17 May 2017

WINCANTON plc
Preliminary Announcement of Results
for the financial year ended 31 March 2017

"Resilient trading and strong earnings growth"

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 2017.

	2017	2016	Change	Change (excl. WRM)[1]
Revenue (£m)	**1,118.1**	1,147.4	(2.6)%	(1.3)%
Underlying EBITDA[2]	**63.9**	65.4	(2.3)%	2.9%
Underlying operating profit (£m)[3]	**52.1**	50.9	2.4%	7.0%
Operating profit (£m)[1]	**56.0**	81.4		
Underlying profit before tax (£m)[3]	**41.5**	35.3	17.6%	
Profit before tax (£m)[1]	**45.4**	65.8		
Underlying EPS (p)[3]	**27.7**	23.9	15.9%	
Basic EPS (p)	**34.2**	50.7		
Dividend per share (p)	**9.1**	5.5		
Closing net debt (£m)[4]	**(24.3)**	(39.5)	(38.5)%	

1 On a like for like basis excluding the results of Wincanton Records Management (WRM) from the prior year, which was disposed of in December 2015. The reported operating profit and profit before tax in 2016 includes the exceptional gain of £32.5m arising on disposal of WRM.
2 Underlying EBITDA refers to underlying operating profit before depreciation and amortisation and is reconciled in Note 2 to the financial statements.
3 The section on Alternative Performance Measures (APMs) below provides further information on these measures, including definitions and a reconciliation of APMs to statutory measures.
4 Net debt is the sum of cash and bank balances, bank loans and overdrafts and other financial liabilities. Note 8 to the financial statements provides a breakdown of net debt for the current and prior periods.

Operating highlights
- New business wins include contracts with wilko to manage all UK transport operations, IKEA to operate two new distribution centres and a home delivery contract with Wickes
- Expansion of services for Screwfix to manage its newly built warehouse and Britvic to operate its national transport operations
- Investment in construction logistics capability with the acquisition of more than 100 ready-mix vehicles supported by a contract with Hanson UK

Financial highlights
- Revenue decreased by 2.6% primarily due to disposal of WRM and exit from loss making Pullman home shopping contracts
- Underlying operating profit increase of 7.0%[1] to £52.1m (2016: £48.7m), benefitting from a strong operating performance, the improvement in Pullman and end of contract settlements
- Underlying profit before tax increase of 17.6% to £41.5m (2016: £35.3m) generating underlying EPS growth of 15.9% to 27.7p (2016: 23.9p)
- Closing net debt down £15.2m to £24.3m (2016: £39.5m) on the back of strong cash generation
- Final dividend of 6.1p proposed, full year dividend of 9.1p

Adrian Colman, Wincanton Chief Executive Officer, commented:
"Wincanton has delivered a strong set of financial results, supported by a good stream of contract renewals and new business wins in the year. The business is well positioned to invest and continue to grow in attractive markets such as eCommerce and construction.

We are pleased to propose an increase in the final dividend to 6.1 pence per share, making a total of 9.1 pence per share for the year. We look forward to the future with confidence in the Group's ability to grow for the benefit of all its key stakeholders."

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A meeting for analysts will be held at Buchanan, 107 Cheapside, London, EC2V 6DN on 17 May 2017 commencing at 9.30am. Wincanton's Preliminary Results 2017 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/2017/wincanton170517/registration.htm

Chairman's review

Introduction

The year ended 31 March 2017 represented a further year of good progress for Wincanton. The focus of the Board and the Executive Management Team is on positioning the Group to deliver long term organic growth, whilst also meeting its obligations to all stakeholders. This will be achieved by maintaining and deepening strong working partnerships with our customers.

The success of an outsourcing business model such as ours is driven by providing great customer service and value, maintaining high levels of contract retention and renewal and by securing new contracts to grow the business.

Results

Underlying earnings per share was up by 15.9% over the prior year to 27.7p, and has increased by 108.3% since the year ended 31 March 2013.

Year end net debt at £24.3m (2016: £39.5m) was once again reduced, cumulatively a 78.8% reduction over the same period. The Group's existing banking facilities were satisfactorily extended during the year to provide an appropriate level of maturity.

People and the Board

Board membership was unchanged during the year. Adrian Colman has continued to strengthen the senior management team, with a healthy mixture of internal promotions and external appointments; broadening our talent pool is fundamental to the Group delivering on its organic growth strategy and meeting customer expectations.

The contribution of the Group's 17,500 employees is once again recognised. The Group's strong reputation for consistent operational delivery is above all the product of their hard work.

Dividend

The Board is pleased to be recommending an increased final dividend of 6.1p per Ordinary Share for the year ended 31 March 2017 (2016: 5.5p). This reflects the Group's strong operating profits and dividend policy outlined to shareholders last year when we resumed dividend payments. The proposed annual dividend is covered 3.0 times by underlying earnings. The Board's progressive dividend policy is unchanged.

Key priorities and prospects

The Group's overriding priority will be to oversee further progress in the delivery of the organic growth trading strategy, as set out in the Chief Executive's statement. This requires targeted investments in people and processes, to extend our capabilities in areas directly relevant to customers in our existing contract logistics heartland. The Group now has the capacity to invest in business development, and is actively doing so; but it remains selective in its approach, with a risk appetite best described as low to moderate.

The Board will also be focused on the forthcoming triennial review of the pension scheme and in agreeing an appropriate future funding plan with the Scheme Trustee. The Group still has a sizeable pension deficit, and so the pension scheme will remain a significant stakeholder for many years to come.

As already noted, talent management is a key focus, and increasing diversity in all its forms will be a priority for the coming year, from the warehouse to the boardroom. The Board will also ensure that their stewardship obligations, not least in the areas of operational safety, sustainability and financial assurance, remain centre stage and in line with best practice.

Outlook

The Group remains well positioned in its chosen markets and continues to perform robustly and deliver strong service levels for customers. To date the Group has experienced no significant impact from the Brexit vote in June 2016, and we believe the Group can adequately manage any future uncertainty that arises during the Brexit process.

Robust cash generation supports limited scale investments in skills and technology capabilities to both protect and grow the business for the longer term without raising the Group's overall risk profile.

During the coming year the Board expect Wincanton to make continued progress.

Chief Executive's statement

Performance summary

The year ended 31 March 2017 has been another year of good progress and strong trading performance, securing important renewals and winning new contracts with new services and new customers.

Revenue in the year ended 31 March 2017 was £1,118.1m (2016: £1,132.5m excluding WRM), which represents a year on year decrease of 1.3%. This has been driven primarily by the full year impact of contracts exited in the prior year, including all closed book home shopping contracts in Pullman, partly offset by revenue from contract wins.

Underlying operating profit grew by 7.0% to £52.1m (2016: £48.7m excluding WRM), reflecting a continued strong operating and financially disciplined performance across the business including an improvement in the performance of the Pullman business following the exit of loss-making contracts in the prior year. As a result we have achieved an underlying operating margin of 4.7%, up from 4.3% (excluding WRM) in the prior year.

Underlying EPS grew a healthy 15.9% and supports the growth in the final dividend per share to 6.1p, resulting in a total 9.1p for the year.

Following the disposal of Wincanton Records Management (WRM) in December 2015, the Group has, with effect from 1 April 2016, refocused its internal management structure under the following two reportable segments; Retail & Consumer and Industrial & Transport.

Segmental information for the year ended 31 March 2016 has been realigned to aid comparability, and in line with management reporting, the results of WRM have been excluded from the results of the reportable segments in the prior year.

Retail & Consumer

	2017	2016	Change
Revenue (£m)	**649.3**	624.4	4.0%
Underlying operating profit (£m)	**25.8**	25.2	2.4%
Margin (%)	**4.0%**	4.0%	nil bps

Retail & Consumer reported revenues of £649.3m in the year, a 4.0% year on year increase compared with the £624.4m reported in the year to 31 March 2016. The contractual split of this segment between open and closed book remains relatively constant at 87% open book (2016: 90%).

Underlying operating profit for the year was £25.8m, up 2.4% on the £25.2m reported last year.

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

	2017 £m	2016 £m	Change
Retail general merchandise	**315.5**	278.2	13.4%
Retail grocery	**228.7**	234.7	(2.6)%
Consumer products	**105.1**	111.5	(5.7)%
	649.3	624.4	4.0%

The overall revenue increase was driven primarily by the impact of contract wins and strong volume growth with Home & DIY business customers, reported within Retail general merchandise. This growth was partly offset by the impact of lost volumes due to contract cessations in Retail grocery and Consumer products.

The business successfully renewed a number of important contracts and extended the services with key customers, such as Co-op, providing food distribution services and Sainsbury's providing warehousing and distribution services. Both of these important renewals demonstrate the strong partnership-based ethos with our customers and our commitment to driving greater efficiency into these logistics operations. In a challenging grocery marketplace we will deliver substantial savings into the future for our customers.

New business wins included a five year contract with wilko, one of the UK's fastest growing retailers, to manage all UK transport operations, a three year warehouse management contract with Coca-Cola, a four year contract with IKEA and a five year contract with Majestic Wine to establish and operate an eCommerce National Fulfilment Centre. For IKEA, we will provide operational development and support for two new distribution centres, supporting their multichannel distribution growth strategy.

In any contracting business inevitably the new business growth has been partially offset by revenue reduction on contract losses and exits due to changes in customer requirements or transfers to alternative providers. During the year, this included the cessation of the Morrisons convenience store business, and a lost contract with Nestlé both announced last year as well as the cessation of a Tesco contract from July 2017.

Industrial & Transport

	2017	2016	Change
Revenue (£m)	**468.8**	508.1	(7.7)%
Underlying operating profit (£m)	**26.3**	23.5	11.9%
Margin (%)	**5.6%**	4.6%	100bps

Industrial & Transport reported revenues of £468.8m in the year, down 7.7% on the £508.1m reported in the prior year.

The underlying operating profit of £26.3m was up 11.9% compared to £23.5m last year, driven by the improvement in performance of the Pullman business together with non-recurring items from contract cessations such as property-related credits.

The split of Industrial & Transport revenue by the industry sectors it serves is as follows:

	2017 £m	2016 £m	Change
Transport services	**207.0**	234.8	(11.8)%
Construction	**134.4**	138.5	(3.0)%
Other	**127.4**	134.8	(5.5)%
	468.8	508.1	(7.7)%

The decrease in revenue compared to last year is primarily due to the cessation of the closed book Pullman home shopping contracts in the second half of last year, volume pressures in container transport operations (both within Transport services), the insourcing of a construction logistics contract and the cessation of a contract within defence operations (included within 'Other') at the half year, partially offset by growth in our EnergyLink business and the start-up of our ready-mix concrete offering.

With over 60 years' experience supporting the defence sector we received another gold standard accreditation known as the 'SC21' during the year. We are the first third party logistics company to be accredited with the gold SC21 award. Our defence operation was recognised for our change programme designed to accelerate the competitiveness of the aerospace and defence industry. This award demonstrates our commitment to continuous improvement and efficiency that we deliver through our tailored innovative supply chain solutions.

Strategic Progress

We have made good progress against our strategic goals in both sectors as follows:

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

Significant contracts were renewed during the year including Sainsbury's and Co-op. Both are long standing customers of over 20 years. The renewals are based on the strength of our relationships and a partnership approach to their supply chain needs as well as on our service excellence, adaptability and dependability. As customers adapt to changing consumer behaviour the evolution of the supply chain is an increasingly important part of the renewal process.

During the year, the Construction business expanded its service offering into the ready-mixed concrete market and has commenced the acquisition of more than 100 ready-mix vehicles. This investment is backed by an eight year contract with Hanson UK and supports the Group's view that the prospects for the UK construction industry are positive as evidenced by the Government's desire to build a million new homes by 2020 and to invest in major infrastructure projects.

Improving 'share of wallet' with our existing customers and focusing on cross selling our services

Excellent relationships are at the heart of our success and we ensure that we understand their needs and challenges so that we can add value to their business. During the period, we have extended the services we provide to a number of customers including Britvic and Screwfix. With Britvic we have extended our 19 year partnership and in addition to the distribution centre operation we have won a five year contract to operate its national transport operations. We have also extended our relationship with Screwfix with an agreement to design and manage a newly built warehouse.

These extended contracts demonstrate our track record of service excellence combined with a compelling commercial approach and added value.

Acquiring new customers through improved prospecting process and innovative service propositions
We were pleased to win new contracts with IKEA, wilko and Majestic Wine during the year.

To support IKEA's multichannel distribution growth strategy, we have sourced and fitted out two warehouses in South East England which are now in operation. The new facilities will create an efficient and reliable operation which will support IKEA's future growth plans.

We were delighted to be awarded the contract to manage all UK transport operations for wilko, the family owned retailer. We will be responsible for the replenishment of their 900-strong store portfolio making over 100,000 deliveries per annum.

The set up and successful Christmas operation of a new National Fulfilment Centre (NFC) for Majestic Wine has again proven our eCommerce expertise. We now generate over £250m of revenue from customers where we help them deliver their multichannel operations, which demonstrates great capability in a changing retail landscape.

Driving ongoing cost reductions and cash generation
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 on year trend of strong positive net cash flow of £15.2m (2016: £18.1m), see cash flow table within the Financial Review. This excellent cash performance enables us to have the confidence to lift our final dividend from 5.5p to 6.1p per share this year resulting in a total dividend for the year of 9.1p per share (2016: 5.5p per share). We also continue to support our legacy pension scheme with deficit recovery plan payments, net of certain Scheme administration costs, of £14.1m in the year (2016: £20.9m). The remainder of cash generated reduced the level of closing net debt to £24.3m (2016: £39.5m).

Financial review

	2017	2016	Change	Change (excl. WRM)
Revenue (£m)	**1,118.1**	1,147.4	(2.6)%	(1.3)%
Underlying EBITDA (£m)	**63.9**	65.4	(2.3)%	2.9%
Underlying operating profit (£m)	**52.1**	50.9	2.4%	7.0%
Underlying operating margin (%)	**4.7%**	4.4%	30bps	40bps
Net financing costs (£m)	**(10.6)**	(15.6)		
Underlying profit before tax (£m)	**41.5**	35.3	17.6%	
Amortisation of acquired intangibles (£m)	**(2.2)**	(4.5)		
Exceptionals (£m)	**6.1**	35.0		
Profit before tax (£m)	**45.4**	65.8		
Income tax (£m)	**(3.4)**	(4.7)		
Profit after tax (£m)	**42.0**	61.1		
Underlying EPS (p)	**27.7**	23.9	15.9%	
Basic EPS (p)	**34.2**	50.7		
Dividend per share (p)	**9.1**	5.5		
Closing net debt (£m)	**(24.3)**	(39.5)	(38.5)%	

The Directors present the results of the business on an underlying basis, excluding amortisation of acquired intangibles and exceptional items from operating profit, profit before tax and EPS, 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 within the Alternative Performance Measure section below.

The Group's revenue of £1,118.1m in the year ended 31 March 2017 was 2.6% lower than the prior year (2016: £1,147.4m). Excluding WRM, which was sold in December 2015, the decrease in revenue was 1.3%. This decrease is principally due to contract exits, including those from all closed book contracts providing fleet maintenance for home delivery services in the Pullman business. The impact of the contract exits, together with some volume pressure in the Containers business, has been partly offset by new wins and volume growth, particularly in the Retail general merchandise business.

Underlying operating profit grew by 2.4% to £52.1m. Excluding WRM, which recorded £2.2m operating profit in the year ended 31 March 2016, the Group's underlying profit grew by 7.0%. This growth reflected the continued strong operating performance, the improvement in the Pullman business, primarily due to the exit of the loss-making home shopping contracts and credits from end-of-contract property settlements. As a result we have achieved an underlying operating margin of 4.7%, up from 4.4% in the prior year (4.3% excluding WRM).

Net financing costs

	2017 £m	2016 £m
Bank interest payable on loans	**6.0**	10.1
Interest receivable	**(0.1)**	(0.2)
Net interest payable	**5.9**	9.9
Unwinding of discount on provisions	**1.2**	1.3
Interest on the net defined benefit pension liability	**3.5**	4.4
Net financing costs	**10.6**	15.6

Net financing costs were £10.6m (2016: £15.6m), £5.0m lower year on year.

Bank interest payable on loans was £6.0m (2016: £10.1m) due to reduced average net debt and the repayment of the £20m balance of the more expensive US Private Placement debt in November 2016.

The non-cash financing items total £4.7m (2016: £5.7m) and comprise the discounts unwinding on the Group's provisions for property and insurance claims plus the financing charge in respect of the defined benefit deficit, lower in the year because of a reduction in the opening pension deficit.

Amortisation of acquired intangibles

Amortisation of acquired intangibles of £2.2m is £2.3m lower than the prior year as a result of the intangible relating to the acquired construction business being fully amortised at the end of March 2016. The remaining balance will be fully amortised by 31 March 2018.

Exceptionals

	2017 £m	2016 £m
Items related to disposed businesses	**4.6**	2.6
Profit recognised on the disposal of WRM	**–**	32.4
Other items	**1.5**	–
Exceptionals	**6.1**	35.0

During the year, non-cash gains of £4.6m (2016: £2.6m) were recognised on the remeasurement of liabilities relating to disposed businesses. These included warranty balances held in respect of the disposal of the European operations and WRM.

In the prior year, exceptional profit arose on the disposal of WRM.

Other items comprise the settlement of a claim against a supplier, partially offset by the costs of initiating an Enhanced Transfer Value exercise in the pension scheme (see Pensions section, below).

Taxation

	2017	2016
Underlying profit before tax (£m)	**41.5**	35.3
Underlying tax (£m)	**7.5**	6.5
Tax on amortisation of acquired intangibles (£m)	**(0.4)**	(0.9)
Exceptional tax (£m)	**(3.7)**	(0.9)
Tax as reported (£m)	**3.4**	4.7
Effective tax rate on underlying profit before tax (%)	**18.0%**	18.4%

Underlying tax of £7.5m (2016: £6.5m) represents an effective tax rate of 18.0% (2016: 18.4%) on underlying profit before tax and is stated before tax credits of £0.4m (2016: £0.9m) in respect of the amortisation of acquired intangibles and exceptional tax of £3.7m (2016: £0.9m).

Exceptional tax comprises a tax credit of £4.0m (2016: £0.9m) relating to previous years' tax liabilities offset by a tax charge of £0.3m (2016: £nil) on exceptional profit.

The total net deferred tax asset has reduced to £17.2m (2016: £22.0m), primarily as a result of the reduction in the pension deficit and the deferred tax asset thereon.

Profit after tax and earnings per share

Profit after tax for the year is £42.0m (2016: £61.1m), the reduction of £19.1m due to lower exceptional profit following the £32.4m gain on the sale of WRM in the year ended 31 March 2016. The reduction arising from the lower exceptional profit was partly offset by improvements in underlying operating profit, financing costs and amortisation of acquired intangibles.

Underlying EPS, which excludes from earnings amortisation of acquired intangibles and exceptionals, increased by 15.9% to 27.7p (2016: 23.9p). Basic EPS was 34.2p (2016: 50.7p) with the decrease again being explained by the reduction in exceptional profit.

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

Dividends

	2017 pence	2016 pence
Interim	**3.0**	–
Final (proposed)	**6.1**	5.5
Total	**9.1**	5.5

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

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

The Board has proposed a final dividend of 6.1p per share relating to the year ended 31 March 2017, an increase compared to the final dividend paid in respect of the year ended 31 March 2016.

Dividend payments of £10.4m (2016: £nil) in the year comprised the final dividend of 5.5p per share relating to the period ended 31 March 2016 and the 2017 interim dividend of 3.0p per share.

Financial position

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

	2017 £m	2016 £m
Non-current assets	**147.9**	148.5
Net current liabilities (excl. net debt)	**(149.8)**	(150.9)
Non-current liabilities (excl. net debt/pension deficit)	**(34.8)**	(36.8)
Net debt	**(24.3)**	(39.5)
Pensions deficit (gross of deferred tax)	**(78.4)**	(105.6)
Net liabilities	**(139.4)**	(184.3)

The reduction in net liabilities of £44.9m is represented by the profit after tax of £42.0m, the remeasurement of the pension deficit net of deferred tax of £13.6m, less dividends paid in the year of £(10.4)m and other movements in equity of £(0.3)m.

Net debt and cash flows

Net debt at 31 March 2017 was £24.3m (2016: £39.5m), reflecting a net cash inflow in the year of £15.2m.

The average level of net debt was reduced by £54.0m from £108.0m in the prior year to £54.0m in the current year from the cash generation of the business and the proceeds received from the disposal of WRM.

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

	2017 **£m**	2016 £m
Underlying EBITDA	**63.9**	65.4
Net capital expenditure	**(18.7)**	(6.0)
Onerous leases	**(2.7)**	(7.7)
Working capital	**6.5**	(51.8)
Tax	**(2.6)**	(3.1)
Net interest	**(6.8)**	(9.1)
Other items	**0.2**	0.1
Free cash flow	**39.8**	(12.2)
Disposal of WRM	**–**	55.7
Pension recovery payment	**(14.1)**	(20.9)
Dividends	**(10.4)**	–
Own shares acquired	**(0.1)**	(4.5)
Net cash flow	**15.2**	18.1

The Group generated a £15.2m (2016: £18.1m) net cash inflow in the period, with a free cash flow of £39.8m (2016: £(12.2)m).

Net capital expenditure was £18.7m (2016: £6.0m), the increase being driven by investment to support new business growth including £10.9m for specialist vehicles and £2.4m on the Group's information systems infrastructure. The capital expenditure is net of cash receipts on sale of assets of £0.5m (2016: £4.4m), with the prior year including £4.0m in respect of a single sale of end-of-contract assets.

Cash outflows in respect of onerous lease liabilities were £2.7m, a £5.0m reduction compared to the prior year of £7.7m. This is in line with the previously expressed view that the Group's cash exposure to these onerous leases will fall materially over time.

The £6.5m inflow on working capital in the year ended 31 March 2017 is due to favourable timing on year end collections in the normal course of business. The large working capital outflow of £51.8m in the year ended 31 March 2016 was the result of a one-off adjustment to year end working capital management activities.

The Group paid cash tax in the current year of £2.6m (2016: £3.1m). The cash tax payable continues to trend below the underlying charge due to the impact of tax relief on the pension deficit recovery payments made in the year and on share options exercised. This is expected to continue going forward.

The amount of cash interest paid, excluding fees, of £6.8m (2016: £9.1m) reduced significantly in the year reflecting the lower level of average net debt compared to the prior year.

Free cash flow of £39.8m (2016: £(12.2)m) has been used to maintain the pension recovery payments of £14.1m (2016: £20.9m), to pay equity dividends of £10.4m (2016: £nil), and to reduce net debt by £15.2m (2016: £18.1m).

Financing and covenants

The Group's committed facilities at the year end were £166m (2016: £215m) and the headroom in these committed facilities to reported net debt at 31 March 2017 was £142m (2016: £176m). 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.

During the year, the Group agreed an extension of the maturity of its syndicated facilities to October 2021.

The US Private Placement debt of £20m was redeemed from cash generated in the year and from other facilities on 7 November 2016.

The Group's facilities at 31 March 2017 comprise the following: the syndicated main bank facility of £141.2m which amortises by £8.8m in October 2019, with a second equal amortisation at the 4 year anniversary in October 2020; and £25m from the Prudential/M&G UK Companies Financing Fund LP, which amortises by £6.2m in January 2021 with the remaining balance maturing in January 2022.

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

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

Covenant	Ratio	At 31 March 2017
Adjusted net debt: EBITDA	<2.75:1	0.77
Interest cover	>3.5:1	14.1
Fixed charge cover	>1.4:1	2.9

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:

	2017	2016
Deferred	**8,030**	8,525
Pensioners	**5,883**	7,125
	13,913	15,650

The Scheme had an IAS 19 deficit of £78.4m at 31 March 2017 (2016: £105.6m). The deficit at 30 September 2016 was £169.2m.

The deficit has reduced due to an increase in the market value of the investments, a reduction in liabilities due to demographic assumptions and contributions received from the Group, being partly offset by an increase in liabilities resulting from a fall in the discount rate. The discount rate has fallen to 2.6% compared with the prior year of 3.5%. Each 0.1% increase in the rate impacts the liabilities of the Scheme by approximately £21.5m.

The last triennial valuation of the Scheme was undertaken as at 31 March 2014 and was finalised in April 2015. This showed a deficit on a technical provision basis of £195m and a deficit recovery payment plan was agreed with the Trustee which provided for a baseline annual payment of £14.4m increasing by RPI each year through the recovery period to September 2024. The cash contribution made in the current year to fund the deficit was £14.8m. Certain administration costs have also been paid directly by the Group and in line with the agreement with the Trustee, deducted from these contributions. The next triennial valuation will be based on the position as at 31 March 2017.

Over recent years, the Trustee has pursued a diversification of the investment portfolio as part of a de-risking strategy and the programme has continued in the year ended 31 March 2017. As at 31 March 2017 the Scheme's investment was split between 56% in return-seeking assets and 44% in defensive assets.

The Trustee has also decided to hedge the interest and inflation rate risks facing the Scheme and will systematically increase the level of this hedge to 100% of the Scheme's assets over a period of 15 months from August 2016 to November 2017, subject to leverage restrictions. This increase will, as far as practicable, eliminate changes in the funding level driven by changes in interest or inflation rates. At 31 March 2017 the Scheme hedged 89% of its inflation rate risk and 78% of the interest rate risk.

In conjunction with the Trustee, the Group has also initiated an Enhanced Transfer Value exercise, whereby deferred members approaching retirement may choose to transfer their assets out of the Scheme in order to access the new flexible retirement options available. As a result of this exercise the Group has recognised an exceptional item of £(0.9)m, being the costs associated with making the transfer offer, including the provision of independent financial advice. This exercise will conclude in the first half of the year ended 31 March 2018 together with an associated cash outflow to fund the enhanced transfer values and an expected reduction in pension liabilities.

The Trustee has also written to members with small pension pots to remind them of the option under normal Scheme rules to exchange their benefits for a one-off cash sum. In response to this communication 1,566 members have taken up this option resulting in a reduction in the IAS 19 liability of £3.8m.

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 15,524 (2016: 15,437) in the year. The charge incurred for these arrangements totals £17.9m (2016: £18.1m).

Alternative Performance Measures

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

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

				2017					2016
	Statutory	**Amortisation of acquired intangibles**	**Exceptionals[1]**	**Underlying**	Statutory	Amortisation of acquired intangibles	Exceptionals[1]	Underlying	Excl. WRM[2]
Revenue (£m)	**1,118.1**	**–**	**–**	**1,118.1**	1,147.4	–	–	1,147.4	1,132.5
EBITDA (£m)[3]	**67.8**	**2.2**	**(6.1)**	**63.9**	95.9	4.5	(35.0)	65.4	62.1
Operating profit (£m)	**56.0**	**2.2**	**(6.1)**	**52.1**	81.4	4.5	(35.0)	50.9	48.7
Operating margin (%)	**5.0**	**0.2**	**(0.5)**	**4.7**	7.1	0.4	(3.1)	4.4	4.3
Net financing costs (£m)	**(10.6)**	**–**	**–**	**(10.6)**	(15.6)	–	–	(15.6)	
Profit before tax (£m)	**45.4**	**2.2**	**(6.1)**	**41.5**	65.8	4.5	(35.0)	35.3	
Income tax (£m)	**(3.4)**	**(0.4)**	**(3.7)**	**(7.5)**	(4.7)	(0.9)	(0.9)	(6.5)	
Profit after tax (£m)	**42.0**	**1.8**	**(9.8)**	**34.0**	61.1	3.6	(35.9)	28.8	
Earnings per share (p)[4]	**34.2p**			**27.7p**	50.7p			23.9p	
Dividend per share (p)	**9.1p**			**9.1p**	5.5p			5.5p	
Closing net debt (£m)[5]	**(24.3)**			**(24.3)**	(39.5)			(39.5)	

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

2 On a like for like basis excluding the results of the Wincanton Records Management (WRM) from the prior period, which was disposed of in December 2015. Note 2 provides a reconciliation to the reported results.

3 EBITDA refers to operating profit before depreciation and amortisation and is reconciled in Note 2.

4 Note 6 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 provides a breakdown of net debt for the current and prior periods.

Consolidated income statement

For the year ended 31 March 2017

	Note	**2017 £m**	2016 £m
Revenue	2	**1,118.1**	1,147.4
Underlying operating profit	2	**52.1**	50.9
Amortisation of acquired intangibles		**(2.2)**	(4.5)
Exceptionals	3	**6.1**	35.0
Operating profit		**56.0**	81.4
Financing income	4	**0.1**	0.2
Financing cost	4	**(10.7)**	(15.8)
Net financing costs	4	**(10.6)**	(15.6)
Profit before tax		**45.4**	65.8
Income tax expense	5	**(3.4)**	(4.7)
Profit attributable to equity shareholders of Wincanton plc		**42.0**	61.1
Earnings per share			
– basic	6	**34.2p**	50.7p
– diluted	6	**33.0p**	47.4p

Consolidated statement of comprehensive income

For the year ended 31 March 2017

	Note	**2017 £m**	2016 £m
Profit for the year		**42.0**	61.1
Other comprehensive income/(expense)			
Items which will not subsequently be reclassified to the income statement			
Remeasurements of defined benefit liability		**17.6**	23.0
Income tax relating to items that will not subsequently be reclassified to profit or loss	5	**(4.0)**	(7.0)
		13.6	16.0
Items which are or may subsequently be reclassified to the income statement			
Net foreign exchange (loss)/gain on investment in foreign subsidiaries net of hedged items	4	**(0.1)**	0.3
Effective portion of changes in fair value of cash flow hedges		**0.4**	(0.4)
Net change in fair value of cash flow hedges transferred to the income statement		**0.2**	1.3
		0.5	1.2
Other comprehensive income for the year, net of income tax		**14.1**	17.2
Total comprehensive income attributable to equity shareholders of Wincanton plc		**56.1**	78.3

Consolidated balance sheet

At 31 March 2017

	Note	**2017 £m**	2016 £m
Non-current assets			
Goodwill and intangible assets		**86.9**	90.0
Property, plant and equipment		**43.7**	35.6
Investments, including those equity accounted		**0.1**	0.1
Deferred tax assets		**17.2**	22.8
		147.9	148.5
Current assets			
Inventories		**4.0**	4.8
Trade and other receivables		**133.4**	139.4
Cash and cash equivalents	8	**40.9**	36.3
		178.3	180.5
Current liabilities			
Income tax payable		**(6.4)**	(7.3)
Borrowings and other financial liabilities	8	**(0.2)**	(20.4)
Trade and other payables		**(265.4)**	(272.1)
Employee benefits		**(0.2)**	(0.3)
Provisions	9	**(15.2)**	(15.4)
		(287.4)	(315.5)
Net current liabilities		**(109.1)**	(135.0)
Total assets less current liabilities		**38.8**	13.5
Non-current liabilities			
Borrowings and other financial liabilities	8	**(65.0)**	(55.4)
Employee benefits	10	**(78.4)**	(105.6)
Provisions	9	**(34.8)**	(36.0)
Deferred tax liabilities		**–**	(0.8)
		(178.2)	(197.8)
Net liabilities		**(139.4)**	(184.3)
Equity			
Issued share capital		**12.4**	12.4
Share premium		**12.9**	12.9
Merger reserve		**3.5**	3.5
Hedging reserve		**(0.1)**	(0.7)
Translation reserve		**(0.3)**	(0.2)
Retained earnings		**(167.8)**	(212.2)
Total equity deficit		**(139.4)**	(184.3)

These financial statements were approved by the Board of Directors on 16 May 2017 and were signed on its behalf by:

A Colman	**T Lawlor**
Chief Executive Officer	Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 March 2017

	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 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)
Balance at 1 April 2016	**12.4**	**12.9**	**3.5**	**(0.7)**	**(0.2)**	**(3.1)**	**(209.1)**	**(184.3)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**42.0**	**42.0**
Other comprehensive income	**–**	**–**	**–**	**0.6**	**(0.1)**	**–**	**13.6**	**14.1**
Total comprehensive income	**–**	**–**	**–**	**0.6**	**(0.1)**	**–**	**55.6**	**56.1**
Share based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**0.9**	**0.9**
Current tax on share based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**1.1**	**1.1**
Deferred tax on share based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Own shares acquired	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Own shares disposed of on exercise of options	**–**	**–**	**–**	**–**	**–**	**2.7**	**(5.3)**	**(2.6)**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(10.4)**	**(10.4)**
Balance at 31 March 2017	**12.4**	**12.9**	**3.5**	**(0.1)**	**(0.3)**	**(0.5)**	**(167.3)**	**(139.4)**

Consolidated statement of cash flows

For the year ended 31 March 2017

	2017 £m	2016 £m
Operating activities		
Profit before tax	**45.4**	65.8
Adjustments for		
– depreciation and amortisation	**14.0**	19.0
– interest expense	**10.6**	15.6
– exceptionals (non cash)	**(4.6)**	(35.0)
– share based payments fair value charges	**0.9**	0.9
	66.3	66.3
Decrease/(increase) in trade and other receivables	**6.2**	(4.5)
Decrease in inventories	**0.8**	0.8
Decrease in trade and other payables	**(2.6)**	(49.0)
Decrease in provisions	**(4.3)**	(10.0)
Increase in employee benefits before pension deficit payment	**0.9**	0.9
Income taxes paid	**(2.6)**	(3.1)
Cash generated before pension deficit payment	**64.7**	1.4
Pension deficit payment	**(14.1)**	(20.9)
Cash flows from operating activities	**50.6**	(19.5)
Investing activities		
Proceeds from sale of property, plant and equipment	**0.1**	4.4
Proceeds from sale of computer software	**0.4**	–
Proceeds from WRM disposal	**–**	55.7
Interest received	**0.1**	0.2
Additions of property, plant and equipment	**(18.0)**	(10.0)
Additions of computer software	**(1.2)**	(0.4)
Cash flows from investing activities	**(18.6)**	49.9
Financing activities		
Own shares acquired	**(0.1)**	(4.5)
Decrease in borrowings	**(10.0)**	(86.2)
Equity dividends paid	**(10.4)**	–
Interest paid	**(6.9)**	(9.3)
Cash flows from financing activities	**(27.4)**	(100.0)
Net increase/(decrease) in cash and cash equivalents	**4.6**	(69.6)
Cash and cash equivalents at beginning of year	**36.3**	105.8
Effect of exchange rate fluctuations on cash held	**–**	0.1
Cash and cash equivalents at end of year	**40.9**	36.3
Represented by:		
– cash at bank and in hand	**33.0**	26.3
– restricted cash, being deposits held by the Group's insurance subsidiary	**7.9**	10.0
	40.9	36.3

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 2017 and 31 March 2016. Statutory accounts for the year ended 31 March 2017 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 March 2016 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. Following the disposal of the Records Management business (WRM), the Group has, from 1 April 2016, refocused its internal management structure under the following two reportable segments; Retail & Consumer (including retail general merchandise, retail grocery and consumer products) and Industrial & Transport (including transport services, construction and other).

Segmental information for the period ended 31 March 2016 has been realigned to reflect the changes to the reportable segments.

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.

	Note	Retail & Consumer 2017 £m	Industrial & Transport 2017 £m	Total 2017 £m
Revenue from external customers[1]		**649.3**	**468.8**	**1,118.1**
Underlying EBITDA[2]		**32.0**	**31.9**	**63.9**
Depreciation		**(5.0)**	**(4.8)**	**(9.8)**
Amortisation of software intangibles		**(1.2)**	**(0.8)**	**(2.0)**
Underlying operating profit[2]		**25.8**	**26.3**	**52.1**
Amortisation of acquired intangibles				**(2.2)**
Exceptionals	3			**6.1**
Operating profit				**56.0**
Net financing costs	4			**(10.6)**
Profit before tax				**45.4**
Total Group assets[3]				**326.2**
Additions to reportable segment non-current assets:				
– property, plant and equipment		**3.0**	**15.0**	**18.0**
– computer software costs		**0.7**	**0.5**	**1.2**
Total Group liabilities				**(465.6)**

1 Included in segment revenue is £1,109.0m (2016: £1,134.7m) 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 exceptionals.

3 Total Group assets include non-current assets of £147.9m (2016: £148.5m) in the UK.

	Note	Retail & Consumer 2016 £m[1]	Industrial & Transport 2016 £m[1]	Total excl. WRM 2016 £m	WRM 2016 £m	Total 2016 £m
Revenue from external customers		624.4	508.1	1,132.5	14.9	1,147.4
Underlying EBITDA		32.7	29.4	62.1	3.3	65.4
Depreciation		(5.9)	(4.6)	(10.5)	(1.1)	(11.6)
Amortisation of software intangibles		(1.6)	(1.3)	(2.9)	–	(2.9)
Underlying operating profit		25.2	23.5	48.7	2.2	50.9
Amortisation of acquired intangibles						(4.5)
Exceptionals	3					35.0
Operating profit						81.4
Net financing costs	4					(15.6)
Profit before tax						65.8
Total Group assets						329.0
Additions to reportable segment non-current assets:						
– property, plant and equipment		2.2	6.3	8.5	1.5	10.0
– computer software costs		0.2	0.1	0.3	0.1	0.4
Total Group liabilities						(513.3)

1 Segmental information has been restated to reflect changes to the reportable segments.

Revenue of £201.7m (2016: £162.4m) and £143.3m (2016: n/a) 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. Exceptionals

	2017 £m	2016 £m
Exceptional income		
Items related to disposed businesses	**4.6**	2.6
Profit recognised on the disposal of WRM	**–**	32.4
Other items	**1.5**	–
	6.1	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.

During the year, non-cash gains of £4.6m (2016: £2.6m) were recognised on the remeasurement of liabilities relating to disposed businesses. These include warranty balances held in respect of the disposal of the European operations and WRM.

In the prior year, exceptional profit arose on the disposal of WRM.

Other items comprise the settlement of a claim against a supplier, partially offset by the costs of initiating an Enhanced Transfer Value exercise in the Pension Scheme.

4. Net financing costs

Recognised in the income statement

	Note	**2017 £m**	2016 £m
Interest income		**0.1**	0.2
Interest expense		**(6.0)**	(10.1)
Unwinding of discount on provisions	9	**(1.2)**	(1.3)
Interest on the net defined benefit pension liability	10	**(3.5)**	(4.4)
		(10.7)	(15.8)
Net financing costs		**(10.6)**	(15.6)

Recognised in other comprehensive income

	2017 £m	2016 £m
Foreign currency translation differences for foreign operations - recognised in the translation reserve	**(0.1)**	0.3

5. Income tax expense

Recognised in the income statement

	2017 £m	2016 £m
Current tax expense		
Current year	**7.0**	6.7
Adjustments for prior years	**(4.3)**	(2.9)
	2.7	3.8
Deferred tax expense		
Current year	**1.6**	0.8
Adjustments for prior years	**(0.9)**	0.1
	0.7	0.9
Total income tax expense	**3.4**	4.7
Reconciliation of effective tax rate		
Profit before tax	**45.4**	65.8
Income tax using the UK corporation tax rate of 20% (2016: 20%)	**9.1**	13.2
Non-deductible expenditure	**0.4**	1.2
Non-taxable income	**(1.0)**	(8.0)
Change in UK corporation tax rate	**–**	(0.1)
Effect of tax rate in foreign jurisdictions	**(0.1)**	–
Adjustments for prior years		
– current tax	**(4.3)**	(2.9)
– deferred tax	**(0.9)**	0.1
Other	**0.2**	1.2
Total tax expense for the year	**3.4**	4.7
Recognised in other comprehensive income		
Items which will not subsequently be reclassified to the Income statement:		
Remeasurements of defined benefit pension liability	**4.0**	7.0
Recognised directly in equity		
Current tax on share based payments	**(1.1)**	(2.2)
Deferred tax on share based payments	**0.1**	(0.5)
	(1.0)	(2.7)

The main UK Corporation tax rate, which has remained at 20% since 1 April 2015, will reduce to 19% with effect from 1 April 2017 and will further reduce to 17% with effect from 1 April 2020 and should reduce the Group's future current tax charge accordingly.

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

The total tax expense above includes tax credits of £0.4m (2016: £0.9m) in respect of amortisation of acquired intangibles and exceptional tax of £3.7m (2016: £0.9m).

6. Earnings per share

Earnings per share calculation is based on the profit attributable to the equity shareholders of Wincanton plc of £42.0m (2016: £61.1m) and the weighted average shares in issue throughout the year as calculated below of 122.8m (2016: 120.5m). The diluted earnings per share calculation is based on there being 4.3m (2016: 8.5m) additional shares deemed to be issued at £nil consideration under the Company's share option schemes.

	2017 millions	2016 millions
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at the beginning of the year	**121.9**	116.5
Net effect of shares issued and purchased during the year	**0.9**	4.0
	122.8	120.5
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at the end of the year (as above)	**122.8**	120.5
Effect of share options on issue	**4.3**	8.5
	127.1	129.0

An alternative earnings per share measure is set out below, being earnings, before amortisation of acquired intangibles and exceptionals 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:

	2017 pence	2016 pence
Underlying earnings per share		
– basic	**27.7**	23.9
– diluted	**26.8**	22.3

Underlying earnings are determined as follows:

	Note	**2017 £m**	2016 £m
Profit for the year attributable to equity shareholders of Wincanton plc		**42.0**	61.1
Exceptionals	3	**(6.1)**	(35.0)
Amortisation of acquired intangibles		**2.2**	4.5
Tax impact of above items and exceptional tax items		**(4.1)**	(1.8)
Underlying earnings		**34.0**	28.8

7. Dividends

Dividends paid in the year comprise:

	2017 £m	2016 £m
Final dividend for the year ended 31 March 2016 of 5.5p per share (2015: nil)	**6.7**	–
Interim dividend for the period ended 30 September 2016 of 3.0p per share (2015: nil)	**3.7**	–
	10.4	–

The Directors are proposing a final dividend of 6.1p per share for the year ended 31 March 2017 (2016: 5.5p) which, if approved by shareholders, will be paid on 4 August 2017 to shareholders on the register on 7 July 2017, an estimated total of £7.5m. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 29 June 2017 and in accordance with Adopted IFRS has not been included as a liability in these financial statements.

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

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

8. Analysis of changes in net debt

	1 April 2016 £m	Cash flow £m	Net movement on cash flow hedges £m	**31 March 2017 £m**
Cash and bank balances	36.3	4.6	–	**40.9**
Bank loans & overdrafts	(75.1)	10.0	–	**(65.1)**
Other financial liabilities	(0.7)	–	0.6	**(0.1)**
Net debt	**(39.5)**	**14.6**	**0.6**	**(24.3)**

9. Provisions

	Note	**Insurance £m**	**Property £m**	**Other provisions £m**	**Total £m**
At 1 April 2016		35.6	15.3	0.5	51.4
Effect of movements in foreign exchange		–	0.3	–	0.3
Provisions used during the year		(9.0)	(2.7)	(0.5)	(12.2)
Unwinding of discount	4	0.6	0.6	–	1.2
Reclassification		1.4	0.9	–	2.3
Provisions made during the year		4.9	2.1	–	7.0
At 31 March 2017		**33.5**	**16.5**	**–**	**50.0**
Current		**10.0**	**5.2**	**–**	**15.2**
Non-current		**23.5**	**11.3**	**–**	**34.8**
		33.5	**16.5**	**–**	**50.0**

The Group owns 100% of the share capital of an insurance company 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 Group's assessment of a risk free 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. Provisions made in the year comprise dilapidations made in the normal course of business. The provisions are utilised over the relevant lease term, with the majority expected to be utilised over the next three years. Amounts have been discounted at a rate based on the Group's assessment of a risk free rate.

Reclassification includes amounts previously reported within creditors.

10. Employee benefits

Employees of Wincanton participated in funded pension arrangements in the UK and Ireland during the year ended 31 March 2017 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 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 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 2016 and 2017.

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 Trustee, agreed to leave the terms of the 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 £0.7m (2016: £0.6m), are not included in the contributions below. The deficit funding contribution in the year net of these expenses was £14.1m (2016: £13.9m; £20.9m including an additional

£7.0m paid into the Scheme following the disposal of WRM). The next triennial valuation will be carried out by the Scheme actuary as at 31 March 2017.

In the year commencing 1 April 2017 the Group contributions are expected to be the deficit funding contribution of £15.2m (£14.6m 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 £0.7m.

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
- diversification of the investment portfolio.

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 undertaking various liability management exercises. These include a pension increase exchange exercise reducing the Group's exposure to inflation risk; a trivial commutation exercise where, in line with the Scheme rules, members with small accrued defined benefit pensions are able to exchange their pension for a one off cash sum; and a recently launched Enhanced Transfer Value exercise, where deferred members approaching retirement may choose to transfer out of the Scheme in order to access the new flexible retirement options now available.

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.

	2017 £m	2016 £m
Present value of unfunded defined benefit obligations	**(2.2)**	(1.7)
Present value of funded defined benefit obligations	**(1,156.7)**	(1,001.0)
Fair value of Scheme assets	**1,080.5**	897.1
Net defined benefit liability	**(78.4)**	(105.6)

The movement in the above net defined benefit liability in the year was primarily the result of an increase in the market value of the investments, a reduction in liabilities due to demographic assumptions and contributions received from the Group, being partly offset by an increase in liabilities resulting from a fall in the discount rate. The net defined benefit liability, after taking into account the related deferred tax asset, is £65.1m (2016: £86.6m).

Movements in the present value of the net defined benefit liability

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

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)

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:

	2017 %	2016 %
Discount rate	**2.60**	3.50
Price inflation rate – RPI	**3.15**	2.95
Price inflation rate – CPI	**2.15**	1.95
Rate of increase of pensions in deferment		
– for service to 31 March 2006	**3.05**	2.90
– for service from 1 April 2006	**2.15**	2.10

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

	2017 Years	2016 Years
Male aged 65 today	**21.2**	21.4
Male aged 45 today	**23.5**	23.8
Female aged 65 today	**23.4**	23.5
Female aged 45 today	**26.4**	26.5

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%	(21.5)
Price inflation – RPI	+0.1%	10.9
Mortality rate	+ 1 year	46.3

Defined contribution schemes

The total expense relating to the Group's defined contribution schemes in the current year was £17.9m (2016: £18.1m).