



For immediate release

4 June 2009

WINCANTON plc
Preliminary Announcement of Results
for the financial year ended 31 March 2009

“Resilient UK base underpins performance”

	2009	2008	Change
	£m	£m	
Revenue	2,361.3	2,164.7	+9.1%
Underlying operating profit	59.5	52.4	+13.5%
Net financing costs	(18.3)	(10.8)	
Share of results of associates	0.1	0.2	
Underlying profit before tax	41.3	41.8	-1.2%
Net other items (note)	(21.3)	(5.1)	
Profit before tax	20.0	36.7	
Underlying earnings per share	24.7p	24.3p	+1.6%
Basic earnings per share	11.6p	21.0p	
Proposed final dividend	10.08p	10.31p	
Full year dividend	14.91p	14.91p	-%

Note: Underlying profit before tax and earnings per share are stated before net other items of £21.3m (2008: £5.1m), comprising exceptional restructuring and other costs of £23.1m (2008: £4.5m), exceptional property profits of £5.2m (2008: £0.8m), partial settlement of the PGN Logistics Ltd arbitration case £5.6m (2008: £4.1) and amortisation of acquired intangibles of £9.0m (2008: £5.5m). Operating profit, including these items, amounted to £38.2m (2008: £47.3m) down 19.2%. Profit before tax, including these items, amounted to £20.0m (2008: £36.7m) down 45.5%.

HIGHLIGHTS

- Strong performance from resilient UK & Ireland base
 - c.90 per cent of consolidated profit in 08/09
 - c.90 per cent of 09/10 turnover already contracted
- Rapid action taken to reduce costs
 - increase in exceptional restructuring charges
 - not less than £10m pa profit improvement
- Growth potential in newer services and sectors
 - short-term impact of economic downturn
 - market share gains confirm strong recovery potential
- Strong cash flow generation (£57.4m after net capex) and high return on capital employed, at 63.4 per cent
- Full year dividend maintained at 14.91p
- Recent industry survey confirmed Wincanton’s status as No 2 in supply chain services in Europe

Graeme McFaul, Wincanton Group Chief Executive commented:

“Wincanton has a portfolio of businesses which offer both shorter-term resilience and attractive growth potential. By working even more closely with our customers in these challenging times, we strengthen our relationships, enhance our industry reputation and reinforce our market leading position”.

For further enquiries please contact:

Wincanton plc

Graeme McFaul, Chief Executive
Gerard Connell, Group Finance Director

Buchanan Communications Ltd

Charles Ryland, Jeremy Garcia

Tel: 020 7466 5000 today, thereafter

Tel: 01249 710000

Tel: 020 7466 5000

Chairman's Statement

Against the background of a significant second half deterioration in the economies in which we operate, Wincanton has reacted quickly to reduce costs and adjust its operational and functional overhead base to reflect market conditions. The pre-tax underlying profit of £41.3m, a performance broadly comparable to last year's £41.8m, represents a creditable result in highly challenging markets.

We are confident that the Group has the ability to emerge stronger from the current recession and this is reflected in the Board's decision to maintain the full year dividend at 14.91p, the same level as last year.

Our people have responded to the downturn with characteristic speed and determination. The Group's ability to sustain its operational and financial performance, and help its customers to address the efficiency challenges in their own businesses, is due entirely to the skill, knowledge and enthusiasm of our staff. My thanks, and those of the Directors, go to all the Group's employees who have demonstrated unswerving commitment to Wincanton in spite of redundancies amongst their colleagues and pay freezes in the new financial year.

Having taken over as Chairman at last year's Annual General Meeting it is appropriate to take stock, particularly in these difficult times, of Wincanton's progress in recent years. I would also like to re-state the reasons for the Board's continuing confidence in the future growth prospects of the Group.

Since its demerger and listing on the London Stock Exchange in May 2001, Wincanton has established an excellent track record of profit and cash flow generation. Through a combination of organic growth and strategic acquisitions, the Group has transformed itself from its position as one of the smaller players in the UK to become one of the leading European providers of supply chain services. A recent survey confirmed Wincanton's status as the second largest European logistics operator. In addition to its geographic diversification, the Group has successfully identified and entered a number of new sectors and service areas, expanding the range of business support services it offers to its blue-chip customer base. Co-packing, procurement, container management and home delivery are all examples of new services which have taken us further and deeper into our customers' businesses in recent years.

Wincanton has worked in long-term partnership with many of its major customers and these strong relationships have been key to the Group's success. This year, for example, we celebrate the 25th year of our close working relationship with Tesco. Consistently, some 65 – 75 per cent of all of our new business every year comes from existing customers, as we either expand as a consequence of the strategic development of our customers or gain share, as recognised leaders in many sectors of the market, at the expense of our competitors. Our customer account planning processes form the basis for both our day-to-day focus on operational excellence and our work on longer-term strategic planning and development. Both these areas are critical to our strong record of successful contract renewal.

Geographic diversification has been an important element in our strategy, but there is also continuing robustness, and future growth potential, in our operations in the UK & Ireland. In the financial year just ended the UK & Ireland accounted for some 62 per cent of the Group's consolidated revenue and 88 per cent of underlying operating profit. The business in the UK & Ireland is substantially contract-backed, and our revenue is principally fee-based, with limited exposure to either cost or volume fluctuations. With some 90 per cent of next year's revenue already firmly contracted, we also have good visibility of our expected performance in the UK & Ireland over the next 12 – 18 months.

We have broadened our portfolio of services and sectors in the UK & Ireland and now have a stable and resilient business base which also offers attractive opportunities for future

growth. The Group has considerable potential in areas such as defence & aerospace, records management, home delivery and food service. In newer sectors such as construction and containers, in spite of the shorter-term impact of the economic downturn, we are creating market-leading positions which give us a strong platform for the future. Our strategy processes also continue to identify the potential in other new sectors and sectors which may offer opportunity for Wincanton.

The significant investment in our Mainland European operations continues to represent opportunity for the future. There has been an impact on volume as a result of the wider economic downturn, but, as in the UK & Ireland, we have moved quickly to reduce costs. New management teams are delivering operational improvement and the development pipeline gives grounds for encouragement. Increased brand awareness, together with our growing track record of new business wins and successful project implementation, are helping to build a stronger base and profit momentum.

Two other areas, health & safety and customer initiatives related to our environmental strategy, are critical to the Group's industry-leading reputation and future performance.

A recent award from Chevron, for example, as 'Most Admired Carrier for 2008', is further recognition of the results of an unremitting, focus at all levels of the business, on the highest standards of health & safety. Under the terms of the Chevron contract, first signed 17 years ago and in the process of being renewed for a further 3 years, Wincanton is responsible for delivery of fuels to Chevron's network of forecourts and customers across the UK. Our health & safety performance on this contract has been outstanding. In 2008, Wincanton transported over three billion litres of fuels and travelled almost 15 million kilometres for Chevron across the UK without a single lost time injury. The award also cites Wincanton's best-in-class customer relations and cost leadership.

Very good progress continues to be made across the Group on health & safety matters in general, with the reportable lost time accidents falling for the seventh consecutive year, this time by 7.2 per cent. Year-on-year improvements were particularly marked in Poland, France and Germany. Accidents rates have fallen by 34 per cent overall in the last five years.

We have also recently launched the Group's Environmental Strategy. This highlights the commitment we share, with our customers, to the pro-active delivery of a broad range of initiatives designed to improve the environmental efficiency and sustainability of their supply chains. Transport optimisation techniques are increasing vehicle utilisation, and therefore reducing road traffic. Our extensive intermodal operations in Mainland Europe move substantial volumes by river and rail, with a significant consequent reduction in customer carbon footprints. Other initiatives currently under way include the diversion of food waste from landfill for grocery retail customers, the baling and collection of packaging materials and warehouse design and operation to minimise emissions. These will be growing areas of focus for the Group given the critical role we play in helping our customers to meet their own environmental targets.

In the financial year to 31 March 2010, we expect the impact of volume decline in certain areas of the business to be offset by the continuing momentum in the new business development pipeline and the cost reduction initiatives already implemented or under review. We do not anticipate any material increase in the cash element of the interest charge given the strong cash flow that we expect to continue to generate as a result of the Group's business model. There will, however, be pressure on the Group's interest costs overall as a result of an expected increase in certain non-cash items and higher fees on the new banking facility currently under negotiation.

Our discussions about a 3-year renewal of our committed banking facilities are progressing well. The current facility runs until November 2010. We also still have in place a US\$ private placement facility which does not reach final maturity until 2015 and does not therefore currently require to be renewed. We are confident that the Group will continue to

have in place appropriate levels of committed funding to support its growth objectives.

We enter the new financial year with an even greater focus on balance sheet management. This, together with the Group's relatively small asset base, and cash-generative business model, has delivered consistently high returns on capital employed and a strong track record of cash flow generation. Strong cash conversion ratios and high levels of free cash flow have underpinned our ability to deliver an attractive dividend return to shareholders. Sustaining this dividend stream for shareholders remains a priority for the Board.

It is also pleasing to note that agreement has been reached with the trustees of the Group's pension fund on a 14-year programme to recover the deficit estimated by the latest triennial valuation. The Group has the financial strength to address this deficit over time, prudently and progressively, and still have the funding available to invest in the growth of its businesses, service the costs of its debt providers and deliver a sustainable dividend stream to its shareholders.

Successfully addressing the challenges that we expect to face in the new financial year will not be easy. We are re-basing the cost structures of our operations and re-shaping our portfolio of businesses. These actions will both mitigate the effects of economic downturn in the shorter term and further reduce the potential volatility of the Group's performance in the medium to longer term.

Wincanton has a strong customer base, excellent people, and an industry-leading reputation that will provide both resilience and opportunity in the shorter-term. It has a portfolio of businesses with strong market positions and exciting growth potential. We anticipate, although not in the shorter-term, that these prospects for organic growth can again successfully be enhanced through sensibly-priced, well-integrated infill acquisitions.

Business Review

We are pleased to be able to report to shareholders a pre-tax underlying profit for the year to 31 March 2009 which is broadly in line with last year's result. The business has clearly been adversely affected by the economic downturn, but the strong UK & Ireland core of the Group's operations has provided a resilient base in difficult markets.

We do not underestimate the short-term challenges facing the Group but remain confident in its ability to again deliver good profit growth over time. We therefore believe it appropriate to maintain the full year dividend at 14.91p, the same level as last year.

In the first half of the current financial year we reported a double-digit percentage rate of growth in underlying operating profit in our UK & Ireland business and an underlying operating profit in Mainland Europe that more than doubled on the previous year. Our second half performance has clearly been adversely affected by the economic downturn. The UK & Ireland businesses, which account for a little under 90 per cent of the Group's consolidated underlying operating profit, are mainly contractually-backed and defensive by nature. It is the combination of the stability of this core, and the rapid action taken to reduce costs across the Group, which have enabled us to deliver a creditable performance in extremely challenging markets. Operational and functional overhead costs have been reduced by more than £10m on an annualised basis.

The 13.5 per cent growth in operating profit being reported, of which 9.4 per cent was contributed by acquisitions made in the year, generates only a 1.6 per cent increase in underlying earnings per share as a result of the higher interest costs incurred due to acquisitions. In circumstances which have seen so many of our competitors report very significant declines in performance, however, this modest increase is indicative of the comparative quality and resilience of our business model.

In the UK & Ireland, some 90 per cent of our revenue for next year is already contracted, and there are some signs of volume weakness bottoming out in those limited number of

areas in which we have been affected. If the recent initial signs of stabilisation are confirmed, and given the good new business wins that we have been continuing to record, there may be grounds for cautious optimism in the UK & Ireland.

Our Mainland European activities began to suffer from the effects of economic slowdown several months after our UK & Ireland operations were first affected. It is therefore still too early for us to be anything other than cautious about the outlook for these economies. Cost reduction measures already implemented will, however, deliver a full year of benefit in the year to 31 March 2010. The need for further cost reduction measures remains under close review. In Mainland Europe, as in the UK & Ireland, we also continue to record good new business wins. However, restoring our previous growth momentum in Mainland Europe will undoubtedly be a challenge for us in the short term.

Strategy

Wincanton is a provider of business-critical support services to its customers. Our activities focus predominantly on the design, implementation and operation of economically and environmentally sustainable supply chains. An efficient and sustainable supply chain is fundamental to the success of any business and one of the key differentiators that turns a good business into a great business.

Europe, a market of 495 million consumers, is our principal geographic focus. Our strong positions in our core national markets of the UK, Germany, France and Poland underpin our ability to serve our customers across the continent as a whole. Europe has a substantial manufacturing and retailing infrastructure and significant natural, cross-border and international flows of raw materials, finished products and services. Many of the world's largest trade flows are intra-European movements in the consumer goods, industrial, high-tech, automotive, chemical and agricultural industries. It is business-critical trade flows such as these that Wincanton manages on behalf of customers.

The Group's existing activities across Europe give a competitive advantage in an industry which remains fragmented, with large numbers of small operators and a very limited number of Pan-European or global service providers. We have more significant scale and a broader geographic reach than these small operators and a higher degree of customer focus, operational flexibility and service specialisation than the larger global groups in our sector. We have successfully expanded our geographic presence without losing either the customer service ethos or the people culture which represent the core of our business offering.

We have a strong portfolio of customers across Europe, including long-standing relationships with many of the world's major retailers and manufacturers, and have a proven track record of growth with these customers. Maintaining and enhancing supply chain efficiency is business-critical to our customers.

Changes in legislation, strategy, technology and the economy lead to both tactical and strategic change in the supply chain needs of our customers. We continue to invest in our people, our services, our systems technology and our processes to ensure that we offer the innovation, operational excellence and value which deliver the solutions to meet these changing customer needs and enable us to compete successfully in our chosen markets.

Our strategy process identifies both opportunities with existing customers and services and the potential for growth with new customers in new sectors and new services. A number of our newer activities are monitored internally as 'Emerging Solutions', to ensure that they receive the operational and strategic focus that will help to deliver their full growth potential.

We serve a well diversified customer base, deliver a wide range of business-critical solutions and offer a Pan-European presence which is already amongst the best in the sector. We have a clear vision and strategy which we believe will generate further value for shareholders by continuing to add value for customers. We see growth opportunities both

in our existing portfolio of customers, sectors and services and in the newly-targeted customers, sectors and services identified through our rigorous business development and strategy processes.

Our strong profit and cash flow performance gives us the financial capacity to take advantage of new opportunities. We consider opportunities to expand our portfolio of services and sector expertise, both organically and through acquisition. Although acquisition activity is less likely in the new financial year we intend to begin to consider external growth opportunities again as the year progresses.

2008/09 Summary

Consolidated results

Total revenue for the Group for the financial year was 9.1 per cent higher than the previous year, at £2,361.3m. Revenue growth, excluding acquisitions, was 6.9 per cent. EBITDA increased by 13.2 per cent to £96.8m. Underlying operating profit increased by 13.5 per cent to £59.5m. Growth in underlying operating profit, excluding the contribution from acquisitions made in the year, was 4.2 per cent. Accounting margin increased, by 4.1 per cent, from 2.42 per cent to 2.52 per cent.

Underlying operating profit is stated before exceptionals and amortisation of acquired intangibles. The rate of revenue growth and headline accounting margin are general indicators of progress but are not the Group's key financial performance measures due to the 'cost plus' or 'open book' nature of much of Wincanton's underlying business model. Approximately £850m, or 60 per cent of the Group's revenue in the UK & Ireland, is made up of costs incurred by Wincanton in the running of operations for customers and contractually recovered from them under these open book contracts.

Our key financial measures for the Group overall are the net rate of growth in underlying operating profit, up 13.5 per cent in the year, free cash flow generation, again strong at £57.4m, and return on capital, also very high at 63.4 per cent.

Strong cash flow generation, based on our 'asset light' business model, has been a consistent feature of Wincanton's financial performance. Many of our activities, particularly in the UK & Ireland, either operate out of customer premises or are funded by operating leases underwritten by customer contracts. There is only a limited requirement to use either the Group's cash or its balance sheet to fund growth and therefore the Group generates very high returns on capital employed.

Wincanton has also consistently reported high profit-to-cash flow conversion rates. In the year to 31 March 2009 the Group recorded a positive free cash inflow of £57.4m after net capital expenditure and a profit-to-cash flow conversion rate of 96 per cent (92 per cent in the year to 31 March 2008). Year end net debt increased from £104.5m to £176.4m, principally as a consequence of acquisitions made in the year.

In the year, we recorded annualised revenue from new wins and renewals of some £250m, compared to £315m last year. £160m of the total represents business extension and expansion in the UK & Ireland and £90m in Mainland Europe. Although our markets have been extremely challenging we are gaining market share from our larger competitors as a result of the quality and flexibility of our service, and from smaller competitors as a consequence of our financial strength. We are also generally performing well in our newer sectors and service areas, both through successful acquisition integration and subsequent development of the acquired customer base.

This year, as is the case in most years, we have had ground to make up for both contract losses and fee pressure on certain renewals. We have nonetheless made progress in adding new contracts across a broad range of retailing and manufacturing customers, and across all the countries in which we operate. Our ability to broaden and diversify our

portfolio of activities, continually seeking to enhance the Group's margins and growth prospects, is also key to this progress.

UK & Ireland

Performance Highlights

Our operations in the UK & Ireland reported underlying profit of £52.5m, an increase of 11.2 per cent on the prior year, on revenue up 4.8 per cent to £1,455.5m.

Although 2008/09 was a difficult year for the UK & Ireland and its customers, all our operations remained profitable, other than certain of our shared user warehouses and the shared user activity within our home delivery business. Even our newer areas of construction and containers, whilst performing below budget, reported positive results, with substantial new business gains and significant cost reduction programmes mitigating the cyclical effects of lower volumes. New contract wins in construction and containers, since acquisition, represent some 55 per cent and 20 per cent respectively of the revenue bases of the businesses at acquisition, confirming the growth potential for the Group in these sectors even at a low point in the economic cycle.

The re-shaping of our portfolio of businesses in the UK & Ireland has also seen us expand in recent years into recycling, records management, home delivery and defence & aerospace. This year we also exited our chilled consolidation business, one of Wincanton's longest-standing areas of operation, by combining our activities with those of Culina in return for a stake in the enlarged venture.

The performance of these other newer areas in the year was mixed but remains encouraging overall. Records management continues to justify our continuing investment in capacity expansion and is progressing well towards the delivery of a national footprint. In defence & aerospace we believe that we have identified a sector with attractive opportunities for the Group and entered the market with a reasonably-priced acquisition which has been rapidly and successfully integrated. In recycling, after a good first half, we were badly affected by the fall in global recyclate prices. Home delivery remains an area of opportunity for Wincanton but good performance with our dedicated customers was more than offset by losses in the shared user network.

Not all of these new ventures will deliver against the stretching targets set for them. The difficult economic climate has knocked us off course in some instances. Certain activities will be scaled back. We may seek strategic partners for others, as we have done successfully for our chilled consolidation business. We will not, however, lose sight of the attractive potential for the Group either in these areas taken as a whole, or in the other new sectors or services currently under active review which we may choose to target in the future.

Our traditional activities continue to generate growth opportunities for Wincanton. We believe that significant incremental momentum will be added to the Group's growth by continuing to expand our portfolio of sectors and services in newer areas such as these.

2008/09 otherwise saw good performance across our existing customers and business areas and was another active period for new wins and renewals. One of the keys to the success of our business in the UK & Ireland has been our ability to grow with our customers and build long-term relationships. This year, for example, marks our 25th year as one of Tesco's leading service providers. Other renewals saw us build on our 15-year relationship with Focus, and on our 10, 15 and 25-year relationships with WH Smith, Air Products and Dairy Crest respectively. New wins were recorded with major groups such as Argos, BAE Systems, Dunnes, Marley, Lafarge and, most recently, M&S. In a number of sectors, the economic downturn is leading companies to consider either outsourcing for the first time or outsourcing to a greater extent. This is clearly benefitting our development pipeline.

We were pleased to record new wins for our joint venture with Kerry Logistics, a leading Asian logistics operator and freight forwarder. The contract gains, with international footwear brand Deckers and industrial engineering specialist Bombardier, provided confirmation of our ability to complement our Pan-European coverage with global supply chain expertise where appropriate.

There was good operational performance across the existing portfolio, including continuing progress with blue-chip customers such as GlaxoSmithKline, HJ Heinz, Procter & Gamble and Unilever. Our Pullman Fleet Services business continued to take advantage of new opportunities for growth in the home delivery market. Wincanton's industry-leading record for health & safety also led to further gains in the petroleum and gases sector, one of a number of areas in which we enjoy market leadership in the UK.

Unfortunately the year also saw Woolworths plc, a long-standing customer, go into administration, but losses such as these can be offset by the continuing development momentum and growth being delivered with the majority of our customers.

In times of economic expansion, customers look to Wincanton to help deliver volume growth without loss of service quality. In these more difficult times, customers remain focused on service quality but need higher productivity and cost reductions to help sustain their own financial performance. Our understanding of their businesses and markets, our scale and flexibility, our track record of innovation and our commitment to operational excellence allow us to work with our customers to meet these challenges.

We reduced the annual transport costs of a major food customer, for example, by more than £1.0m per annum, saving nearly 10 per cent of their transport budget and reducing empty running by several hundred thousand vehicle miles per annum. Other initiatives, for a major grocery retailer, also delivered both economic and environmental benefits, with a 3 per cent reduction in warehouse costs being achieved along with a 50 per cent increase in the customer's recycling and recovery rates. For another retail customer, a strategic review of the current supply chain has delivered savings of approximately £2.5m per annum, or nearly 20 per cent of the previous warehousing budget. In the construction sector we currently have a number of projects under study to allow customers to move away from the previous industry model of dedicated fleets and target significant cost savings through the sharing of assets.

By supporting our customers through initiatives such as these at a low point in the cycle, we strengthen our relationships, enhance our industry reputation and reinforce our market-leading positions.

Mainland Europe

Performance highlights

The first half saw revenue growth of approximately 27 per cent compared to last year and a 1 per cent margin on sales. In the second half, revenue declined relative to the first half of the current year, although it remained 8.0 per cent higher than last year. Underlying operating profit in Mainland Europe, after doubling relative to last year in the first half, was actually some 20 per cent lower than last year in the second half, and margin on sales for the full year reduced to 0.8 per cent.

The result for the full year, underlying operating profit of £7.0m on revenue of £905.8m, represents year-on-year growth of 34.6 per cent and 16.7 per cent respectively. After recording a further period of good progress in the first half and seeing both pipeline growth and margin improvement being successfully delivered, it is disappointing that the economic downturn which affected our second half performance will prevent us from achieving our profit margin targets in the short term. A stronger platform, capable of generating good profit and cash flow in the future, is nonetheless taking shape, and we are confident that our businesses will return to growth once the economic environment improves again. In the

short term, however, our business model in Mainland Europe is more volume-sensitive than in the UK & Ireland and will require an ongoing focus to reduce costs to reflect the lower levels of activity that we are assuming throughout the financial year to 31 March 2010.

Our three principal activities in Germany, which in total represent approximately 70 per cent of our revenues in Mainland Europe, have been affected to differing degrees by the economic downturn.

Our contract logistics operations, which make up 22 per cent of German revenue, improved their profitability in the year and recorded new business with customers such as SCA and WincorNixdorf. Post the year end we also signed two major contracts with one of Germany's leading industrial groups to manage the consolidation of production parts from 900 suppliers across Europe and time-critical delivery to the assembly lines, as well as the delivery of spare parts to dealers in 12 European countries. These new business wins, in addition to confirming our growing reputation and credibility in the German market as a provider of both pan-European and domestic supply chain services, are expected to contribute well to next year's financial performance.

Our market-leading intermodal business, representing approximately 38 per cent of German revenue, which manages barge movements and container terminals on the Rhine and also has a growing presence in the rail sector, was again profitable, albeit at a slightly lower level than last year. Reduced volumes impacted performance in the second half but barge capacity has been reduced and the cost base lowered to seek to mitigate the effects of these lower volumes.

Our third area of operation in Germany, accounting for some 40 per cent of total revenue, and which remains loss-making, although at lower levels of loss than last year, is our network of road transport and warehouse depots. These depots provide a range of transport and warehousing services, including full and part-load transport and groupage. Full and part-load transport is often managed on a dedicated, longer-term basis for customers, whereas groupage tends to be based on consolidating single pallets for a wide range of customers on a shared user, often shorter-term basis. It is our groupage activities that have been loss-making in the past and have been particularly affected by lower volumes in the second half. A major programme of cost reduction and efficiency initiatives has been delivering good results, and mitigating the effect of volume declines to a certain extent, but more action is likely to be required in the new financial year to prevent further performance deterioration.

Our Western European region, which groups together our activities in France and the Benelux countries, had an active year in terms of new contract gains and business start-ups. Market recognition for the Wincanton brand is growing well and we are continuing to make good progress in terms of our ability to compete successfully against the more established operators in the market. The re-launch in the year of our transport management services, which now offer national coverage from regional teams in 5 locations, has gone well and will complement the range of warehousing and value-added supply chain services offered to customers. Another service making good progress is factory & production logistics, including co-packing and co-manufacturing, in which customers sub-contract to Wincanton elements of their manufacturing processes within their production sites. The focus on specialist services such as these, in addition to our sector-specific development plans in areas such as home shopping, is helping to build an encouraging development pipeline for the future.

As elsewhere, the short-term outlook remains challenging, but new business wins with customers such as InBev, Daikin, Bledina, Total, Goodyear and growth with existing customers such as HSS, Solvin and Bandai give momentum going into the new financial year. Empty space at certain sites continues to hold back overall progress but around 40 per cent of this space reaches the end of its lease term by June 2010. New business being written is also matching lease terms to customer contract terms more closely such that we are progressively changing the shape of the business model in France to one more in line

with that of the UK & Ireland.

In the Netherlands we have recently begun operating out of our new international transport hub, a €12.7m investment for the Group. This new site is confirmation of our confidence that international transport management will be an area of growth for Wincanton. International flows currently account for some 25 per cent of our revenue in Mainland Europe, and we expect our increased management focus, and enhanced operational capabilities, to allow us to build an even more substantial business in this area. Current customers of the Dutch business include Dow, Pininfarina and ThyssenKrupp and recent contract gains have added major companies such as Corus and Hexion to our customer base. A re-launch of our contract logistics activities in Holland has also delivered contract gains at both our 's-Heerenberg and Moerdijk sites.

International transport is also a key area of focus for our Central & Eastern European business unit, building on the successful reorganisation of our domestic transport operations, notably in Poland, our principal market in the region. Lower volumes in our warehousing activities as a result of the economic slowdown, however, have affected our financial performance, as has the movement of the Polish Zloty relative to the euro, and the region as a whole made a loss in the year. We have a good core of warehousing customers, including BAT, Mars, GlaxoSmithKline, Nutricia, Goodyear, Philips, Bosch Siemens, SEB and Sara Lee, but we expect markets to remain highly price competitive. We currently see greater opportunity in transport management than in warehousing and are adjusting our cost base to reflect both this service focus and a further re-alignment of our regional management resources.

Net financing costs

The net financing costs of the Group, at £18.3m, are higher than last year's £10.8m, substantially as a consequence of the interest on our £58.0m cash investment in the three acquisitions made in the year plus the deferred payments for prior year acquisitions, and the incremental cost of the £32.4m invested in the second half of last year. The annualised impact of these transactions totalled approximately £3.4m in the year. A further £1.7m of the year-on-year movement arises from changes to the level of discounting on long term liabilities, including the captive insurer provisions. An additional £2.4m consists of an increase in the net pension charge. Both of these non-cash items are excluded for the purposes of the calculation of our interest cover covenant. The pension item increase arises primarily as a consequence of the interest costs arising on the liabilities of the Scheme following changes to the bond yield assumptions. A further increase in the pensions net financing charge is expected in 2009/10 following the change in liabilities arising from the increased longevity assumption adopted in the actuarial valuation as at 31 March 2008.

The average borrowing rate in the year was 5.7 per cent, a reduction on last year's 6.7 per cent. Net financing costs, adjusted as noted above for certain non-cash items, were covered 3.8 times by underlying operating profit.

Exceptionals

A net exceptional charge of £12.3m was recorded in the year, reflecting the restructuring and reorganisation challenges necessitated by these very difficult markets.

Exceptional charges in the year included acquisition and post-acquisition integration costs of £3.0m, restructuring costs in our UK & Ireland business of £8.8m and of £8.7m in Mainland Europe, a net charge of £0.5m in respect of the transfer of our chilled consolidation business and a loss of £2.1m on the under-recovery of amounts owing by Woolworths plc.

Post-acquisition integration costs have delivered synergies in line with expectations. Restructuring costs in the UK & Ireland and Mainland Europe allow us to adjust our

business base to the lower levels of economic activity expected in 2009/10. The chilled consolidation charge reflects the costs of our exit from this business area, including an onerous lease, net of the gain on the transfer of the business. Based on the enhanced market position and synergy benefits expected to arise from the combination of our activities with those of Culina Logistics Limited, we expect this business to develop well and deliver a growing profit stream. In the case of Woolworths, our initial expectation was that the value of the stock we held would cover both our trading and capital exposure and that there would be no material loss to the Group. Difficult market conditions, however, have led to lower than anticipated recovery values, hence the reported exceptional loss.

These exceptional costs were offset by significant exceptional gains, totalling £10.8m, to give a net exceptional charge for the year of £12.3m. The gains consisted of profits on disposal of property of £5.2m and further receipts in respect of the PGN litigation of £5.6m. This litigation has now been substantially resolved in favour of Wincanton and our joint venture partner. The decision to litigate was not taken lightly but we will continue to defend our contractual position as robustly as necessary to secure our commercial interests.

Taxation

The Group's underlying rate of tax has reduced to 29.4% (2008: 30.9%), giving a charge of £12.1m. The rate largely reflects the reduction in the standard rate of UK corporation tax this year from 30% to 28%.

The overall rate of tax of 30.0% (2008: 31.9%) also reflects the UK rate reduction, but remains higher than the underlying rate due to the mix of tax treatment of exceptional costs.

The current year cash tax rate has increased to 31.5% (2008: 25.6%), mainly as a result of the reduction in rates of UK writing down allowances on capital expenditure from 25% to 20%.

The Group's activities across the UK and Europe are subject to effective tax rates varying from 12.5% to 38%, but are most affected by the UK rate which remains at 28%. The Group's overall rate of tax is expected to remain at around the current level in future years, and will reduce when unrecognised tax losses are utilised.

The cash tax rate will receive a one-off benefit in 2009/10 from the introduction of temporary first year allowances at 40% in the UK on plant and machinery expenditure.

Minority interest, associates, earnings and dividend

The Group has a small number of activities in its mainland European operations with a third party minority shareholding, principally Rhinecontainer BV in which there is a 25.8 per cent minority stake. The profits attributable to minorities in the year were flat, compared to 2007/08, at £0.5m.

The Group will have a significant associate interest going forward as a result of the 20 per cent stake in an enlarged Culina following the transfer of our chilled consolidation operations. We have representation on the Board of the new entity, agreed dividend distribution rights, and pre-emption rights in respect of any sale of the business. In these circumstances we believe it will be appropriate to report our share of the profit from this venture as part of our underlying operating profit.

Underlying earnings per share for the year of 24.7p were 1.6 per cent higher than the 24.3p reported last year. Although underlying profit before tax was down marginally in the year, underlying earnings per share were calculated on the basis of a reduction in the Group's weighted average shares in issue as a consequence of market purchases made by the Wincanton Employee Benefit Trust.

It is proposed that the full year dividend be maintained at 14.91p. Given the 5 per cent

increase paid to shareholders at the interim stage this means that the final dividend will be reduced slightly, to 10.08p, compared to last year's 10.31p.

The dividend cover at this proposed level of full year dividend is 1.66 times, an improvement on the prior year 1.63 times. The Board's recommendation in respect of future dividends will give appropriate consideration to Wincanton's track record of profit and cash flow generation and confidence in the Group's ability to restore more substantial earnings growth momentum over time.

Cash flow, net debt and financing

The Group recognises cash return on investment as a key performance measure and continues to focus on sustaining the high levels of free cash flow generation that have been a consistent feature of Wincanton's financial performance. EBITDA of £96.8m, an increase of 13.2 per cent on last year's £85.5m, was converted into a cash inflow from operations, before exceptionals, capital expenditure, pension deficit payments and tax, of £104.5m. Free cash flow of £57.4m, after exceptionals and net capital expenditure, was an improvement on last year's £48.3m, principally as a consequence of the inflows from our actions on working capital plus the receipts from Uniq and PGN, offset by the outflows in respect of exceptional costs.

Acquisitions in the year, plus the prior year, led to cash outflows of £58.0m. There are currently no acquisition projects under consideration that we would expect to lead to cash outflows in 2009/10.

Capital expenditure is clearly a significant cash flow item for the Group. Much of the growth in our traditional areas of business is funded by leases underwritten by customer contracts, either in respect of vehicles or property. Assets only tend to be funded on the Wincanton balance sheet when operating lease financing is not available. This would generally be the case, for example, for warehouse racking and fit-out, IT software and certain specialist vehicles. The extent to which expansion capital goes on balance sheet in any given year will depend substantially on the nature of the contract gains in that year. Likewise, there is no specific pattern to spend on replacement capital. This will generally be dependent on asset renewal commitments under existing contracts and will therefore often be effectively underwritten by the terms of those existing customer contracts.

Historically, Wincanton has grown its business with capital expenditure at between 85 – 95 per cent of depreciation. Capital expenditure both this year and last year has been running above depreciation principally because of the £11.2m total investment in our new international transport hub, and £20.7m of spend, including £8.6m this year, on expanding the capacity of newer business areas such as recycling, records management and food service. We would expect capital expenditure to revert to a normalised level of spend in the financial year to 31 March 2010, although consideration is being given to further expansion of records management capacity.

In the UK & Ireland, in addition to the Emerging Solutions spend of £8.6m noted above, a further £11.2m of expansion capital was incurred in the year, with major projects including warehouse fit-out for GlaxoSmithKline and a new vehicle fleet for our Shell Gas contract win. Replacement capital spend covered renewal of vehicle fleets on contracts with Texaco, Esso and First Milk and renewal of crane systems at an automated warehouse.

In Mainland Europe expansion and replacement spend totalled £12.3m and £13.3m respectively. In the Netherlands £10.5m has been invested in our replacement international transport hub and across Germany and France warehouse fit out capital has been invested for customers including Honeywell, Daikin, Bledina and Total.

The Group's operating lease commitments in respect of land and buildings, which are determined to the first available break date after the sub-letting of properties surplus to requirements, are substantially offset by contractual commitments of customers, as are a significant proportion of the Group's commitments in respect of vehicles and plant.

Approximately 18 per cent of total property lease commitments are fully underwritten, for the full term, by customer contracts. A further 15 per cent of the committed leases at the year end mature over the next year. Of the balance of the commitment, over £100m is represented by a very long lease at a strategically located shared user site in South East England, which has been the subject of a number of approaches by the landlord to 'buy back' for redevelopment. The remaining commitments are spread over a range of shared user and network sites of varying sizes and remaining maturities, none of which would be expected to represent an onerous obligation for the Group.

All expansion, replacement and acquisition spend proposals are appraised using discounted cash flow models and are subject to authorisation at appropriate levels in the Group up to and including the Board. For the purposes of investment appraisal a memorandum value is also attributed to all leased assets. The projected implementation timescale and returns on projects are subsequently scrutinised at the same level after the first operational year. The majority, by value approved, of the capital backchecks in the year either met or exceeded their projected rate by return.

The aforementioned cash flow items, and in particular the £58.0m investment in acquisitions, led to an increase in the Group's net debt to £176.4m at 31 March 2009 (31 March 2008: £104.5m). A further £8.0m of the increase is due to the net change in non sterling denominated cash and debt balances. Group net debt is reported after deducting £24.9m of cash held in the Group's captive insurer to cover the potential claims underwritten by that company.

The Group has benefited, since its listing on the London Stock Exchange, from the strong support of its group of relationship banks. £210m of committed funding is available to the Group, from this banking syndicate, until November 2010. Further committed 364-day bilateral facilities totalling £34m were put in place in November 2008. A decision was taken in December 2005 to diversify the Group's sources of funding, and \$150m of 7 and 10-year funding was raised in the US private placement market and subsequently swapped into floating rate sterling and euro liabilities. £153m of this total of £357m of committed facilities was undrawn at 31 March 2009.

Our discussions with our relationship banks to extend the maturity of our committed facilities are progressing well. Whilst the pricing on the new banking facility will increase relative to the costs of our existing funding, given the adverse movements in financial markets, we are confident that substantial committed funding, with appropriate levels of headroom, will continue to be available to the Group. Other than the interest cover covenant, which we expect to move from an EBITA to an EBITDA basis of calculation, we expect the covenant package to be broadly similar to that in our existing documentation.

The Group also currently has £12m of uncommitted money market facilities now in place which, together with approximately £40m of overdraft facilities, give further flexibility in the day-to-day management of the net 'drawn down' position. In addition to the existing committed funding from the US private placement market a 'shelf' facility totalling a further \$75m is available from PRICOA, the leading note holder in our 2005 issue.

The scale of the Group and the size of individual operations means that the working capital position can vary significantly over a monthly cycle. Flexibility of funding, based on an appropriate mix of committed and uncommitted facilities with a range of maturities, helps to reduce overall borrowing costs.

The Group has a mix of sterling and euro denominated bank debt and derivatives (to convert the US\$ placement funds) which match the currencies of the Group's assets. Interest rate exposures have been further limited by way of interest rate swaps and caps, to give an appropriate balance of fixed and floating rate debt.

The central Treasury function monitors all currency and interest rate exposures and ensures appropriate hedge arrangements are in place. The Group operates sterling and euro 'pools'

such that surplus cash is netted against overdrawn balances to maximise the efficiency of short-term liquidity. No speculative trading is authorised and all financial trades are designed to meet the operational needs of the business.

Return on capital employed

Return on capital employed is another of the Group's key performance measures. Year end return on capital employed, at 63.4 per cent, remained very high at 31 March 2009, an increase on the 50.4 per cent reported last year.

As explained above, the Group's business model in the UK & Ireland has enabled Wincanton to deliver significant growth without extensive utilisation of balance sheet capacity. The year end return on capital employed of the UK & Ireland business, a 242 per cent return on £21.7m of adjusted trading capital employed, which includes some £26m of freehold property, is significantly in excess of the consolidated Group average. The Group average is reduced by the 9.7 per cent year end return on the £72.1m of adjusted trading capital employed within our Mainland European businesses.

Some £33m of the trading capital in Mainland Europe consists of well-situated freehold property in Budapest, Warsaw and Prague and the recently-opened international transport hub on the Dutch-German border.

Options to reduce the capital employed in freehold property, principally through potential sale & leaseback transactions, are kept under regular review.

Goodwill and Intangibles

The three acquisitions in the year gave rise to an additional £66.1m of goodwill and acquired intangibles. Acquired intangibles, which consist principally of customer relationships, are being amortised over their useful lives of between 6 and 15 years and the charge of £9.0m is shown separately in the income statement.

Pensions

Agreement has been reached with the Trustees of the Group's pension fund in respect of the triennial valuation as at 31 March 2008. Based on the revised technical provisions, as agreed between the Trustees and the Group, which are based on a legislative requirement to choose the funding assumptions prudently, the annual deficit recovery payments will increase from the current gross £8m per annum initially to a gross £12m per annum. This will result in an additional payment of £2.9m per annum after tax, increasing each year thereafter in line with the Retail Price Index. A 14-year period has been set for full recovery of the deficit which, at 31 March 2008, was estimated at approximately £115m net of deferred tax, and approximately £160m gross of deferred tax.

Given that deficit recovery payments are deductible for the purposes of calculating the Group's liability to corporation tax, the Group believes it to be appropriate to consider the cash flow effects of addressing the pension deficit on an after-tax basis.

Wincanton has a strongly cash generative business model which has enabled the Group to fund its growth, address the pension fund deficit prudently and progressively, service the costs of its debt and reward its shareholders with a substantial dividend stream. The agreement with the Trustees in respect of the most recent valuation is based on both an appropriate degree of prudence in the technical provisions on which the valuation is based, and a recognition that the long-term growth of Wincanton as the Scheme's sponsoring employer is the best guarantee that the fund's liabilities will be met over time.

The average duration of the Scheme's liabilities is approximately 21 years. The Scheme's assets are currently 24 per cent invested in UK equities, 35 per cent in global equities, 4 per cent in property, 33 per cent in corporate bonds and the balance of 4 per cent in cash and

gilt. The current annual yield on the investment portfolio is approximately 5.1 per cent. The weighted average portfolio return targeted by the Trustees, including capital growth in addition to the current yield, is currently 7.9 per cent. Both the Trustees and the Group monitor the Scheme's investment strategy and the performance of individual investment managers.

The fund has been closed to new entrants since January 2003. At the last triennial valuation a number of steps were taken to address both the accumulated deficit and the costs of future service accrual. These included restricting increases in pensionable pay to be in line with inflation, setting a maximum level of pension increases for service from 1 April 2006 of inflation capped at 2.5 per cent per annum, and increasing employee contributions. Other possible measures, including further increases in employee contributions, are currently under consideration. The future of the Scheme will be kept under review, in consultation with the Trustees, our customers and the Scheme members.

Risks

The Group has a well developed structure and set of processes for identifying and mitigating the key business risks it faces. These are described in detail in the Corporate governance report included in the Group's Annual Report and Accounts. Certain of these key risks are also discussed elsewhere in this Business review.

The Group's ability to source new contracts, at an appropriate financial return for an acceptable level of risk, represents the principal area of commercial risk. In this more challenging economic environment there is an increased requirement for the Group to monitor the recoverability from customers of both its capital commitments and its trading debts. Both new and existing contracts must then perform consistently within the demanding performance requirements of our customers. This is the Group's principal area of operational risk. As a service business delivering high levels of added-value to our customers, our principal human resources risk lies in the sourcing, motivation and retention of sufficient numbers of quality people to meet the demands of both our current business and our future growth.

Wincanton's principal strategic risk is the requirement to continue to identify sufficient new areas of potential growth, both organically and through acquisition, to enable the Group to continue to build on its strong track record of profit growth and cash flow generation. It must then secure appropriate finance, from debt and equity providers, to be in a position to fund its growth plans.

Consolidated income statement

for the year ended 31 March 2009

	Note	2009 £m	2008 £m
Revenue	2	2,361.3	2,164.7
Underlying operating profit		59.5	52.4
Amortisation of acquired intangibles	2	(9.0)	(5.5)
Exceptional restructuring costs and income	3	(23.1)	(4.5)
Other exceptional income	3	10.8	4.9
Operating profit	3	38.2	47.3
Financing income	4	2.9	3.7
Financing cost	4	(21.2)	(14.5)
Net financing costs		(18.3)	(10.8)
Share of results of associates		0.1	0.2
Profit before tax		20.0	36.7
Income tax expense	5	(6.0)	(11.7)
Profit for the year		14.0	25.0
Attributable to			
- equity shareholders of Wincanton plc		13.5	24.5
- minority interests		0.5	0.5
Profit for the year		14.0	25.0
Earnings per share			
- basic	6	11.6p	21.0p
- diluted	6	11.6p	20.6p
Dividends paid in the year to equity shareholders of Wincanton plc (£m)	7	17.6	16.2

Consolidated statement of recognised income and expense

for the year ended 31 March 2009

	Note	2009 £m	2008 £m
Actuarial (losses)/gains on defined benefit pension schemes (net of deferred tax)		(63.4)	43.6
Net foreign exchange (loss)/gain on investment in foreign subsidiaries net of hedged items		(0.3)	1.0
Tax taken directly to equity	5	(2.5)	0.2
Net (loss)/gain recognised directly in equity		(66.2)	44.8
Profit for the year		14.0	25.0
Total recognised income and expense for the year		(52.2)	69.8
Attributable to			
- equity shareholders of Wincanton plc		(52.7)	69.3
- minority interests		0.5	0.5
Total recognised income and expense for the year		(52.2)	69.8

Consolidated balance sheet

at 31 March 2009

	Note	2009 £m	2008 £m
Non-current assets			
Goodwill and intangible assets		209.1	142.7
Property, plant and equipment		249.1	231.0
Investments, including those equity accounted		15.3	0.8
Deferred tax assets		3.8	2.2
		<u>477.3</u>	<u>376.7</u>
Current assets			
Inventories		8.9	9.4
Trade and other receivables		386.3	402.0
Cash and cash equivalents		48.3	67.4
		<u>443.5</u>	<u>478.8</u>
Current liabilities			
Income tax payable		(11.9)	(8.6)
Borrowings		(12.2)	(10.0)
Trade and other payables		(525.9)	(520.2)
Employee benefits		(11.0)	(8.9)
Provisions		(24.9)	(19.2)
		<u>(585.9)</u>	<u>(566.9)</u>
Net current liabilities		<u>(142.4)</u>	<u>(88.1)</u>
Total assets less current liabilities		<u>334.9</u>	<u>288.6</u>
Non-current liabilities			
Borrowings		(212.5)	(161.9)
Other payables		(1.5)	(1.4)
Employee benefits		(112.6)	(31.8)
Provisions		(37.0)	(39.6)
Deferred tax liabilities		(4.6)	(16.9)
		<u>(368.2)</u>	<u>(251.6)</u>
Net (liabilities)/assets		<u>(33.3)</u>	<u>37.0</u>
Add back: pension deficit, net of deferred tax		89.6	31.5
Net assets before net pension deficit	11	<u>56.3</u>	<u>68.5</u>
Equity			
Issued share capital		12.1	12.1
Share premium		12.2	11.9
Merger reserve		3.5	3.5
Translation reserve		3.4	3.7
Retained earnings		(65.1)	5.4
(Equity deficit)/equity attributable to shareholders of Wincanton plc		<u>(33.9)</u>	<u>36.6</u>
Minority interest		0.6	0.4
Total (equity deficit)/equity		<u>(33.3)</u>	<u>37.0</u>

Consolidated statement of cash flows

for the year ended 31 March 2009

	2009 £m	2008 £m
Operating activities		
Profit before tax	20.0	36.7
Adjustments for		
- depreciation and amortisation	46.3	38.6
- interest expense	18.3	10.8
- income from associates	(0.1)	(0.2)
- gain on disposal of subsidiary	(14.4)	-
- profit on sale of property, plant and equipment	(5.5)	(4.7)
- share-based payments fair value charges	2.2	2.7
Operating profit before changes in working capital and provisions	66.8	83.9
Decrease/(increase) in trade and other receivables	55.0	(30.8)
Decrease/(increase) in inventories	1.3	(0.5)
(Decrease)/increase in trade and other payables	(44.3)	30.2
Decrease in provisions	(4.2)	(7.0)
Decrease in employee benefits	(11.6)	(7.6)
Income taxes paid	(5.5)	(5.3)
Cash generated from operations	(9.3)	(21.0)
Cash flows from operating activities	57.5	62.9
Investing activities		
Proceeds from sale of property, plant and equipment	23.2	18.1
Interest received	2.8	2.0
Dividends received from associates	0.2	-
Acquisitions net of cash acquired and debt repaid on acquisition	(58.0)	(32.4)
Acquisition of property, plant and equipment	(52.6)	(42.9)
Cash flows from investing activities	(84.4)	(55.2)
Financing activities		
Proceeds from the issue of share capital	0.3	2.3
Disposal of own shares on exercise of options	-	0.4
Own shares acquired	(2.7)	(7.9)
Increase in borrowings	43.6	30.1
Payment of finance lease liabilities	(1.9)	(1.1)
Dividends paid to minority interest in subsidiary undertakings	(0.6)	(0.4)
Equity dividends paid	(17.6)	(16.2)
Interest paid	(16.4)	(11.9)
Cash flows from financing activities	4.7	(4.7)
Net (decrease)/increase in cash and cash equivalents	(22.2)	3.0
Cash and cash equivalents at beginning of year	67.4	60.9
Effect of exchange rate fluctuations on cash held	3.1	3.5
Cash and cash equivalents at end of year	48.3	67.4
Represented by		
- cash at bank and in hand	23.4	40.9
- restricted cash, being deposits held by the Group's captive insurer	24.9	26.5
	48.3	67.4

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 2009 and 31 March 2008. Statutory accounts for the year ended 31 March 2009 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 March 2008 have been delivered to the Registrar of Companies. The Auditors have reported on those accounts; their reports were unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

This 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 Segment information

Segment information is presented in respect of the Group's geographical segments, being the primary segmentation format based on the Group's management and internal reporting structure. As the secondary segment is the business of providing contract logistics services which encompasses the entire scope of Wincanton's operations, no further segmental analysis is required.

The Group operates in two principal geographical areas, the UK & Ireland, and Mainland Europe. In presenting information on the basis of geographical segments, segment revenue and assets are based on the geographical location of the business operations.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical segments

	UK & Ireland		Mainland Europe		Consolidated	
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Revenue ¹	1,455.5	1,388.7	905.8	776.0	2,361.3	2,164.7
Underlying operating profit by segment	52.5	47.2	7.0	5.2	59.5	52.4
Amortisation of acquired intangibles	(7.0)	(4.0)	(2.0)	(1.5)	(9.0)	(5.5)
Exceptional restructuring and other costs	(14.1)	2.7	(9.0)	(7.2)	(23.1)	(4.5)
Other exceptional income	5.8	0.8	5.0	4.1	10.8	4.9
Operating profit	37.2	46.7	1.0	0.6	38.2	47.3
Total assets excluding investments in associates	517.5	512.8	388.4	342.2	905.9	855.0
Total liabilities	(690.7)	(577.6)	(263.4)	(240.9)	(954.1)	(818.5)
Depreciation charges	(25.8)	(23.2)	(9.7)	(8.5)	(35.5)	(31.7)
Amortisation of software intangibles	(0.7)	(0.7)	(1.1)	(0.7)	(1.8)	(1.4)
Capital expenditure						
- property, plant and equipment	27.7	33.1	24.9	7.8	52.6	40.9
- software intangibles	-	1.5	0.7	0.8	0.7	2.3

¹ Revenue derived from sales to external parties only.

In addition to the above external revenue, there were intra-segment sales of £1.7m from UK & Ireland to Mainland Europe (2008: £1.7m) and £0.8m from Mainland Europe to UK & Ireland (2008: £2.0m). All such sales are priced on an arm's-length basis.

3 Operating profit

The Group's results are analysed as follows:

	2009			2008		
	Underlying ¹ £m	Amortisation of acquired intangibles and exceptionals £m	Total £m	Underlying ¹ £m	Amortisation of acquired intangibles and exceptionals £m	Total £m
Revenue	2,361.3	-	2,361.3	2,164.7	-	2,164.7
Cost of sales	(2,273.9)	(9.3)	(2,283.2)	(2,074.6)	(3.3)	(2,077.9)
Gross profit	87.4	(9.3)	78.1	90.1	(3.3)	86.8
Administrative expenses	(27.9)	(12.0)	(39.9)	(37.7)	(1.8)	(39.5)
Operating profit	59.5	(21.3)	38.2	52.4	(5.1)	47.3

¹ Underlying operating profit is stated before amortisation of acquired intangibles and any impairment of goodwill and exceptionals.

	2009 £m	2008 £m
Operating profit before net financing costs is stated after charging:		
Auditors' remuneration		
Audit fees for statutory audit services		
- parent company and consolidation	0.1	0.1
- subsidiary undertakings	0.7	0.6
Non-audit fees		
- fees paid to the Auditors and their associates for tax advisory services	0.2	0.2
- fees paid to the Auditors and their associates for assurance services	0.1	0.1
- fees paid to the Auditors and their associates for other services	0.2	0.2
Depreciation and other impairment amounts written off property, plant and equipment		
- owned	32.9	30.9
- leased	2.6	0.8
Amortisation and other amounts written off software intangibles	1.8	1.4
Operating lease rentals		
- plant and equipment	54.3	51.2
- land and buildings	78.8	63.4
Exceptionals	2009 £m	2008 £m
Exceptional restructuring costs		
Costs of acquisitions and post acquisition reorganisation of operating structures	(3.0)	(1.0)
Closure and restructuring of operations		
- UK ¹	(9.3)	-
- Mainland Europe	(8.7)	(7.2)
Profit on sale of redundant UK head office post relocation	-	3.7
Under-recovery of amounts owing by Woolworths plc	(2.1)	-
	(23.1)	(4.5)
Other exceptional income		
Property profits – sale of freehold land and buildings	5.2	0.8
Partial settlement of the PGN Logistics Ltd arbitration case	5.6	4.1
	10.8	4.9

¹ Includes the net result of the transaction with Culina of £(0.5)m, being the £14.4m profit on disposal of subsidiary less £(14.9)m of closure costs.

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

4 Net financing costs

	2009 £m	2008 £m
Recognised in the income statement		
Interest income	2.9	2.5
Expected return on defined benefit pension scheme assets	-	35.5
Interest on defined benefit pension scheme obligations	-	(34.3)
	<u>2.9</u>	<u>3.7</u>
Interest expense	(15.4)	(12.2)
Finance charges payable in respect of finance leases	(1.4)	(0.6)
Unwinding of discount on insurance and other provisions	(3.4)	(1.7)
Expected return on defined benefit pension scheme assets	36.0	-
Interest on defined benefit pension scheme obligations	(37.2)	-
	<u>(21.4)</u>	<u>(14.5)</u>
Less finance costs capitalised	0.2	-
	<u>(21.2)</u>	<u>(14.5)</u>
Net financing costs	<u>(18.3)</u>	<u>(10.8)</u>

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

	2009 £m	2008 £m
Recognised in equity		
Foreign currency translation differences for foreign operations	(0.3)	1.0
	<u>(0.3)</u>	<u>1.0</u>
Recognised in:		
Translation reserve	(0.3)	1.0
	<u>(0.3)</u>	<u>1.0</u>

5 Income tax expense

	2009 £m	2008 £m
Recognised in the income statement		
Current tax expense		
Current year	6.2	8.7
Adjustments for prior years	0.1	0.7
	<u>6.3</u>	<u>9.4</u>
Deferred tax expense		
Current year	(0.3)	3.7
Adjustments for prior years	-	(1.4)
	<u>(0.3)</u>	<u>2.3</u>
Total income tax expense in the income statement	<u>6.0</u>	<u>11.7</u>

Reconciliation of effective tax rate

Profit before tax	20.0	36.7
Income tax using the UK corporation tax rate of 28% (2008: 30%)	5.6	11.0
Effect of tax rates in foreign jurisdictions	(0.3)	(0.3)
Trading losses not recognised	1.4	2.5
Non-deductible expenditure	0.5	1.5
Capital profits offset by capital losses	(1.3)	(1.3)
Adjustments for prior years		
- current tax	0.1	0.7
- deferred tax	-	(1.4)
Change in UK tax rate	-	(1.0)
Total tax charge for the year	6.0	11.7

Recognised in equity

Tax taken directly to equity	(2.5)	0.2
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Tax taken directly to equity includes £(1.8)m (2008: £0.6m) on foreign exchange movements and £(0.7)m (2008: £(0.4)m) reversing the deferred tax asset on share option schemes.

6 Earnings per share

Earnings per share are calculated on the basis of earnings attributable to the equity shareholders of Wincanton plc of £13.5m (2008: £24.5m) and the weighted average of 116.0m (2008: 116.9m) shares which have been in issue throughout the year. The diluted earnings per share are calculated on the basis of an additional 0.2m (2008: 2.1m) shares deemed to be issued at £nil consideration under the Company's share option schemes. The weighted average number of ordinary shares for both basic and diluted earnings per share are calculated as follows:

Weighted average number of ordinary shares	2009 millions	2008 millions
Issued ordinary shares at the beginning of the year	116.5	117.2
Net effect of shares issued and purchased during the year	(0.5)	(0.3)
	116.0	116.9

Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares at the end of the year	116.0	116.9
Effect of share options on issue	0.2	2.1
	116.2	119.0

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

	2009 pence	2008 pence
Underlying earnings per share		
- basic	24.7	24.3
- diluted	24.7	23.9

Underlying earnings are determined as follows:

	2009	2008
	£m	£m
Profit for the year attributable to equity shareholders of Wincanton plc	13.5	24.5
Exceptional restructuring and other costs	23.1	4.5
Other exceptional income	(10.8)	(4.9)
Amortisation of acquired intangibles	9.0	5.5
Tax on the above items	(6.1)	(1.2)
Underlying earnings	28.7	28.4

7 Dividends

Under Adopted IFRS dividends are only provided in the financial statements when they become a liability of the Company. The dividends per ordinary share paid in the year are the interim for the current year, paid on 6 January 2009 and the final for the year ended 31 March 2008, paid on 7 August 2008.

These are detailed in the following table:

	2009	2008
	£m	£m
Interim dividend of 4.83p (2008: 4.60p) paid in January 2009 and 2008 respectively	5.6	5.3
Final dividend of 10.31p for 2008 (2007: 9.29p) paid in August 2008 and 2007 respectively	12.0	10.9
Total dividend paid in the year	17.6	16.2

The final dividend proposed for the year ended 31 March 2009 is 10.08p, which if approved will be paid on 7 August 2009 to shareholders on the register on 10 July 2009, total £11.7m.

8 Acquisitions

Current year acquisitions

In April 2008, the Group increased its shareholdings in two joint ventures, Wincanton Intermodal Kehl GmbH & Co-KG and Kehler Lagerhaus Verwaltung GmbH, from 50% to 51.15% for a nominal amount, resulting in these entities now being accounted for as subsidiaries.

In May 2008 the Group acquired the entire share capital of Product Support (Holdings) Limited (PSHL) for £14.7m in cash, with a further £3.0m contingent pending 'earn out' performance. PSHL provides logistics solutions to the defence and aerospace sectors, primarily in the UK.

In November 2008 the Group acquired the entire share capital of CEL Group Limited (CEL) for £17.8m in cash, with a further £4.5m contingent on revenue generated. The principal activities of CEL are container logistics, storage and handling.

In November 2008 the Group acquired the entire share capital of ELI-Transport GmbH and ELI-Lagerhaus GmbH (ELI) for €12.7m in cash, with a further €3.0m contingent pending 'earn out' performance. Both companies are regional specialists in providing logistics services, based in Koblenz, Germany.

The contingent considerations noted above represents the maximum amounts payable. At 31 March 2009 a total of £7.8m has been recognised.

In the period since acquisition PSHL contributed £3.9m, CEL contributed £0.8m and ELI contributed £0.2m of underlying operating profit. If the acquisitions had occurred on the first date of the year it is estimated that the totals of Group underlying operating profit and revenue would have been approximately £62m and £2,408m respectively.

The acquisitions have given rise to values of goodwill of £13.1m, £10.7m and £8.1m for PSHL, CEL and ELI respectively, being the difference between the cash consideration payable and the net assets acquired at fair value.

The acquired net assets at acquisition are summarised in the combined table below :

	Acquirees' book value £m	Fair value adjustments £m	Acquisition amounts £m
Intangible assets	0.1	34.3	34.4
Property, plant and equipment	9.2	(1.3)	7.9
Deferred tax assets	-	0.4	0.4
Inventories	0.5	-	0.5
Trade and other receivables	14.3	(0.7)	13.6
Cash and cash equivalents	9.4	-	9.4
Income tax payable	(0.5)	-	(0.5)
Borrowings	(21.4)	-	(21.4)
Trade and other payables	(12.7)	(0.3)	(13.0)
Employee benefits	(0.2)	(0.1)	(0.3)
Provisions	(0.1)	(1.3)	(1.4)
Deferred tax liabilities	(0.7)	(9.7)	(10.4)
Net identifiable assets and liabilities	<u>(2.1)</u>	<u>21.3</u>	<u>19.2</u>
Goodwill on acquisition			31.9
Minority interest on acquisition			<u>(0.2)</u>
Consideration payable including expenses of £1.0m			50.9
Cash acquired and debt repaid on acquisition			<u>12.0</u>
			62.9
Less: contingent consideration			<u>(7.8)</u>
Net cash outflow			<u>55.1</u>

The fair value adjustments above are required to align the accounting policies of the acquired businesses with those of the Group. These provisional adjustments can, if necessary, be amended for up to 12 months following acquisition. The total goodwill of £31.9m arising on the acquisitions reflects the strategic importance of broadening Wincanton's business offering in these growing sectors of the UK and German economies, the value of the management and workforce and some of the expected synergies to be gained as the acquired entities are fully integrated into the Group.

Prior year acquisitions

The Group acquired the entire share capital of Swales Haulage Ltd (Swales), Hanbury Davies Ltd (Hanbury Davies) and HeBo GmbH (HeBo) in November 2007, January 2008 and March 2008 respectively. These entities were acquired for £4.5m, £25.0m and €2.9m in cash respectively, of which £2.5m and €0.5m was contingent pending 'earn out' performance for Hanbury Davies and HeBo respectively and which have been settled in the current year.

The acquisitions gave rise to values of goodwill of £2.4m, £12.0m and £1.5m for Swales, Hanbury Davies and HeBo respectively, being the difference between the cash consideration payable and the net assets acquired at fair value.

The acquired net assets at acquisition are summarised in the combined table below:

	As reported at 31 March 2008		
	Acquirees' book value	Fair value adjustments	Acquisition amounts
	£m	£m	£m
Intangible assets	0.1	11.6	11.7
Property, plant and equipment	9.0	(0.3)	8.7
Inventories	0.5	-	0.5
Trade and other receivables	14.8	(0.1)	14.7
Cash and cash equivalents	0.2	-	0.2
Income tax payable	(0.3)	(0.2)	(0.5)
Borrowings	(3.7)	-	(3.7)
Trade and other payables	(11.4)	-	(11.4)
Deferred tax liabilities	(0.8)	(3.5)	(4.3)
Net identifiable assets and liabilities	8.4	7.5	15.9
Goodwill on acquisition			15.9
Consideration payable including expenses of £0.6m			31.8
Cash acquired and debt repaid on acquisition			3.5
			35.3
Less: contingent consideration			(2.9)
Net cash outflow			32.4

9 Capital employed

The Group defines capital employed as being net (liabilities)/assets adjusted for goodwill, acquired intangibles, investments in associates, debt, tax, employee benefits and insurance provisions, as set out in the table below:

	2009 £m	2008 £m
Net (liabilities)/assets	(33.3)	37.0
Goodwill and acquired intangibles	(206.9)	(139.3)
Investments in associates	(14.9)	(0.5)
Debt	176.4	104.5
Tax	12.7	23.3
Employee benefits	123.6	40.7
Insurance provisions	36.2	38.3
Capital employed	93.8	104.0

Return on capital employed (ROCE) is calculated as underlying operating profit over capital employed.

10 Free cash flow

The Group defines free cash flow as being EBITDA plus working capital and net capital expenditure flows, as set out in the table below:

	2009	2008
	£m	£m
Operating profit	38.2	47.3
Depreciation and amortisation	46.3	38.6
Working capital inflow/(outflow)	7.8	(8.1)
Net capital expenditure	(34.9)	(29.5)
Free cash flow	57.4	48.3

11 Net pension deficit

The Group is reporting net liabilities of £(33.3)m (2008: net asset of £37.0m) primarily due to the movement in the pension deficit of £58.1m net of deferred tax in the year. To provide greater visibility of the Group's underlying balance sheet position, net assets before the net pension deficit are also shown on the face of the balance sheet.