our shareholders and pension scheme.

Dividends

The Board is pleased to be recommending an increased final dividend of 7.29p per ordinary share for the year ended 31 March 2019 (2018: 6.63p), bringing the total dividend for the year to 10.89p (2018: 9.90p). This reflects the Group's progressive dividend policy, with the annual dividend growth broadly matched to the growth in underlying earnings.

Our People

As always, our people are our most important asset. Their dedication to delivering the best for our customers is the cornerstone of Wincanton's position as a trusted partner for our clients. I would therefore like to thank our 17,600 colleagues for their efforts over the last year.

In building an organisation that people aspire to work for, we must continually ensure that we live our values every day. We have a strong focus on maintaining a safe working environment and our Health and Safety record shows continued year-on-year improvement for the sixth year in a row.

Inclusion is also important to us and we are continuing to train all our leaders on unconscious bias. The pay data for Wincanton, like many other organisations, shows a gender pay gap and we have reported a median overall gap of 10% compared to the national average of 9%. We have therefore established working groups to better understand how we can attract more females into our industry in higher paid roles and help fulfil our growth strategy in the coming years.

We recognise the increasing need to consider the employee voice at Board level as well as throughout the business. We have therefore appointed Stewart Oades, our Senior Independent Director, as our employee representative Non-executive Director. This is in line with the recently announced changes to the UK Corporate Governance Code, due to come into effect in 2019-2020.

The Board

My focus is on building a strong and collaborative Board that provides the leadership and experience to help manage Wincanton's next phase of development. We have recently developed a skills matrix and conducted a Board effectiveness review to ensure that the Board collectively possesses the necessary breadth and depth of skills.

In May of this year, we announced that Adrian Colman will step down as Chief Executive no later than the end of October. Adrian has been with the Group for six years, the last four as Chief Executive. He has made a significant contribution to the development of the Group and I thank him for his commitment and hard work. Adrian will be succeeded as Chief Executive by James Wroath who will be appointed to the Board no later than the end of October. Adrian will remain on the Board as Chief Executive until that time. James joins us from LSG Sky Chefs and brings with him significant experience in contract logistics and business services generally, having held senior roles in logistics, transportation and distribution.

I am also delighted to welcome Debbie Lentz to our Board from June 2019. Debbie brings a strong track record in digital and supply chain management, both of which are highly relevant to the further development of Wincanton's e-commerce propositions.

I should particularly like to thank our Senior Independent Director, Stewart Oades, for standing in as Interim Chairman following the sudden death of our previous Chairman, Steve Marshall, through to the date of my appointment in August 2018.

Our thanks are also due to Martin Sawkins, who retired from the Board in December 2018, for his six years of service. Gill Barr, who was appointed a Director and member of the Remuneration Committee in September 2017, succeeded Martin as our Remuneration Committee Chair with effect from November 2018.

David Radcliffe will retire as a Non-executive Director, with effect from 31 December 2019 after seven years' service. We thank him for his diligence and his contribution and will be carrying out a search for his successor in the coming months.

Some Key Issues and Initiatives

The Group concluded the negotiations of the triennial valuation of the defined benefit pension scheme in August 2018. This agreement provides an affordable and sustainable solution. Crucially, it retains the Group's ability to invest in the business and to maintain its progressive dividend policy. The Group has also extended its £141m of bank finance facilities through to October 2023. Both these agreements provide increased certainty and stability for the Group.

Looking ahead, the Group's main priority is to make further progress in the delivery of our organic growth strategy and it is encouraging that we have recently added a number of new, high quality customers to our portfolio.

During the year, we launched the second round of our W^2 Labs initiative, following the success of the first round in the previous year. This initiative is focused on identifying and developing new areas of innovation to help our customers. This year, we are concentrating on driving innovative solutions in areas such as robotics, data analytics and cloud-based warehouse optimisation systems.

Outlook

The Group remains well positioned in its chosen markets and continues to deliver strong service levels to its customers. We are putting in place the teams and structures to underpin growth, build on Wincanton's market positions and deliver long-term sustainable growth in the business. We remain focused on ensuring that this growth is both profitable and cash generative and will continue to pursue a disciplined approach in our delivery. Healthy cash flow sustains our growth capability, our significant investment in talent and innovation, and our distributions to our shareholders and the pension scheme. During the coming year, the Board expects Wincanton to make continued progress.

Chief Executive's Statement

Performance summary

We delivered a strong operational performance with increased margins and profits translating into healthy cash generation, allowing us to invest in the growth of the business and progressively increase our returns to shareholders.

In our target markets we continued to leverage our differentiated network, service and technological innovation, to grow the business organically with existing customers and to win new business in an increasingly competitive and evolving market place. This is highlighted by the strong 9.0% growth that we have delivered in Retail General Merchandise revenues in the year. This reflects the impact of growth in existing accounts and in new contract wins. Our strength in this area highlights our capabilities in the important multichannel eFulfilment arena where we excel in areas such as services to the Home & DIY market place, including our market leading two-man home delivery service proposition. Overall revenue declined marginally in the year due to the timing of contract wins being heavily biased towards the final quarter and therefore not contributing to in year revenue.

Our business model focuses on the products across all retail and industrial sectors that are the staples of consumption of the population of the UK. Whatever the outcome of the Brexit deliberations, we expect that the population will continue to consume these products in similar volumes. This gives us great stability in our model irrespective of decisions that may affect the broader relationships between the UK and its international partners.

Our teams delivered another successful retail peak season in the months leading up to December, which is a testament to our dedicated drivers and amazing warehouse colleagues who all put the hard work in to make sure that our customers – and their end consumers across the UK – get everything that they need, when they need it, across this key trading period. By being able to deliver all around the country, either via traditional warehouse to store operation, or via our eFulfilment processes, this has been a performance which our colleagues can all be very proud of.

We continue to provide innovative solutions to help our customers through the challenges they are facing in the market place, such as changing consumer trends, ways of shopping and planning for Brexit. We have explored and deployed new innovations that will drive the logistics sector in the immediate future as well as the years ahead.

	2019	2018	Change
Revenue (£m)	**1,141.5**	1,171.9	(2.6)%
Underlying EBITDA (£m)[1]	**66.7**	64.8	2.9%
Underlying operating profit (£m)[2]	**55.3**	52.9	4.5%
Underlying operating margin (%)[2]	**4.8%**	4.5%	30bps
Underlying EPS (p)[2]	**33.5p**	30.8p	8.8%

1 Underlying EBITDA refers to underlying operating profit before depreciation and amortisation and is reconciled in Note 2 to the disclosure notes below.
2 Further information on Alternative Performance Measures (APMs), including definitions and a reconciliation of APMs to statutory measures are provided in the Financial Review.

Revenue in the year ended 31 March 2019 was £1,141.5m (2018: £1,171.9m), which represents a year-on-year decrease of 2.6% and was primarily driven by the timing of contract wins and losses. The business delivered a strong level of new business wins in the year, however, these were contracted predominantly in the second half of the year and made little or no contribution to revenue in the year to 31 March 2019. As such these strong wins did not fully mitigate the revenue impact from contracts lost at the end of the previous financial year and first half of this year. However, as some of the contracts were lower margin their loss has contributed to an overall increase in the Group's operating profit margin in the year.

The underlying operating profit margin increased to 4.8%, a 30 bps increase on the 4.5% achieved in the prior year partly due to the loss of contracts that were not delivering an appropriate operating margin for the Group. Underlying operating profit increased by 4.5% to £55.3m (2018: £52.9m) benefitting from strong operational performance as well as the impact of ongoing performance improvement initiatives implemented in the previous year.

The positive actions taken last year to address the cost base have made our business more competitive in bidding, winning and retaining business. Additionally, we have been able to continue to improve our operating profitability despite pressures on costs, predominantly in respect of labour costs from wage inflation together with statutory increases in auto-enrolment pension rates and the national minimum wage.

Strong underlying EPS growth of 8.8% reflects the growth in underlying operating profit and lower net financing costs as we continued to manage down the pension liabilities during the year. This growth in underlying earnings enables us to also increase our recommended final dividend per share to 7.29p, resulting in a total dividend per share of 10.89p for the year, reflecting a dividend cover level of approximately three times.

Retail & Consumer

	2019	2018	Change
Revenue (£m)	**708.9**	691.7	2.5%
Underlying operating profit (£m)	**31.2**	29.7	5.1%
Underlying margin (%)	**4.4%**	4.3%	10bps

Retail & Consumer reported revenues of £708.9m for the year, an increase of 2.5% compared with the £691.7m reported in the previous year. The contractual split in this segment, between open and closed book, remains relatively unchanged with 83% under open book terms (2018: 85%). Margins increased due to an improvement in mix arising from higher margins in new business than from lost contracts. The resulting underlying operating profit for the year was £31.2m (2018: £29.7m), up 5.1%, representing a good performance in a retail environment that provided significant commercial and operational challenges during the year.

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

	2019 £m	2018[1] £m	Change
Retail General Merchandise	**423.8**	388.8	9.0%
Retail Grocery	**180.8**	193.2	(6.4)%
Consumer Products	**104.3**	109.7	(4.9)%
	708.9	691.7	2.5%

1 Certain contracts within Retail General Merchandise and Retail Grocery have been realigned within the segment split, in line with how management reviews the business.

The overall revenue growth in the segment was primarily due to the full year benefit from new contracts including IKEA, wilko and Wickes together with volume growth in Retail General Merchandise, partly offset by the loss of contracts with Tesco and Premier Foods. The growth was largely achieved through our continued focus on helping our customers deliver a better experience to their own customers, with strong growth in eFulfilment, particularly from two-man home delivery activities.

During the year we signed a three-year contract to provide a full multichannel logistics solution for Jollyes, The Pet Superstore. Our new service will deploy Wincanton's latest eFulfilment technology to create a pick, pack and ship operation, including customer returns, carrier management and supplier-to-customer capabilities.

We won a number of other major contracts during the year, including two five-year contracts with The Weetabix Food Company, as a result of which we are now responsible for providing both the warehouse and the transport services to support the iconic breakfast brand in its growth ambitions. We won a contract with Roper Rhodes, one of the UK's leading independent suppliers of bathroom furniture and products, who have entrusted us to create and run a dedicated delivery solution structured around our IT expertise and use of in-cab technology. We also won a three-year contract with the Co-op which will see Wincanton manage all warehouse and store delivery operations from a facility near Northampton to new and existing stores in the surrounding area.

Satisfied customers are our most important ambassadors and so contract renewals or extensions are sound endorsements of the benefits that our services deliver in practice. Consequently it was very pleasing to see our agreement to provide dedicated transport and warehousing for Asda extended for another three years. Our relationship with Asda dates back to 2005, underlining the importance that we, and our customers, place on trust, mutual respect and long-term partnerships. Additionally, our relationship with Micheldever Tyre Services (MTS), which has flourished for many years, led to a new ten-year contract to provide warehousing and transport services as MTS itself targets doubling the size of its supply chain operations within the M25.

In addition, the UK's leading cycling and car accessories retailer, Halfords, extended our contract as the sole supplier of transport services in the UK by a further five years. We also agreed an extension to our eFulfilment contract with high-growth furniture supplier, Loaf.com. Meanwhile, we secured an extension to our contract to provide supply chain services for Lucozade Ribena Suntory, with this latest agreement taking the association between our companies to over 25 years.

Industrial & Transport

	2019	2018	Change
Revenue (£m)	**432.6**	480.2	(9.9)%
Underlying operating profit (£m)	**24.1**	23.2	3.9%
Underlying margin (%)	**5.6%**	4.8%	80bps

Industrial & Transport reported revenues for the year of £432.6m (2018: £480.2m), a reduction of 9.9% on the prior year. We exited or reduced the level of activity in a number of lower margin areas including transport activities with Britvic and Tarmac, while still retaining these important customers in areas where we can generate value for them and us. This proactive approach to contract management, together with actions taken to reduce the cost base and right-size some areas of capacity has resulted in an 80bps increase in underlying operating margin to 5.6%. The underlying operating profit increased by 3.9% to £24.1m (2018: £23.2m).

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

	2019 £m	2018[1] £m	Change
Transport Services	**171.4**	210.6	(18.6)%
Construction	**136.7**	150.3	(9.0)%
Other	**124.5**	119.3	4.4%
	432.6	480.2	(9.9)%

1 Certain contracts within Transport Services and Construction have been realigned within the segment split, in line with how management reviews the business.

This year saw a series of notable new contract wins. In Transport Services, Banbury-based health, beauty and household brand distributor DCS Group who distribute for the biggest health, beauty and household brands including P&G, Unilever, J&J, SC Johnson, Colgate, RB and PZ Cussons, awarded Wincanton a three-year contract to provide nationwide transport, delivery and management of inter-site transfers of finished goods and stock.

Construction remains an important area for Wincanton and we were delighted to be appointed by EDF Energy as the official warehouse and transport service partner for the nuclear new build project at Hinkley Point. We also expanded our partnership with Aggregate Industries, with a five-year deal for the distribution of concrete products from the majority of its UK manufacturing sites.

Also within Other business, we were pleased to win a contract with HMRC, who appointed us to provide logistics services to support air and sea freight inspections. This five-year agreement will see us work together with HMRC to check inbound shipments into the UK, operating two newly established Inland Pre-Clearance sites, with associated transport. HMRC and Border Force undertake targeted checks inland, which help prevent wrongly-declared goods from flowing into the country.

However, the timing of these wins was too late to contribute in the financial year and fully mitigate the loss of certain contracts earlier in the year in Construction and Transport Services, which resulted in an overall revenue decrease in the year.

Contract renewals are the mark of operational excellence and the Industrial & Transport business was successful in securing a good number of major contracts up for renewal during the year. These included agreements with Marley and Ibstock in the Construction sector and with British Sugar in Transport Services.

Our Energy business, which is included within Other revenues, successfully negotiated a new five-year contract with leading LPG supplier AvantiGas, which will extend our strong relationship through to 2023. This contract will incorporate new levels of innovation such as our vehicle telematics system. We also renewed our Valero fuels distribution contract for another five years in part due to our solution for Vendor Managed Inventory. As part of this, Wincanton will monitor and control stocks at key retail sites across the country, enhancing customer service and product availability.

Strategic Progress

Our aim is to deliver organic growth. The Group's strategy is designed to support a resilient and predictable profit and cash stream with increasing returns for all stakeholders. We do this by:

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

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

3. Driving efficient operations through integrated and consistent services

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

We have set out our progress against these below:

1. Differentiating our position in the logistics industry

Innovation

We continually monitor our sector and other related areas in order to identify new technologies and better ways of working that have the potential to transform services for our customers. Our ground-breaking W^2 programme is building a powerful track record as a business incubator. W^2 is all about the power of two: combining the power of Wincanton with that of our colleagues, our customers or our partners. 2018 was again a year where W^2 was the starting point for several bright ideas that are already making their way into a variety of customer-centric solutions.

W^2 Labs: The second year of our W^2 Labs programme saw another exceptional cohort of start-ups work with us to explore new approaches to some of the challenges our industry faces, including two different types of low-cost robotics, a customer service chatbot and tools for deriving data-driven insight from across the value chain. Six start-ups were selected to take part in an intensive 10-week programme, during which time we helped them refine and adapt their business propositions. Those we judged to have the greatest potential to improve our services will now be given the opportunity to work with Wincanton on a wider basis, long term.

One of the outcomes of the first year of W^2 Labs is the development of an online trading platform for warehouse space called VAST (Virtual Access to Storage and Transport) which we launched in the first half of 2019. oneVASTwarehouse.com will enable us, and our customers, to make spare warehouse space visible to a wide audience and trade this with other customers to improve the utilisation of warehouse space more effectively.

We continued to digitise our own business during the year. For example, we invested in our new Transport Management System, which will underpin our transport strategy to support safety, growth and fleet optimisation. The new solution will allow us to better plan and model delivery scenarios, while operational data can be used to simulate routes and loads in a virtual environment, informing real-world operations. It will bring measurable benefits to us and our customers in the form of improved efficiencies and communication.

Collaboration

There is something special that we bring to our customers by collaborating for mutual benefit. As we operate across a wide cross-section of the physical goods economy, we have gathered a wealth of experience and data on the cyclicality of our customers' businesses on a daily, weekly and annual basis.

We are able to analyse and interpret this data, flexibly deploying the capability and assets from sectors undergoing quieter times to those experiencing seasonal peaks. This enables our customers to cost-effectively access the resources and services they need, when they need them. For example, over the 2018 Christmas period, we again redirected drivers and vehicle assets from our Construction business, which is traditionally quiet at that time of year, into the busy Retail 'peak season'. We have also brought through a number of collaborative space sharing initiatives to customers across our portfolio during the year.

Safety and Sustainability

The health, safety and wellbeing of our people is paramount in Wincanton. The year saw a continued reduction in reported safety incidents and a continued improvement in our Lost Time Incident Frequency Rate performance indicator from 0.62 last year to 0.51 this year. Our people continue to recognise our effort and priority focus towards health and safety, with our Your Pulse colleague engagement survey again reporting high scores on awareness and responsibilities.

We are never complacent and continue to work hard to improve our performance, ensuring strong cultural engagement around behavioural approaches to health and safety, as well as technical training and robust processes. During the last 12 months, we became the first third party logistics company to fully roll out Alcumus SafeContractor, which is regarded as one of the UK's leading Health & Safety accreditation schemes, with over 30,000 contractors and 400 clients. We also won the Health & Safety award at the 2018 CILT Annual Awards for Excellence, for our work with Wickes, and partnered with Network Rail at the launch of a new campaign to educate lorry drivers about the dangers of low bridges, and how to avoid them.

Environmentally friendly and cost effective, electric vehicles are having a huge impact on all forms of transport, and during the previous year we took delivery of our first five fully electric trucks from Daimler. These 7.5 tonne vehicles have now been in use for several months in our own fleet and with customers, primarily in inner cities where the challenges of emissions, noise and congestion are greatest.

By introducing production-level electric vehicles to our fleet, we can address the challenges listed above, that are increasingly important to customers, regulators and society. In mid-2018, we took another stage towards a more environmentally-friendly fleet when we commenced trials of LNG (Liquified Natural Gas) powered vehicles as part of our ongoing commitment to exploring alternative fuels.

2. Growth

Top-line growth in the Retail & Consumer business was offset by a decrease in Industrial & Transport in the year, but profits grew again in both sectors. The underlying business remains strong as evidenced by the combination of new business wins, the successful extension of services we provide to many of our existing customers and the growth in our underlying operating profit.

New customers to join the Wincanton portfolio during the year included HMRC, for whom we are now providing logistics services to support air and sea freight inspections and Roper Rhodes, where our investment in technology gave us the competitive edge in securing the contract to provide a delivery solution based around our IT expertise and in-cab solutions. In addition, we were delighted to win our first contracts with Weetabix, which will see us provide the full-service logistics package, for both the warehouse and transport services. We also won new business from customers such as Co-op, Aggregate Industries, the DCS Group and Jollyes, The Pet Superstore, towards the end of the year. These contracts are expected to drive growth in the future.

3. Driving efficient operations

Logistics never stands still, and we operate a strategy of continuous improvement – introducing new technology, fine-tuning services and finding new ways of working to help customers. This reduces customers' cost of operations in open book contracts and supports our margins in closed book contracts.

When existing customers renew or extend contracts, it is always a welcome sign that we are meeting or exceeding expectations. For example, we expanded our relationship with Micheldever Tyre Services via a new ten-year contract to provide warehousing and transport services. We also extended our contract as the sole supplier of transport services to Halfords in the UK by a further five years, and successfully negotiated extensions to our agreements to provide services to a number of leading firms.

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

We aim to be the industry's employer of choice. Providing career and development opportunities is essential for all our colleagues, so we continued our ambitious apprenticeship scheme during 2018, providing 57 programmes as part of our commitment to develop a pipeline of logistics talent.

Attracting, training and retaining great people is the foundation of our business, and we have continued to strive to ensure that we have access to a pool of experienced, customer-focused drivers in order to deliver on our promises to customers. Good drivers are challenging to find and recruit, so we complement our extensive training programmes with additional support, for example by providing help with licence acquisition. We also help people in warehouse roles at Wincanton to make the step up to driver status, through our 'Warehouse to Wheels' programme. We also do all that we can to ensure we retain our driving talent by recognising their skills through events such as the Wincanton Driver of the Year competition. This long-established event is a powerful engagement tool for our drivers and differentiates them from their counterparts at other companies.

Our efforts to support our people have continued to be recognised. For example, during the year we were immensely proud to be named 'Training Team of the Year' in the Talent in Logistics Awards 2018 who commented, "The team from Wincanton has shown its commitment to continuously improve and strive for 'best practice' within the company, and to promote its industry leader status".

We gather feedback from our people at every opportunity, through both formal and informal interactions. The Your Pulse employee engagement survey once again saw high levels of participation and provided helpful feedback for management across the organisation.

As we move into a new financial year, I know that our people have the commitment and skills to deliver further improvements and to push the boundaries of what is possible. I would like to thank them for their continued dedication over the last year.

Financial Review

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) for 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 table at the end of this review.

The Group's revenue of £1,141.5m in the year ended 31 March 2019 was 2.6% lower than the prior year (2018: £1,171.9m). This reflects the net impact of contract losses in the prior year which have not yet been offset by the significant new business wins in the second half of the current year.

Underlying operating profit grew by 4.5% to £55.3m as a result of an improved mix in the contract portfolio, together with the impact of performance improvement and cost management initiatives across the Group, including the benefits from restructuring actions taken last year. The exit in the prior year from certain contracts which were not capable of delivering appropriate operating margins for the Group has helped drive improvements in the Industrial & Transport sector in particular and, as a result, the Group's underlying operating margin has increased to 4.8% (2018: 4.5%).

Performance summary

	2019	2018	Change
Revenue (£m)	**1,141.5**	1,171.9	(2.6)%
Underlying EBITDA (£m)	**66.7**	64.8	2.9%
Underlying operating profit (£m)	**55.3**	52.9	4.5%
Underlying operating margin (%)	***4.8***	*4.5*	*30bps*
Net financing costs (£m)	**(6.0)**	(6.5)	
Underlying profit before tax (£m)	**49.3**	46.4	6.3%
Amortisation of acquired intangibles (£m)	**–**	(2.3)	
Exceptional items (£m)	**(0.7)**	(6.2)	
Profit before tax (£m)	**48.6**	37.9	28.2%
Income tax (£m)	**(5.8)**	(6.7)	
Profit after tax (£m)	**42.8**	31.2	37.2%
Underlying EPS	**33.5p**	30.8p	8.8%
Basic EPS	**34.5p**	25.2p	36.9%
Dividend per share	**10.89p**	9.90p	
Closing net debt (£m)	**(19.3)**	(29.5)	(34.6)%

Net financing costs

	2019 £m	2018 £m
Net bank interest payable on loans	**4.2**	4.1
Unwinding of discount on provisions	**0.8**	0.6
Interest on the net defined benefit pension liability	**1.0**	1.8
Net financing costs	**6.0**	6.5

Net financing costs were £6.0m (2018: £6.5m), £0.5m lower year on year.

Bank interest payable on loans was £4.2m (2018: £4.1m), an increase of £0.1m reflecting the higher bank base rate year on year.

The non-cash financing items total £1.8m (2018: £2.4m) and comprise the discount unwinding on the Group's provisions for property and insurance claims, which has increased primarily due to changes in the discount rate applied to insurance provisions; plus the financing charge in respect of the defined benefit deficit, which is significantly lower in the year due to a reduced opening deficit and a one-off lump sum contribution of £15.0m in the first half of the year.

Exceptional items

	2019 £m	2018 £m
Net profit on disposal of freehold property	**6.0**	–
Pension scheme – Guaranteed Minimum Pension (‘GMP’)	**(8.2)**	–
Revision to property provisions previously recognised through exceptional items	**1.5**	–
Restructuring costs	**–**	(8.2)
Pension scheme liability management exercise	**–**	2.0
Net exceptional items	**(0.7)**	(6.2)

During the year we completed the disposal of a freehold property receiving gross sales proceeds of £14.5m and incurring costs of disposal and transitioning operations to another site of £1.2m and £0.5m respectively. The carrying value of the property was £6.8m generating a net profit on the disposal and transition of £6.0m.

On 26 October 2018, the High Court of Justice of England and Wales issued a judgement relating to Lloyds Banking Group requiring equality of treatment of historic pension benefits for men and women. We continue to work with the Trustee on the detail of implementing this judgement and have recognised a non-cash past service cost of £8.2m in the year. This is based on a number of assumptions and the final actual impact may be different.

The Group negotiated an exit from a long-standing onerous property lease in Dublin on favourable terms during the course of the year. The full novation of this lease, partly offset by an increase in provision for another long-standing lease, resulted in a net exceptional credit of £1.5m.

We undertook a restructuring programme in the prior year to competitively position the business for the future. A charge of £8.2m was included as an exceptional charge in the prior year principally comprising costs in relation to the exit of people and associated property costs.

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

Taxation

	2019	2018
Underlying profit before tax (£m)	**49.3**	46.4
Underlying tax (£m)	**7.8**	8.3
Tax on amortisation of acquired intangibles (£m)	**–**	(0.4)
Exceptional tax (£m)	**(2.0)**	(1.2)
Tax as reported (£m)	**5.8**	6.7
Effective tax rate on underlying profit before tax (%)	**15.9%**	18.0%

Underlying tax of £7.8m (2018: £8.3m) represents an effective tax rate of 15.9% (2018: 18.0%) on underlying profit before tax and is stated before tax credits of £nil (2018: £0.4m) in respect of the amortisation of acquired intangibles and net tax credits in respect of exceptional items of £2.0m (2018: £1.2m).

The effective tax rate of 15.9% is lower than the statutory rate of 19.0% due to adjustments arising from finalising prior year positions and tax credits related to pension payments. The exceptional tax credit of £2.0m in the year arises principally on recognition of a deferred tax asset in relation to the exceptional GMP charge.

The total net deferred tax asset has reduced to £4.2m (2018: £11.5m), primarily as a result of the reduction in the pension deficit and the deferred tax asset thereon.

Profit after tax and earnings per share

Underlying profit before tax for the year increased to £49.3m (2018: £46.4m) due to improved operational performance in the year.

Underlying profit after tax for the year is £41.5m (2018: £38.1m). The increase of £3.4m is due to the improved underlying operating profit and the lower effective tax rate of 15.9% (2018: 18.0%).

Profit after tax for the year on a statutory basis is £42.8m (2018: £31.2m), the increase of £11.6m being due to improvements in underlying operating profit and net financing costs and higher exceptional costs in the prior year.

Underlying EPS, which excludes from earnings amortisation of acquired intangibles and exceptional items, increased by 8.8% to 33.5p (2018: 30.8p). Basic EPS was 34.5p (2018: 25.2p) with the increase again being explained by the lower exceptional costs in the year and the higher amortisation cost in the prior year.

The calculation of these EPS measures is set out in Note 6 in the disclosure notes below.

Dividends

	2019 pence	2018 pence
Interim	**3.60**	3.27
Final (proposed)	**7.29**	6.63
Total	**10.89**	9.90

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 7.29p per share for the year ended 31 March 2019, an increase of 10.0% compared to the final dividend paid in respect of the year ended 31 March 2018. The dividend is approximately three times covered by earnings.

Dividend payments of £12.7m (2018: £11.6m) in the year comprised the final dividend of 6.63p per share for the period ended 31 March 2018 and the 2019 interim dividend of 3.60p per share.

Financial position

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

	2019 £m	2018 £m
Non-current assets	**122.9**	136.0
Net current liabilities (excl. net debt)	**(133.2)**	(136.4)
Non-current liabilities (excl. net debt/pension deficit)	**(30.4)**	(33.1)
Net debt	**(19.3)**	(29.5)
Pensions deficit (gross of deferred tax)	**(7.1)**	(49.5)
Net liabilities	**(67.1)**	(112.5)

The reduction in net liabilities of £45.4m is represented by the profit after tax of £42.8m, the continued reduction of the pension deficit net of deferred tax of £16.8m, less dividends paid in the year of £12.7m and other movements in equity of £1.5m.

Cash flows and net debt

The Group delivered a £10.2m movement in net debt (2018: £5.2m outflow) in the year, with a free cash inflow before capital expenditure of £52.9m (2018: £39.0m) and a free cash flow of £57.0m (2018: £25.0m). Free cash flow is defined as the movement in net debt, before pension payments, dividends and the acquisition of own shares.

	2019 £m	2018 £m
Underlying EBITDA	**66.7**	64.8
Working capital	**0.8**	(8.3)
Tax	**(1.5)**	(4.0)
Net interest	**(4.2)**	(4.1)
Other items	**(8.9)**	(9.4)
Free cash flow before capital expenditure	**52.9**	39.0
Capital expenditure	**(9.7)**	(14.5)
Net proceeds from asset disposals	**13.8**	0.5
Free cash flow	**57.0**	25.0
Pension recovery payment	**(32.3)**	(14.6)
Pension liability management exercise	**–**	(2.2)
Dividends	**(12.7)**	(11.6)
Own shares acquired	**(1.8)**	(1.8)
Reduction/(increase) in Net Debt	**10.2**	(5.2)

Working capital was broadly flat over the course of the year, with an inflow of £0.8m (2018: £8.3m outflow). The prior year movement was primarily due to investment in mobilising new contracts.

The Group paid cash tax in the current year of £1.5m (2018: £4.0m) with the reduction compared to the prior year driven by the tax benefits from a one-off contribution to the pension fund of £15.0m in August 2018. The cash tax payable continues to trend below the underlying charge primarily due to the impact of tax relief on the pension deficit recovery payments made in the year.

The amount of cash net interest paid, excluding fees, of £4.2m (2018: £4.1m) increased marginally in the year, reflecting the increase in the bank base rate year on year.

Other items represent payments in relation to exceptional items, including restructuring costs provided for in the prior year, movements on property provisions, including onerous lease and dilapidations payments, and movements in other provisions.

Capital expenditure of £9.7m (2018: £14.5m) includes investment in IT systems including the enhancement of our transport management system and warehouse management system implementations.

Net proceeds from asset disposals comprise an under-utilised freehold property which was disposed of for gross proceeds of £14.5m, with costs of disposal and transition of £1.2m and £0.5m respectively and proceeds from other asset disposals of £1.0m (2018: £0.5m).

The cash contribution to fund the pension deficit of £32.3m comprises £18.0m of annual deficit contributions, less £0.7m of administrative expenses incurred by the Company, plus a one-off lump sum payment of £15.0m. Contributions for the year ended 31 March 2020 are expected to be £17.7m, being the annual deficit contribution of £18.4m less the administrative costs incurred directly by the Company.

Equity dividends of £12.7m (2018: £11.6m) were paid in the year, up 9.5% from the prior year.

The Group acquired 600,000 of its own shares (2018: 850,000) during the year for a total payment of £1.5m (2018: £1.8m) to provide shares for the Employee Benefit Trust in respect of its long term incentive plan commitments. In addition, £0.3m (2018: £nil) was paid at the beginning of the year in respect of shares acquired immediately before the previous year end.

The Group has a committed syndicated bank facility of £141m as at 31 March 2019 (2018: £141m) and the headroom between this facility and reported net debt at 31 March 2019 was £122m (2018: £112m). The Group also has operating overdrafts and a Receivables Purchase Facility with Santander UK plc which provide day to day flexibility, amounting to a further £8m and £50m respectively in uncommitted facilities. £4.2m of the Receivables Purchase Facility was utilised as at 31 March 2019.

The Group was successful in amending its syndicated bank facility during the year, extending the term by an additional two years to October 2023 and removing the mandatory prepayments of £8.8m previously due in October 2019 and October 2020.

The Group maintains a swap instrument 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 2019
Adjusted net debt: EBITDA	<2.75:1	**0.67**
Interest cover	>3.5:1	**18.3**
Fixed charge cover	>1.4:1	**3.3**

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:

	2019	2018
Deferred	**7,102**	7,404
Pensioners	**5,887**	5,810
	12,989	13,214

During the year the Company reached an agreement with the Trustee on the 2017 triennial valuation and recovery plan. The net annual deficit contributions have been agreed at £17.3m per annum increasing by RPI over the three years to March 2021 and £24.3m per annum increasing by RPI from April 2022 to March 2027. In addition, the Company made a one-off contribution of £15.0m in August 2018. These payments are deductible for UK corporation tax purposes in the year they are paid and therefore materially reduce the net cash impact of the contributions to the Group.

At 31 March 2019, the Group has reported an IAS 19 deficit of £7.1m (2018: £49.5m).

The deficit has reduced primarily due to cash contributions of £32.3m in the year, comprising the lump-sum payment of £15.0m and the agreed annual payment of £17.3m. The remainder of the movement is primarily due to favourable movements in demographic assumptions which have resulted in a reduction in liabilities of approximately £25m, partly offset by an £8.2m increase in liabilities in respect of Guaranteed Minimum Pensions.

On 26 October 2018, the High Court of Justice of England and Wales issued a judgment relating to Lloyds Banking Group requiring equality of treatment of historic pension benefits for men and women (Guaranteed Minimum Pensions). We continue to work with the Trustee on the detail of implementing this judgement, and have recognised a past service cost of £8.2m as an estimate of this impact. This is based on a number of assumptions and the final actual impact may be different.

The interest and inflation rate risks facing the Scheme are hedged and the Trustee has maintained the level of this hedge during the year to 100% of the Scheme's assets. The discount rate for calculating liabilities has reduced by 0.2% compared to the prior year and on the IAS 19 basis of measurement, each 0.1% reduction in the rate increases the liabilities of the Scheme by approximately £22m. However, due to the hedging in place, assets would also increase by approximately £24m.

Over recent years, the Trustee has pursued a diversification of the investment portfolio as part of a de-risking strategy, and this programme continued in the year ended 31 March 2019. As at 31 March 2019 the Scheme's investments were split between 31.0% in return-seeking assets and 69.0% in defensive assets.

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 15,661 (2018: 15,728) in the year. The charge incurred for these arrangements totals £24.6m (2018: £19.0m).

Brexit

Although uncertainty remains as to the outcome of the UK's proposed withdrawal from the European Union ("Brexit"), our understanding of potential risks and impacts are being regularly reviewed and assessed.

We have, for example, reviewed the potential impact of Brexit, including adverse economic consequences, on our existing contract base, workforce, bidding activities and supply chain.

We do not believe that Wincanton will be materially affected by the UK withdrawing from the European Union. This is based on the following key points:

- Our operations are generally delivered locally in-country and are not critically dependent on a cross-border supply chain or workforce. Wincanton's operations in Ireland are not a significant part of the Group and represent c.1% of Group revenue.
- As a UK-focused logistics business there is potential for additional demand for our services under most Brexit scenarios, including demand for warehouse space and management, management of bonded goods and supply of container storage and transportation.
- Most of our existing contracts have provisions which allow for inflationary and other adjustments (e.g. fuel price movements) to be charged to our customers and 60% of our contracts are open book contracts in which we do not bear the direct impact of increasing costs.
- A 'hard' Brexit without a transition period and/or an orderly withdrawal may cause regulatory and compliance uncertainty on some contracts that require performance under EU regulation, bodies and/or standards; however, we believe such uncertainties will be addressed under proposed new UK regulations following any withdrawal.
- Tariffs may affect the procurement of certain goods, such as vehicles. In most instances, increases in the cost of imported vehicles would be included in prices charged to customers.
- We have reviewed our supply chain and are broadly comfortable with our key suppliers' ability to maintain the provision of goods and services on key contracts.

IFRS 16

IFRS 16 Leases was issued by the IASB in January 2016 and becomes effective for the Group for the year ended 31 March 2020. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The Group intends to apply IFRS 16 on 1 April 2019 using the modified retrospective approach; the cumulative effect of initial adoption being recognised as an adjustment to the opening balance of retained earnings as at 1 April 2019 with no restatement of comparative information. The Group expects to recognise right-of-use assets of approximately £130m and lease liabilities of approximately £150m on 1 April 2019, together with a deferred tax asset of approximately £2m. There is no cash impact of adopting IFRS 16.

The final impact of IFRS 16 in the period of initial application will depend on a number of factors including new leases agreed in the period, the estimated lease term, extensions and termination agreements and economic conditions. We will hold a briefing session in advance of the half year results to explain the impact of IFRS 16 in more detail.

Alternative Performance Measures

Alternative performance measures (APMs) are used by the Board to assess 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 profit before tax is used in determining Annual bonus payments and underlying EPS is used as a key performance indicator for the 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, profit before tax 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.

	2019				2018			
	Statutory	**Amortisation of acquired intangibles**	**Exceptional items[1]**	**Underlying**	Statutory	Amortisation of acquired intangibles[2]	Exceptional items[1]	Underlying
Revenue (£m)	**1,141.5**	**–**	**–**	**1,141.5**	1,171.9	–	–	1,171.9
EBITDA (£m)[3]	**66.0**	**–**	**0.7**	**66.7**	58.6	–	6.2	64.8
Operating profit (£m)	**54.6**	**–**	**0.7**	**55.3**	44.4	2.3	6.2	52.9
Operating margin (%)	***4.8***	**–**	**–**	***4.8***	*3.8*	*0.2*	*0.5*	*4.5*
Net financing costs (£m)	**(6.0)**	**–**	**–**	**(6.0)**	(6.5)	–	–	(6.5)
Profit before tax (£m)	**48.6**	**–**	**0.7**	**49.3**	37.9	2.3	6.2	46.4
Income tax (£m)	**(5.8)**	**–**	**(2.0)**	**(7.8)**	(6.7)	(0.4)	(1.2)	(8.3)
Profit after tax (£m)	**42.8**	**–**	**(1.3)**	**41.5**	31.2	1.9	5.0	38.1
Earnings per share[4]	**34.5p**			**33.5p**	25.2p			30.8p
Dividend per share	**10.89p**			**10.89p**	9.90p			9.90p
Closing net debt (£m)[5]				**(19.3)**				(29.5)

1 Notes 3 and 5 in the disclosure notes below provide further detail of exceptional items and also includes any tax releases/credits that are classed as exceptional.

2 Acquired intangibles were fully amortised at 31 March 2018 and therefore there is no amortisation required for the year ended 31 March 2019.

3 EBITDA refers to operating profit before depreciation and amortisation and is reconciled in Note 2 in the disclosure notes below. EBITDA is not a statutory measure, but it is included in the table above for completeness.

4 Note 6 in the disclosure notes below provides further detail of underlying earnings per share.

5 Net debt is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities. Note 8 in the disclosure notes below provides a breakdown of net debt for the current and prior periods.

Consolidated income statement

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £m	2018 £m
Revenue		**1,141.5**	1,171.9
Underlying operating profit	2	**55.3**	52.9
Amortisation of acquired intangibles		**–**	(2.3)
Exceptional items	3	**(0.7)**	(6.2)
Operating profit	2	**54.6**	44.4
Financing income	4	**0.1**	–
Financing cost	4	**(6.1)**	(6.5)
Net financing costs	4	**(6.0)**	(6.5)
Profit before tax		**48.6**	37.9
Income tax expense	5	**(5.8)**	(6.7)
Profit attributable to equity shareholders of Wincanton plc		**42.8**	31.2
Earnings per share			
– basic	6	**34.5p**	25.2p
– diluted	6	**34.2p**	24.8p

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £m	2018 £m
Profit for the year		**42.8**	31.2
Other comprehensive income/(expense)			
Items which will not subsequently be reclassified to the income statement			
Remeasurements of defined benefit liability	9	**20.3**	13.8
Income tax relating to items that will not subsequently be reclassified to profit or loss	5	**(3.5)**	(2.4)
		16.8	11.4
Items which are or may subsequently be reclassified to the income statement			
Effective portion of changes in fair value of cash flow hedges		**0.1**	(0.1)
Net change in fair value of cash flow hedges transferred to the income statement		**–**	0.1
		0.1	–
Other comprehensive income for the year, net of income tax		**16.9**	11.4
Total comprehensive income attributable to equity shareholders of Wincanton plc		**59.7**	42.6

Consolidated balance sheet

AT 31 MARCH 2019

	Note	**2019 £m**	2018 £m
Non-current assets			
Goodwill and intangible assets		**84.0**	82.7
Property, plant and equipment		**34.5**	41.7
Investments, including those equity accounted		**0.2**	0.1
Deferred tax assets		**4.2**	11.5
		122.9	136.0
Current assets			
Inventories		**3.7**	4.4
Trade and other receivables		**137.7**	140.7
Assets classified as held for sale		**2.4**	6.1
Cash and cash equivalents	8	**12.7**	17.6
		156.5	168.8
Current liabilities			
Income tax payable		**(6.1)**	(5.7)
Trade and other payables		**(260.8)**	(264.1)
Provisions		**(10.1)**	(17.8)
		(277.0)	(287.6)
Net current liabilities		**(120.5)**	(118.8)
Total assets less current liabilities		**2.4**	17.2
Non-current liabilities			
Borrowings and other financial liabilities	8	**(32.0)**	(47.1)
Employee benefits	9	**(7.1)**	(49.5)
Provisions		**(30.4)**	(33.1)
		(69.5)	(129.7)
Net liabilities		**(67.1)**	(112.5)
Equity			
Issued share capital		**12.5**	12.5
Share premium		**12.9**	12.9
Merger reserve		**3.5**	3.5
Hedging reserve		**–**	(0.1)
Translation reserve		**(0.3)**	(0.3)
Retained earnings		**(95.7)**	(141.0)
Total equity deficit		**(67.1)**	(112.5)

These financial statements were approved by the Board of Directors on 15 May 2019 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 2019

	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 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
Own shares acquired	–	–	–	–	–	(2.1)	–	(2.1)
Shares issued	0.1	–	–	–	–	(0.1)	–	–
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)
Balance at 1 April 2018	**12.5**	**12.9**	**3.5**	**(0.1)**	**(0.3)**	**(2.0)**	**(139.0)**	**(112.5)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**42.8**	**42.8**
Other comprehensive income	**–**	**–**	**–**	**0.1**	**–**	**–**	**16.8**	**16.9**
Total comprehensive income	**–**	**–**	**–**	**0.1**	**–**	**–**	**59.6**	**59.7**
Share based payment transactions	**–**	**–**	**–**	**–**	**–**	**1.3**	**(1.5)**	**(0.2)**
Current tax on share based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Own shares acquired	**–**	**–**	**–**	**–**	**–**	**(1.5)**	**–**	**(1.5)**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(12.7)**	**(12.7)**
Balance at 31 March 2019	**12.5**	**12.9**	**3.5**	**–**	**(0.3)**	**(2.2)**	**(93.5)**	**(67.1)**

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2019

	2019 £m	2018 £m
Operating activities		
Profit before tax	**48.6**	37.9
Adjustments for		
– depreciation and amortisation	**11.4**	14.2
– interest expense	**6.0**	6.5
– profit on disposal of property, plant and equipment	**(6.0)**	–
– share based payment transactions	**(0.2)**	(2.1)
	59.8	56.5
Decrease/(increase) in trade and other receivables	**3.0**	(7.2)
Decrease/(increase) in inventories	**0.7**	(0.4)
Decrease in trade and other payables	**(2.9)**	(1.6)
(Decrease)/increase in provisions	**(11.2)**	0.2
Increase/(decrease) in employee benefits before pension deficit payment	**9.2**	(2.6)
Income taxes paid	**(1.5)**	(4.0)
Cash generated before pension deficit payment	**57.1**	40.9
Pension deficit payment	**(32.3)**	(14.6)
Cash flows from operating activities	**24.8**	26.3
Investing activities		
Proceeds from sale of property, plant and equipment	**13.8**	0.4
Proceeds from sale of computer software	**–**	0.1
Interest received	**0.1**	–
Trade Investment	**(0.1)**	–
Additions of property, plant and equipment	**(6.4)**	(14.5)
Additions of computer software	**(3.3)**	–
Cash flows from investing activities	**4.1**	(14.0)
Financing activities		
Own shares acquired	**(1.8)**	(1.8)
Borrowings repaid	**–**	(25.0)
(Decrease)/increase in borrowings	**(15.0)**	6.9
Equity dividends paid	**(12.7)**	(11.6)
Interest paid	**(4.3)**	(4.1)
Cash flows from financing activities	**(33.8)**	(35.6)
Net decrease in cash and cash equivalents	**(4.9)**	(23.3)
Cash and cash equivalents at beginning of year	**17.6**	40.9
Cash and cash equivalents at end of year	**12.7**	17.6
Represented by:		
– cash at bank and in hand	**7.9**	11.7
– restricted cash, being deposits held by the Group's insurance subsidiary	**4.8**	5.9
	12.7	17.6

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 2019 and 31 March 2018. Statutory accounts for the year ended 31 March 2019 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 March 2018 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 2019 £m**	**Industrial & Transport 2019 £m**	**Total 2019 £m**	Retail & Consumer 2018 £m	Industrial & Transport 2018 £m	Total 2018 £m
Revenue from external customers[1]		**708.9**	**432.6**	**1,141.5**	691.7	480.2	1,171.9
Underlying EBITDA[2]		**36.9**	**29.8**	**66.7**	36.4	28.4	64.8
Depreciation		**(4.5)**	**(5.0)**	**(9.5)**	(5.6)	(4.4)	(10.0)
Amortisation of software intangibles		**(1.2)**	**(0.7)**	**(1.9)**	(1.1)	(0.8)	(1.9)
Underlying operating profit[2]		**31.2**	**24.1**	**55.3**	29.7	23.2	52.9
Amortisation of acquired intangibles				**–**			(2.3)
Exceptional items	3			**(0.7)**			(6.2)
Operating profit				**54.6**			44.4
Net financing costs	4			**(6.0)**			(6.5)
Profit before tax				**48.6**			37.9
Total Group assets[3]				**279.4**			304.8
Additions to reportable segment non-current assets:							
– property, plant and equipment		**3.6**	**2.8**	**6.4**	3.7	10.8	14.5
– computer software costs		**2.0**	**1.3**	**3.3**	–	–	–
Total Group liabilities				**(346.5)**			(417.3)

1 Included in segment revenue is £1,129.0m (2018: £1,160.4m) 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 £122.9m (2018: £136.0m), of which £122.9m (2018: £135.9m) are held in the UK.

Revenue of £213.1m (2018: £212.5m) and £131.9m (2018: £145.7m) 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. Operating profit

Exceptional items

	2019 £m	2018 £m
Impact of GMP equalisation	**(8.2)**	–
Profit on disposal of asset held for resale	**6.0**	–
Property provision movements	**1.5**	–
Restructuring costs	**–**	(8.2)
Pension liability management exercise	**–**	2.0
	(0.7)	(6.2)

On 26 October 2018, the High Court of Justice of England and Wales issued a judgment relating to Lloyds Banking Group requiring equality of treatment of historic pension benefits for men and women. We have recognised a past service cost of £8.2m as an estimate of the impact of equalising this benefit. We are continuing to work with the Trustee on the details of implementing this judgement.

During the year we completed the disposal of a freehold property previously reported as an asset held for sale, receiving gross sale proceeds of £14.5m and incurring costs of disposal and transitioning to another site of £1.2m and £0.5m respectively. The carrying value of the property was £6.8m generating a net profit on disposal and transition of £6.0m.

In the year the Group has revised estimates of property provisions which had previously been set up via exceptionals. A full novation of one lease on favourable terms has been partly offset by the increase in the estimated costs on another.

In the prior year, the Group undertook a restructuring programme, within the Industrial & Transport sector and the Group's support functions, to competitively position the business for the future. A charge of £8.2m was included as exceptional comprising primarily of the costs of exit of people and associated property costs.

The Group completed a pension scheme liability management exercise in conjunction with the Trustee in the prior year with the settlement gains and adjustment to the estimated costs of £2.0m being recognised in the prior year.

4. Net financing costs

Recognised in the income statement

	Note	**2019 £m**	2018 £m
Interest income		**0.1**	–
Interest expense		**(4.3)**	(4.1)
Unwinding of discount on provisions		**(0.8)**	(0.6)
Interest on the net defined benefit pension liability	9	**(1.0)**	(1.8)
		(6.1)	(6.5)
Net financing costs		**(6.0)**	(6.5)

5. Income tax expense

Recognised in the income statement

	2019 £m	2018 £m
Current tax expense		
Current year	**3.3**	4.2
Adjustments for prior years	**(1.3)**	(0.8)
	2.0	3.4
Deferred tax expense		
Current year	**3.6**	3.0
Adjustments for prior years	**0.2**	0.3
	3.8	3.3
Total income tax expense	**5.8**	6.7

	2019 £m	2018 £m
Reconciliation of effective tax rate		
Profit before tax	**48.6**	37.9
Income tax using the UK corporation tax rate of 19% (2018: 19%)	**9.2**	7.2
Non-deductible expenditure	**0.1**	0.3
Exceptional items in income statement	**(2.0)**	–
Change in UK corporation tax rate	**(0.4)**	(0.3)
Adjustments for prior years		
– current tax	**(1.3)**	(0.8)
– deferred tax	**0.2**	0.3
Total tax expense for the year	**5.8**	6.7

Recognised in other comprehensive income

	2019 £m	2018 £m
Items which will not subsequently be reclassified to the Income statement:		
Remeasurements of defined benefit pension liability	**3.5**	2.4

Recognised directly in equity

	2019 £m	2018 £m
Current tax on share based payment transactions	**(0.1)**	(0.1)

The main UK Corporation tax rate remained at 19% (2018: 19%) and will 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 £nil (2018: £0.4m) in respect of amortisation of acquired intangibles and exceptional tax of £2.0m (2018: £1.2m).

6. Earnings per share

The earnings per share calculation is based on the profit attributable to the equity shareholders of Wincanton plc of £42.8m (2018: £31.2m) and the weighted average shares in issue excluding those held within an Employee Benefit Trust, throughout the year as calculated below of 124.0m (2018: 123.8m). The diluted earnings per share calculation is based on there being 1.3m (2018: 2.1m) additional shares deemed to be issued at £nil consideration under the Company's share option schemes.

	2019 millions	2018 millions
Weighted average number of Ordinary Shares (basic)		
Issued Ordinary Shares at the beginning of the year[1]	**123.7**	123.5
Net effect of shares issued and purchased during the year	**0.3**	0.3
	124.0	123.8
Weighted average number of Ordinary Shares (diluted)		
Weighted average number of Ordinary Shares for the year (as above)	**124.0**	123.8
Effect of share options on issue	**1.3**	2.1
	125.3	125.9

1 The number of shares excludes 0.8m Ordinary Shares (2018: 0.3m) being the weighted average number of the Company's own shares held within an Employee Benefit Trust.

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:

	2019 pence	2018 pence
Underlying earnings per share		
– basic	**33.5**	30.8
– diluted	**33.1**	30.3

Underlying earnings are determined as follows:

	Note	**2019 £m**	2018 £m
Profit for the year attributable to equity shareholders of Wincanton plc		**42.8**	31.2
Exceptional items	3	**0.7**	6.2
Amortisation of acquired intangibles		**–**	2.3
Tax impact of above items and exceptional tax items		**(2.0)**	(1.6)
Underlying earnings		**41.5**	38.1

7. Dividends

Dividends paid in the year comprise:

	2019 £m	2018 £m
Final dividend for the year ended 31 March 2018 of 6.63p per share (2017: 6.1p)	**8.2**	7.6
Interim dividend for the period ended 30 September 2018 of 3.60p per share (2017: 3.27p)	**4.5**	4.0
	12.7	11.6

The Directors are proposing a final dividend of 7.29p per share for the year ended 31 March 2019 (2018: 6.63p) which, if approved by shareholders, will be paid on 2 August 2019 to shareholders on the register on 5 July 2019, an estimated total of £9.0m. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 27 June 2019 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 including cash payments to the pension scheme.

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

8. Financial instruments

Analysis of changes in net debt

	1 April 2018 £m	**Cash flow £m**	**31 March 2019 £m**
Cash and bank balances	17.6	**(4.9)**	**12.7**
Bank loans and overdrafts	(47.0)	**15.0**	**(32.0)**
Other financial liabilities	(0.1)	**0.1**	**–**
Net debt	(29.5)	**10.2**	**(19.3)**

9. Employee benefits

The employee benefit liabilities of the Group comprise the post-retirement obligations of the Group's pension arrangements, which are discussed in detail below:

	2019 £m	2018 £m
Pension schemes	**7.1**	49.5

These employee benefits are classified as non-current.

Pension schemes

Employees of Wincanton participated in funded pension arrangements in the UK and Ireland during the year ended 31 March 2019 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 19 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 current or comparative years.

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

Triennial valuation

The latest formal valuation of the Scheme was carried out as at 31 March 2017 by the Scheme actuary, Hymans Robertson, and was agreed with the Trustee during the year. The annual deficit funding contributions have been agreed at £18.0m per annum increasing by RPI over the three years to March 2021, followed by £25.0m per annum increasing by RPI from April 2022 to March 2027. In addition, the Group made a one-off contribution of £15.0m in August 2018. The agreement is also subject to other provisions agreed with the Trustee being:

- Additional contributions become payable if distributions to shareholders (dividends and share-buy-backs) grow year-on-year in excess of 10%. The matching will only be in relation to the distribution amounts above the thresholds, and are calculated at 50% of the excess or 100% of any distribution growth above 15%.
- Additional contribution payments become payable in the event of severe adverse Scheme investment performance where the actual deficit in the Scheme exceeds an agreed threshold above the expected deficit at the end of the two consecutive six-month reporting periods.
- A one-off payment to the Scheme of £6.0m in any year if both the underlying profit after tax is lower than the level of profit after tax reported in the 2017/18 financial year and the dividend payout ratio increases to over 40% of profit after tax.
- In the event of disposals of businesses within the Group, an amount will be paid to the Scheme equal to 50% of the combined net proceeds for the first £30.0m of the proceeds in any financial year.

As with the previous agreement, it has been 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 (2018: £0.7m) are not included in the contributions below.

The agreement constitutes a minimum funding requirement (MFR) under IFRIC 14 IAS 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Group has not recognised any liabilities in relation to this MFR as any surplus would be recordable as the Group has the unconditional right to a refund.

Contributions

The deficit funding contribution in the year, net of the above expenses was £32.3m, which includes the one-off contribution of £15.0m (2018: £16.1m including a £1.5m top up payment to the Scheme as a result of an enhanced transfer value exercise).

In the year commencing 1 April 2019, the Group is expected to make deficit funding contributions of £18.4m (£17.7m after deduction of certain administration expenses mentioned above). In addition, other administration costs of the Scheme will be borne directly by the Group, these are expected to total £0.6m.

Risks

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.

Net defined benefit liability

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.

	2019 £m	2018 £m
Present value of unfunded defined benefit obligations	**(2.5)**	(2.3)
Present value of funded defined benefit obligations	**(1,151.2)**	(1,123.1)
Fair value of Scheme assets	**1,146.6**	1,075.9
Net defined benefit liability	**(7.1)**	(49.5)

The movement in the above net defined benefit liability in the year was primarily the result of a reduction in liabilities due to changes in 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 a decrease in the discount rate and an increase in the inflation rate assumption. The net defined benefit liability, after taking into account the related deferred tax asset, is £5.9m (2018: £41.1m).

Movements in the present value of the net defined benefit liability

31 March 2019	**Assets £m**	**Obligations £m**	**Net liability £m**	**Unfunded arrangements £m**	**Total net liability £m**
Opening position	**1,075.9**	**(1,123.1)**	**(47.2)**	**(2.3)**	**(49.5)**
Included in Income statement:					
Administration costs	**(1.9)**	**–**	**(1.9)**	**–**	**(1.9)**
Past service cost	**–**	**(8.2)**	**(8.2)**	**–**	**(8.2)**
Interest on the net defined benefit liability	**28.0**	**(28.9)**	**(0.9)**	**(0.1)**	**(1.0)**
Cash:					
Employer contributions	**33.2**	**–**	**33.2**	**–**	**33.2**
Benefits paid	**(36.2)**	**36.2**	**–**	**–**	**–**
Included in Other comprehensive income:					
Changes in financial assumptions	**–**	**(58.7)**	**(58.7)**	**(0.1)**	**(58.8)**
Changes in demographic assumptions	**–**	**25.0**	**25.0**	**–**	**25.0**
Experience	**–**	**6.5**	**6.5**	**–**	**6.5**
Return on assets excluding amounts included in net financing costs	**47.6**	**–**	**47.6**	**–**	**47.6**
Closing defined benefit liability	**1,146.6**	**(1,151.2)**	**(4.6)**	**(2.5)**	**(7.1)**

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)
Effects 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)

The amounts recognised in the income statement comprise administration costs, past service costs, the effect of settlements and interest on the net defined benefit liability. These charges are included in the following lines in the income statement:

	Note	**2019 £m**	2018 £m
Within underlying operating profit:			
Administrative expenses		**(1.9)**	(1.7)
Within exceptional items:			
Past service costs		**(8.2)**	–
Effect of settlements		**–**	1.8
Within finance costs:			
Interest on the net defined benefit liability	4	**(1.0)**	(1.8)
Recognised in Income statement		**(11.1)**	(1.7)

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

	2019 £m	2018 £m
Equities and synthetic equities	**143.3**	214.5
Hedge funds	**–**	51.1
Property and other growth assets	**7.1**	16.3
Corporate bonds	**302.9**	118.0
Multi asset credits	**–**	82.6
Secured finance	**86.6**	–
Senior real estate and private debt	**118.6**	98.9
Index-linked gilts (LDI portfolio collateral)	**593.4**	576.9
Notional exposure for synthetic equities/LDI hedging arrangements	**(111.8)**	(109.7)
Other, including cash	**6.5**	27.3
	1,146.6	1,075.9

All equities, LDI portfolio collateral, corporate bonds and funds have quoted prices in active markets. The senior real estate and private debt along with the property assets are illiquid assets and trade on a less regular basis.

The synthetic equities provide exposure to the UK, North America, Europe, Asia-Pacific and Japan. The LDI portfolio currently hedges 100% of the defined benefit scheme's inflation rate risk and interest rate risk (relative to Scheme assets) through holding a combination of index-linked gilts, interest rate and inflation swaps, gilt total return swaps, gilt repos and cash. The Scheme does not directly hold any financial instruments issued by the Company.

Actuarial assumptions

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

	2019 %	2018 %
Discount rate	**2.40**	2.60
Price inflation rate – RPI	**3.45**	3.35
Price inflation rate – CPI	**2.45**	2.35
Rate of increase of pensions in deferment	**2.45**	2.35
Rate of increase of pensions in payment[1]	**1.90-3.30**	1.85-3.25

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:

	2019 Years	2018 Years
Male aged 65 today	**20.6**	21.1
Male aged 45 today	**22.6**	23.0
Female aged 65 today	**22.3**	22.9
Female aged 45 today	**25.2**	25.4

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%**	**16.0**	**16.0**
Mortality rate	**+ 1 year**	**46.0**	**–**

Defined contribution schemes

The total expense relating to the Group's defined contribution schemes in the current year was £24.6m (2018: £19.0m).