WINCANTON plc
Preliminary Announcement of Results
for the financial year ended 31 March 2012

A year of transformation

Wincanton plc ("Wincanton"), a leading provider of supply chain solutions in the UK & Ireland, today announces its preliminary results for the year to 31 March 2012.

Key Points

- 2011 was a year of transformation where a restructuring of the Group resulted in a focus on the UK & Ireland
- UK & Ireland business performed well through economic cycle and transformation strategy
- Contract wins and customer renewals remained strong and margins were maintained
- Investment underway to extend products and services to further develop the Group
- Disposals, refinancing and triennial pension valuation were major milestones achieved in the year
- Key operational management teams in place to take the Group forward

Financial Key Points

- Revenue of £1,202.8m (2011: £1,328.3m)
- Underlying operating profit of £43.8m (2011: £46.7m) – margin improvement of 0.1% to 3.6%
- Underlying profit before tax of £28.8m (2011: £30.0m)
- (Loss)/profit before tax from continuing operations £(47.4)m (2011: £3.6m)
- Underlying earnings per share 18.0p (2011:19.6p)
- Basic loss per share 89.3p (2011: 22.1p)

Note: Underlying profit before tax and earnings per share are for continuing operations and are stated before net other items of £76.2m (2011: £26.4m), comprising closure and restructuring of operations and other costs of £29.1m (2011: £25.3m), onerous property provisions of £34.1m (2011: £nil), exceptional loss on the disposal of Culina of £4.8m (2011: £nil), exceptional profit on the disposal of the Recycling business of £nil (2011: £7.0m), and amortisation of acquired intangibles of £8.2m (2011: £8.1m). Operating loss, including these items, amounted to £(32.4)m (2011: profit of £20.3m). Loss before tax from continuing operations, including these items, amounted to £(47.4)m (2011: profit of £3.6m).

Eric Born, Wincanton Chief Executive commented:

"This has been a year of transformation for Wincanton as we reposition the Group for a return to profitable growth. Following the successful disposal of the Mainland Europe businesses, Wincanton is now a UK & Ireland business where we have a great operational reputation and critical mass.

The operating business in the UK & Ireland is now better focused and is performing well both in securing existing contracts and winning new business. This creditable performance has been achieved against a significant headwind from economic uncertainty which has not only impacted volumes but also, more materially, the actions of our customers.

Our refinancing has improved both the maturity and diversification of our debt. Over time the Board will address the legacy debt.

In the new financial year we will continue to concentrate on improving the performance of the operating business to its full potential and will also develop further our product and service extensions."

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Chairman's statement

Introduction

I joined the Wincanton Board as Chairman in December 2011. Since then, I have visited all of the Group's key businesses and met with customers, operational management, individual employees and key stakeholders.

These visits have reinforced the view I had formed prior to accepting the Chairman's role - that Wincanton has formidable strengths in its chosen sectors and retains an excellent reputation for operational delivery in the marketplace. The Group needs to focus relentlessly on maximising the opportunity from these assets whilst, over time, dealing with its over-leveraged balance sheet and meeting its pension obligations. The competitive pressure in the UK & Ireland marketplace and the progressive commoditisation of parts of the business, are trends that will continue for the foreseeable future. Many of our customers are having a tough time, Wincanton must respond by continuing to drive cost efficiencies and by offering more added value services in areas where we already have expertise.

Achievements to date

Following Eric Born's appointment as Chief Executive in December 2010, the Group began the process of addressing its underlying challenges. The sale of the Mainland European operations was successfully achieved, with a significant reduction in prospective average debt and elimination of the ongoing drain on financial and managerial resources. The exit from the loss-making Foodservice business has also been achieved.

All of this enabled an increased focus on the core UK & Ireland operations. Senior operational appointments made during the year, including that of Guy Elliott as Managing Director (Contract logistics), will support the need to drive a culture of responsiveness and personal accountability throughout the business. Responsibilities for key customer retention and new contract wins have been prioritised and are now taken at business unit level rather than centrally. There are already signs that this has had a beneficial effect. On efficiencies, some £10m of annual costs have been taken out of central support functions.

Overall trading from continuing operations reflected the difficult market conditions. Underlying operating profits fell from £46.7m to £43.8m, with the operating margin up slightly at 3.6%. There were substantial exceptional charges, reflecting the consequences of all the restructuring activities referred to above.

Priorities and prospects

Over this coming year the focus on operational delivery, customer retention and new contract wins needs to increase still further. In parallel, as covered more in Eric Born's Chief Executive's review, work streams to leverage Wincanton's existing strengths and to devise broader product offerings are already underway.

Notwithstanding the important refinancing of the Group's banking facilities, cash conservation and compliance with borrowing covenants will remain key priorities. Obligations to the Pension Scheme are also a key focus, with a revised valuation and contribution schedule recently agreed with the Trustee. The Board has therefore concluded that it is not realistic to consider a resumption of dividend payments in the near term.

The route to restoring shareholder value is to demonstrate that underlying profit momentum can be restored, even in tough markets, and that organic growth can be achieved in priority markets such as manufacturing, construction and defence, and from packaging value added services including to SMEs. Cost reduction will also be a continuing focus, to drive efficiency and to support competitive terms for contract renewals. Demonstrable progress in all these areas will also be a pre-requisite to addressing over time both the over-leveraged balance sheet and the risk profile arising from the Pension Scheme.

People and Board

Our people are fully focused on their operational day jobs, to provide an excellent service to our customers, but they obviously have an awareness that the Group has recently faced economic headwinds.

The Executive Management Team intend to drive a culture of increased accountability throughout the business. Performance evaluation, authority to make decisions and incentives for personal delivery will be

an important part of this. I wish to thank all of our employees for their perseverance and commitment to the business.

As the business objectives change, so do the tasks facing the Board. As a result, we are looking to add some additional non-executive experience and expertise to assist us with these challenges.

Chief Executive's review

A year of transformation

Over the past year, we have made some important steps towards building a solid platform for profitable growth in the future. We have made excellent progress in challenging market conditions and are on track with the execution of our strategic three-year plan.

Our priorities in 2011/12 were to turn around or exit underperforming market sectors and geographies, reduce debt, refinance the business, reduce operating costs, strengthen the management team and arrest the decline in underlying operating profits in the UK & Ireland.

As a consequence, we disposed of all our Mainland European operations in three separate transactions which were finalised in January 2012. We exited the loss-making Foodservice market sector in the UK by transferring our two major customers to other service providers and we sold our minority stake in the chilled logistics business, Culina. These disposals and the phased withdrawal from Foodservice enabled us to move away from lower margin activities, so we can now focus on the market segments in the UK & Ireland where we can build on our expertise, scale, reputation and established leadership positions.

The results for the year are satisfactory in a tough economic environment. The Group revenue in the UK & Ireland business fell 9% to £1.2bn. This fall was due to a combination of lower volumes in existing operations, the impact of contract losses and in-sourcing of business by our customers, all of which could not be fully compensated with new business wins. The underlying operating profit decreased 6% to £43.8m which reflects the above but is also assisted by cost actions taken at the end of last year. The need to focus the business on cost structures and doing everything as efficiently as possible and utilising experiences from one area of the business across other parts is a paramount objective of the Group through this challenging period. Our central support functions were restructured in the second half of the year, resulting in more than £10m in annualised savings and we scaled back the implementation of our back office IT programme which has now been completed.

The financial accounts are dominated by the exceptional charges, principally the property provision, which reflects the challenge we face with some properties. We have seen some of our customers suffer through the economic cycle which has meant they have contracted their supply chain to such an extent that they have or will shortly return sites to us. This, combined with a deterioration in both the general economic environment and the overall property market has led to the conclusion that the opportunity to fully utilise, sub-let or assign these leases is more difficult and as a result an exceptional property provision of £34.1m has been booked.

With a leaner, more agile organisation, our focus continues to be on renewing existing contracts and increasing the ratio of successful tenders, which is already starting to generate results. We are developing stronger relationships and enhancing the scope of activities with our customers as contracts are renewed. We have won £70m of annualised new business revenue in the year, which is up 8% on 2010/11 and further evidence that we are gaining market share.

Delivering the plan – building on our strengths

We have strengthened the Executive Management Team in the year, creating a new senior operations position to head up the Contract logistics business in the UK & Ireland and appointing a new HR Director to focus on both the strategic and operational aspects of our people agenda. We have a broad base of skills and capabilities, differing experience and approaches, but a common view of the future.

The plan that we have developed will enable us to grow our organisation in spite of the economic outlook in the UK & Ireland remaining challenging for the foreseeable future. Our strategic focus is on three key areas:

- Continuing with our existing operational focus on the UK & Ireland, seeking to develop our existing service propositions for customers across current and some new market segments

- Establishing broader 'supply chain solutions' to unlock our customers' potential and leverage our strong capabilities in operations, systems and processes

- Driving ongoing cost reductions across the organisation, using effective central support to help improve efficiencies in our processes and eliminate duplication of effort and resources in our operations.

We are organising our services to ensure that we can drive future product growth and innovation, without distracting the core business. The Group's existing activities have been split into two business areas: Contract logistics and Specialist businesses. In addition we have created a work stream to focus on product development.

The resulting proposition to our customers will be a powerful combination of our proven operational capabilities and sector expertise with new product developments that address changes in the market and position Wincanton as the supply chain services provider of choice in the UK & Ireland.

Unlocking potential for our customers

Wincanton's strength is our expertise in transport and warehousing in Contract logistics and the capabilities of our Specialist businesses. Whether we work with our customers on a tactical or more strategic basis, we have capabilities outside the confines of our contracts and can bring additional value to their supply chains by leveraging our infrastructure, scale, systems, knowledge and relationships.

As our customers' markets change and competition increases, we have a keen focus on their challenges and have sharpened our propositions to offer them greater efficiency and cost-effectiveness. In transport, we are using our infrastructure and relationships to facilitate collaborative working, supported by technology to provide visibility and ease the shift in control. In warehousing, we have developed a shared user warehouse management system powered by Manhattan to provide ready-made access to leading-edge systems. In our Specialist businesses, products are being extended and enhanced, such as the container tail lift trailer, which enables deliveries direct to store, and file tracking technology in records management, which extends traceability of documents into the office environment.

All of these are examples of how we are giving customers compelling reasons to build long term partnerships with Wincanton. We are proactively driving new business, understanding where Wincanton can add value and being selective about what we bid for to ensure we protect and improve our margins.

In order to drive greater understanding and insight into the challenges our customers are facing we have recruited people with sector experience to strengthen our team. Their knowledge brings us closer to the needs of a changing market and makes us better suited to understand their requirements. The emergence of multi-channel has been game-changing for the retail sector, challenging its traditional boundaries and confines. Customers are under pressure to innovate, but they often have legacy systems or processes acting as barriers to progress. Bricks and mortar retailers have entered the multi-channel world by creating a parallel supply chain to service online customers. What we now see is an opportunity to integrate these inventory pools, eliminate duplication and bring greater stability across all channels. Running trucks and warehouses is still a vital, and integral, part of this new world and this is overlaid with systems expertise, supplier management capabilities and best-in-class implementation.

As these new product developments unfold, they will progressively move Wincanton from its traditional role as a service provider to being an operator that shapes and creates markets through its solutions – helping to connect the sellers with the buyers through smarter logistics. What is exciting about the new shape of Wincanton's proposition is that it is not a radical shift from our core activities, but seeks to join together and extend the services and capabilities we already have in place.

Our value as a supply chain partner will come from offering an integrated set of tools that can be deployed quickly to offer customers a cost-effective, responsive, pay-as-you-go model with minimal capital outlay and greatly reduced risk. Put another way, this can be described as combining innovative supply chain thinking and best-in-class technology with operational execution.

Below are some examples of new solutions:

1. End to end supply chain management - a ready-made, pay-as-you-go complete supply chain offering to our customers

2. Collaborative transport – using our network and customer base to identify opportunities for collaboration, supported by technology to provide fleet visibility

3. Multi-channel supply chain management – offering market-leading store and direct-to-customer delivery from a common inventory

4. Supply chain services consultancy - using best-in-class technology, deep-rooted skills and experience, and operational excellence to analyse, transform and deliver the 'unlocked potential' within a customer's supply chain.

These developments will see us bring new, differentiated solutions that draw on best-in-class technology, underpinned by the necessary skills in operations and implementation. We will provide customers with extended visibility and control across the supply chain, enabled by systems, processes, assets and resources.

The new services target retailers and brand owners in a number of ways. They enable rapid entry to the UK & Ireland market, the development or extension of a new online supply chain channel, the optimisation of tactical transport operations at the right quality and price, or the expansion of an existing supply chain to support high growth.

The scope of our offer covers demand planning, the inbound supply chain, inventory management and storage, outbound delivery management, fulfilment, home delivery and the returns loop. Our approach is to understand our customers' overall supply chain expenditure and leverage a solution for them which will drive down fixed costs through ready-made, shared systems or infrastructure. By partnering with Wincanton, they will unlock potential from within their businesses so that they can reinvest cash in the right places – be it marketing, sales, product range or customer service – leaving the supply chain thinking and execution to us.

Summary

We see a brighter, broader future for Wincanton despite the market challenges. We have all the necessary ingredients for future success, starting with a strong and creditable track record of operational delivery and rich experience in the markets we operate in. Understanding the changes in our customers' markets will enable us to design products and solutions to meet their future needs and this in turn will help accelerate our progress towards higher margins and sustained profitable growth.

Financial Review

Introduction

In the year ended 31 March 2012, as set out in the previous sections, the Group has been through a major transformation. The disposals of the Mainland European businesses and of our shareholding in Culina plus the closure of the Foodservice operations have all been major milestones in the transformation of the Group back to the UK & Ireland market. We have scale, size and a strong reputation to leverage from and are focusing our full attention on achieving a stable level of profit and building a future offering that enables profitable growth and strong partnerships with our many varied and valued customers.

The accounts are heavily influenced by the actions taken, with the income statement focusing on the continuing UK & Ireland business whilst the Mainland European businesses have been disclosed as discontinued. For clarity both the Foodservice result up to the point the decision was taken to close that operation and the Culina result up to the point of sale, are shown within underlying operating profit from continuing operations both in the current year and the comparative. The exceptionals relate to these actions as well as the restructuring undertaken in the central support functions and a property provision recognising onerous leases on some empty or part-used UK sites.

The balance sheet shows a net liability position which is explained in part by the pension scheme deficit but also by the losses incurred over the years in arriving at the position we find ourselves in today. The Group has for many years adopted an asset-light approach with many assets such as warehouses, vehicles and plant being leased. The day-to-day operations are not asset-hungry and, as such, the balance sheet - other than for the records management business - is not a major inhibitor to retaining or winning new contracts. The Group has now been structured to focus on the UK & Ireland market. The Mainland European businesses lacked scale and did not generate cash and, for a Group with the debt levels we have, this was not acceptable or desirable.

The debt was incurred through making acquisitions (in the period from 2002/03 to 2008/09), a period of declining profits, undertaking restructuring and also latterly through the upgrade of our back office systems. The operating business we now have, with the focus on the UK & Ireland market, benefits from some of the acquisitions, as these were our entry into new areas such as defence, containers and construction.

The major challenge for the Group is to maximise the performance of the operating business whilst servicing the debt, managing covenant compliance and, via the improved performance, generate a positive cash flow. We refinanced in January 2012 and we satisfied the covenant tests as at 31 March 2012, which were set at the same levels as the previous bank facilities. This challenge will continue as we

do not expect the economic environment to offer any relief, but the operating business is evolving into a forward-thinking and dynamic business in line with our plans.

Continuing Operations (UK & Ireland)

In the year ended 31 March 2012, Wincanton reported revenue of £1,202.8m, which represents a decline of £125.5m on the previous year. Underlying operating profit was £43.8m, providing an underlying operating profit margin of 3.6 per cent. The underlying profit was below the prior year of £46.7m, but the margin improved by 0.1 per cent from 3.5 per cent. This is covered in greater detail in the Trading section below.

Net exceptionals in the year totalled £68.0m. The loss on sale of the Culina shareholding was £4.8m and the closure of the Foodservice operation, reported at the time of the half year, was £23.4m. In addition, a restructuring of the central support functions was undertaken at a cost of £5.7m, which incorporated a streamlining of the support functions and some redundancies relating to the final phase of the IT back office implementation. An exceptional onerous lease provision of £34.1m has been charged in the year.

Net financing costs were £15.0m, £1.7m lower than last year, where the net charge was £16.7m. However, this charge includes a £5.1m net pension credit in respect of the UK schemes, whereas 2010/11 net financing costs included a net pension credit of £1.9m.

Overall, we recorded a loss before taxation of £47.4m in 2011/12, which compares to a profit before taxation of £3.6m in the prior year. Tax in the year was a credit of £6.8m compared with a small credit of £0.6m in the prior year.

The underlying earnings per share of 18.0p represents a decrease of 8.2 per cent from 19.6p in 2010/11. On an overall basis the loss per share was 35.3p compared with an earnings per share of 3.7p in 2010/11.

Trading

Following the disposal of the Mainland European businesses, the Group has finalised an internal management structure that aligns the major part of the Group under the Contract logistics business headed by Guy Elliott and the Specialist businesses of Containers, Wincanton Records Management and Pullman headed by Ian Wilson. The operating segments disclosure in the current year has been aligned to these management responsibilities.

In Specialist businesses revenue was £179.0m, which is slightly down on the previous year of £184.6m and underlying operating profit £9.2m compared to £10.1m in the previous year. Containers saw volumes soften as the year progressed, whilst the other businesses were stable.

In Contract logistics revenue was £1,023.8m compared to £1,143.7m in the previous year. Underlying operating profit was £34.6m, down on the previous year of £36.6m. Within our core UK & Ireland market we have been impacted by the adverse economic environment, in particular the retail environment has been extremely tough, and we have felt the impact of this on volumes passing through our warehouses. In many cases we are protected from the volume variations via the open book structure, but as we have seen, if the volumes decrease significantly then our customers will review their physical assets deployed in the supply chain. We have witnessed the full spectrum of trading performances amongst our customer base in this environment, with some small customers going into administration, customers reducing their physical warehouse footprint and volumes falling. More positively other customers are proving extremely resilient and, in many cases, continue to do well to our benefit.

As the year has progressed and the restructuring of the management team has settled down, we have seen the benefit from renewed focus in the business both in terms of the overall level of interaction with the customer and most importantly, the desire to anticipate the challenges the customers are facing and provide solutions which meet their needs. The refocused management team has also had to take difficult decisions. In one instance we refused to renew a significant contract due to our assessment of the customer's trading position and the mismatch between the potential returns and the possible liabilities arising in the worst possible circumstances.

Our cyclical businesses of Construction and Containers have seen volumes reduced. In Construction we have won new customers which has assisted in offsetting some of the volume impact and again reinforces our view that we will be well placed to take advantage when activity levels pick up. At the beginning of the year Containers saw volumes increase, but following the first quarter it has suffered from a volume downturn. It remains profitable and again has used the opportunity to increase efficiency such that any return to previous volumes will be a major boost.

In our operations for retailers we retain our market leading position and we benefit from some £590m of revenue from this customer base. Significant wins and renewals in the year included a new convenience store warehouse for Sainsbury's in South East London, a new-build distribution centre contract in

Rochdale for Asda, a retail distribution warehouse for SuperGroup, a national transport planning contract for B&Q and a warehousing contract for Kiddicare to support their retail store network. As market leader, we are adapting with our customers and we will organise ourselves to capitalise on the opportunities presented by a changing market. The accelerated development of multi-channel retail strategies has generated new opportunities with customers as they reconfigure inventory and distribution models to enable e-fulfilment, home delivery and returns management activities to sit alongside the traditional 'bricks and mortar' operations. We have deployed significant resource into making sure we participate fully in this area going forward.

As retailers and manufacturers seek to maximise their assets and optimise their infrastructure, Wincanton's capabilities, as one of the UK's largest fleet operators, has presented opportunities to facilitate collaborative working. Our integrated transport solutions, where we combine core dedicated fleets with shared user vehicles on a single planning platform, not only present cost savings but also have clear environmental benefits. Our investment in integrated transport solutions in the year included rolling out a number of key regional solutions, configuring our internal fleets and gaining our first major contract, which will assist us to develop the offering and provide that very important reference site.

Elsewhere in Contract logistics we have seen the same general economic impact. Our tanker activities have been the subject of industrial action which we are pleased to note has receded. This is a profitable and significant business stream for us but one which is mature and will undoubtedly go through some changes in the years to come as the traditional big brand oil companies sell these operations. We have already seen our customers change as a result of this and have continued to focus on providing an industry-leading service with a health and safety record unsurpassed in the industry. We have had a successful year of contract wins, renewals and extensions across many of our long standing customers. These include a new distribution centre for Premier Foods in Corby, a new contract with Lafarge for the distribution of bulk and bagged cement, a distribution contract with Tarmac for blocks and renewals with Dairy Crest, Wavin, Avanti Gas, Mattel and Saint-Gobain. Our Defence activities also continue to record strong progress. We enjoy a blue-chip customer list in this area and are highly valued for the expertise we provide.

Our partnership with Serco commenced trading in the year and was loss-making, as expected, during the ramp up phase to full operating efficiencies and manning levels. We are keen to pursue further opportunities to leverage our core logistics expertise into the public sector, in response to growing demand in civil government contracts for greater efficiency and fresh approaches.

Exceptionals - continuing

1. Sale of shareholding in Culina, £4.8m. The Group had retained a 20 per cent shareholding in Culina following the sale of the chilled operation in 2009. This was disposed of to the 80 per cent shareholder for a net consideration of £11.0m.

2. Closure of the Foodservice operation, £23.4m. As reported at the half year, the Foodservice operation closed in the second half of the year. The Group operated from two sites, one freehold and one leasehold. The freehold has been let whilst the large leasehold site is sub-let subject to contract.

3. Restructuring costs, £5.7m. A restructuring was undertaken in the central support functions, together with the final phase of the IT back office implementation which saw some accounts processing activities moving offshore.

4. Onerous lease provision, £34.1m. Some properties have been, or will shortly be, returned to us as customers have contracted their supply chains in response to the external market environment. In certain cases the lease ends are reasonably short which will make it difficult to sub-let or assign and this, plus the general economic environment and the overall property market which have both deteriorated over the course of the year, has led us to review all empty and part-used sites and extend our anticipated marketing periods and the incentives required to sub-let or assign these sites.

Discontinued Operations

The discontinued operations comprise the Mainland European businesses sold in the year. Revenue decreased from £852.1m in 2010/11 to £552.0m due to the part ownership in the year. Underlying operating profit was £4.8m compared to the prior year of £6.3m again in part explained by the part ownership but also assisted by the improvements in the German business following the restructuring undertaken in 2009/10.

An exceptional loss was made on the sale of the businesses of £63.0m. The sale was undertaken in three transactions with two reported at the half year and the third and largest completed in January 2012. The total net consideration for the three transactions was £50.3m.

Net financing costs

	2012	2011
	£m	£m
Continuing operations	15.0	16.7
Discontinued operations	1.5	1.9
Total	16.5	18.6

Net financing costs were £16.5m, £2.1m lower than last year. The charge includes a £4.1m net pension credit compared to £0.6m in the prior year. Excluding this item leaves an interest charge related to the debt of £20.6m compared to the prior year charge of £19.2m.

Financing costs can be analysed into cash items, being primarily the interest paid on underlying debt, which form the basis of the Group's covenant compliance and non-cash items which include pension charges calculated in accordance with IAS 19, amortisation of bank arrangement fees and discounting. Financing costs for covenant purposes were £16.5m compared to £15.2m in the prior year.

Average debt levels fell as a result of the disposal proceeds and were some £260m compared to £270m in the prior year, had the disposal been made at the start of the year the average would have been some £220m. The overall cost of debt including all fees and non cash items, but excluding pension financing charges, is 7.9 per cent (2011: 7.1 per cent).

Non-cash financing costs fell from a charge of £3.4m to £nil, mainly as a result of the increase in the IAS 19 pension financing item to a £4.1m net credit compared with a £0.6m net credit in the prior year.

Financing and covenants

The Group refinanced its main bank facility in the year and the maturity and diversification profile was considerably improved. The main bank facility of £185m now expires in November 2015, in addition £75m was borrowed from the Prudential/M&G UK Companies Financing Fund LP which expires in 2021 with repayments commencing in 2019. This much improved maturity profile sits alongside the existing US Private Placement debt which expires in three tranches commencing in December 2012 and thereafter in 2015 and 2016. The Group's committed facilities at 31 March 2012 were £373m and the headroom against the drawn funds, including the fully drawn US Private Placement and M&G monies, was some £100m.

The Group also has overdrafts which provide day-to-day flexibility. Sterling and Euro pools are operated, so that whenever possible, surplus cash is netted against overdrafts.

The Group maintains a mix of hedging instruments (swaps) to give an appropriate level of protection against changes in interest rates. During the year £70m of debt was at fixed rates, and the balance at floating rates.

Wincanton operated comfortably within its borrowing covenants, as summarised in the table below:

	Covenant	At 31 March 2012
Adjusted net debt : EBITDA	<3.0:1	2.46
Interest cover	>3.5:1	4.35
Fixed charge cover	>1.4:1	1.68

Taxation

Continuing operations

The income tax credit of £6.8m (2011: £0.6m) reflects the high level of exceptional charges incurred in the UK for which tax deductions are available. These losses, and the increased pension scheme deficit, have resulted in a correspondingly high net deferred tax asset carried forward of £27.7m (2011: £7.6m).

The effective tax charge on underlying profits remains at 29.5 per cent. The benefit of the drop in the main UK corporation tax rate from 28 per cent to 26 per cent in current tax was offset by a deferred tax charge arising from the recognition of the closing deferred tax asset at the new UK rate of 24 per cent for 2012/13. The other principal factors increasing the tax charge above the standard UK rate are the

withdrawal of industrial buildings allowances and the fall in the deferred tax asset recognised in respect of share schemes, due to the fall in share price and the reduction in the anticipated vesting of the performance related options granted to senior managers. The first two of these factors will persist in 2012/13, as tax rates fall to 22 per cent, resulting in a tax rate continuing slightly above the headline UK rate.

The current tax charge for the current year of £0.3m (2011: £0.9m) mainly arose in the Republic of Ireland. The use of losses and other deferred tax assets is expected to result in minimal current tax in the UK in 2012/13.

Discontinued operations

No tax deduction is available for the losses incurred in disposing of the discontinued operations. The net tax charge of £0.7m (2011: £0.4m credit) represents tax payable on the profitable areas of Mainland Europe, principally in the Netherlands.

Net Debt

Group net debt at the year end was £114.5m (2011: £151.8m). The Group continues to focus on cash flow and balance sheet management. The reduction in net debt at the year end reflects the total gross disposal proceeds received of £75.3m. Following the disposals the Group no longer benefits from the management of working capital in those disposed businesses which was worth approximately £25m at reporting dates and hence in the current year shows as a working capital outflow.

Capital expenditure

Capital expenditure, including investment in computer software intangibles, totalled £30.4m (2011: £44.8m) equal to 84 per cent of depreciation. Within this sum is £14.3m relating to the re-scoped back office IT project which went live in March 2012. Of the balance of £16.1m, £7.4m was spent in our Mainland European businesses prior to their sale. The UK & Ireland spend included £5.0m in respect of expansion projects and the balance of £3.7m on replacement equipment.

Pensions

The Group operates a number of pension schemes. The principal defined benefit scheme in the UK (the Scheme) which is closed to new entrants, had an IAS 19 deficit of £116.9m (£88.8m net of deferred tax) at the year end, compared to the prior year £74.8m (£55.3m net of deferred tax). The deficit has increased primarily due to the decrease in the discount rate. The triennial valuation as at 31 March 2011 has now been finalised and the deficit on the technical provision basis was agreed with the Trustee at £189.8m (an increase on the £159.5m as at the 31 March 2008 valuation). The additional cash contribution made in the current year to fund the deficit was £13.1m as part of the recovery period of 14 years set at the conclusion of the 2008 valuation. Going forward the payment profile remains unchanged, increasing by RPI each year from £13.6m in 2012/13 over a recovery period of 11 years.

The approximate membership of the Scheme split by key categories is as follows:

Actives	1,600
Deferred	8,180
Pensioners	6,610
	16,390

During the year the Trustee has progressed an investment review and diversified the portfolio as part of a de-risking strategy. A trigger mechanism is being used to reduce the return-seeking asset allocation as the funding level improves. When a funding trigger was reached earlier in 2011/12 the target growth-asset portion was reduced to 60 per cent from 70 per cent. Since then the overall market and the funding level has been impacted by the continuing low interest rate environment and, despite a creditable investment performance, no further triggers have been met. The Scheme remains exposed to interest rates, inflation and mortality risks and work is currently underway to look at specific mechanisms to reduce the risks associated with inflation.

Consolidated income statement

for the year ended 31 March 2012

	Note	2012 £m	2011 restated[1] £m
Continuing operations:			
Revenue	2	**1,202.8**	1,328.3
Share of results of associate	2	**1.3**	1.2
Underlying operating profit	2	**43.8**	46.7
Amortisation of acquired intangibles		**(8.2)**	(8.1)
Exceptional costs	3	**(68.0)**	(25.3)
Other exceptional income	3	**–**	7.0
Operating (loss)/profit	3	**(32.4)**	20.3
Financing income	4	**5.5**	2.1
Financing cost	4	**(20.5)**	(18.8)
Net financing costs	4	**(15.0)**	(16.7)
(Loss)/profit before tax		**(47.4)**	3.6
Income tax credit	5	**6.8**	0.6
(Loss)/profit for the period from continuing operations		**(40.6)**	4.2
Loss from discontinued operations	6	**(61.8)**	(29.1)
Loss for the year		**(102.4)**	(24.9)
Attributable to			
– equity shareholders of Wincanton plc		**(102.8)**	(25.3)
– minority interests – discontinued operations		**0.4**	0.4
Loss for the year		**(102.4)**	(24.9)
(Loss)/earnings per share – basic and diluted			
– continuing operations		**(35.3)p**	3.7p
– discontinued operations		**(54.0)p**	(25.8)p
Total	7	**(89.3)p**	(22.1)p
Dividends paid in the year to equity shareholders of Wincanton plc (£m)		**–**	17.0

1 Where applicable, comparatives have been restated to reclassify the results of the operations in Mainland Europe as discontinued operations as shown in note 6.

Consolidated statement of comprehensive income

for the year ended 31 March 2012

	2012 £m	2011 £m
Loss for the year	**(102.4)**	(24.9)
Other comprehensive (expense)/income		
Actuarial (losses)/gains on defined benefit pension schemes, net of deferred tax	**(50.0)**	33.4
Net foreign exchange (loss)/gain on investment in foreign subsidiaries net of hedged items	**(0.8)**	0.9
Translation reserve relating to disposals transferred to the income statement	**(4.4)**	–
Effective portion of changes in fair value of cash flow hedges	**(4.3)**	(1.6)
Net change in fair value of cash flow hedges transferred to the income statement	**1.5**	0.1
Income tax relating to components of other comprehensive income	**(0.8)**	(0.4)
Other comprehensive (expense)/income for the year, net of income tax	**(58.8)**	32.4
Total comprehensive (expense)/income for the year	**(161.2)**	7.5
Attributable to		
– equity shareholders of Wincanton plc	**(161.6)**	7.1
– minority interests – discontinued operations	**0.4**	0.4
Total comprehensive (expense)/income for the year	**(161.2)**	7.5

Consolidated balance sheet

at 31 March 2012

	2012 £m	2011 £m
Non-current assets		
Goodwill and intangible assets	**123.2**	157.4
Property, plant and equipment	**84.5**	208.6
Investments, including those equity accounted	**–**	15.7
Deferred tax assets	**28.8**	9.6
	236.5	391.3
Current assets		
Inventories	**6.7**	10.3
Trade and other receivables	**158.9**	368.5
Cash and cash equivalents	**165.6**	88.3
	331.2	467.1
Current liabilities		
Income tax payable	**(7.2)**	(7.4)
Borrowings and other financial liabilities	**(59.7)**	(11.1)
Trade and other payables	**(332.0)**	(544.0)
Employee benefits	**(0.8)**	(10.2)
Provisions	**(34.8)**	(22.6)
	(434.5)	(595.3)
Net current liabilities	**(103.3)**	(128.2)
Total assets less current liabilities	**133.2**	263.1
Non-current liabilities		
Borrowings and other financial liabilities	**(220.4)**	(229.0)
Other payables	**–**	(1.0)
Employee benefits	**(118.2)**	(106.8)
Provisions	**(61.9)**	(31.3)
Deferred tax liabilities	**(1.1)**	(2.0)
	(401.6)	(370.1)
Net liabilities	**(268.4)**	(107.0)

Add back: pension deficit, net of deferred tax	**89.8**	86.4
Net liabilities before net pension deficit	**(178.6)**	(20.6)

	2012 £m	2011 £m
Equity		
Issued share capital	**12.2**	12.2
Share premium	**12.8**	12.8
Merger reserve	**3.5**	3.5
Translation reserve	**–**	5.2
Hedging reserve	**(4.3)**	(1.5)
Retained earnings	**(292.6)**	(139.7)
Equity deficit attributable to shareholders of Wincanton plc	**(268.4)**	(107.5)
Minority interest	**–**	0.5
Total equity deficit	**(268.4)**	(107.0)

Consolidated statement of changes in equity

at 31 March 2012

	Issued share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Translation reserve £m	IFRS 2 reserve £m	Retained earnings: Own shares £m	Retained earnings: Profit and loss £m	Total £m	Minority interests £m	Total equity deficit £m
Balance at 1 April 2010	12.1	12.2	3.5	–	4.3	11.4	(18.6)	(125.4)	(100.5)	0.5	(100.0)
Total comprehensive income	–	–	–	(1.5)	0.9	–	–	7.7	7.1	0.4	7.5
Increase in IFRS 2 reserve	–	–	–	–	–	2.5	–	–	2.5	–	2.5
Shares issued	0.1	0.6	–	–	–	–	–	–	0.7	–	0.7
Own shares disposed of on exercise of options	–	–	–	–	–	–	0.2	(0.2)	–	–	–
Own shares acquired	–	–	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Dividends paid to shareholders	–	–	–	–	–	–	–	(17.0)	(17.0)	(0.4)	(17.4)
Balance at 31 March 2011	12.2	12.8	3.5	(1.5)	5.2	13.9	(18.7)	(134.9)	(107.5)	0.5	(107.0)
Balance at 1 April 2011	**12.2**	**12.8**	**3.5**	**(1.5)**	**5.2**	**13.9**	**(18.7)**	**(134.9)**	**(107.5)**	**0.5**	**(107.0)**
Total comprehensive income	**–**	**–**	**–**	**(2.8)**	**(5.2)**	**–**	**–**	**(153.6)**	**(161.6)**	**0.4**	**(161.2)**
Minority interests relating to disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Increase in IFRS 2 reserve	**–**	**–**	**–**	**–**	**–**	**0.7**	**–**	**–**	**0.7**	**–**	**0.7**
Own shares disposed of on exercise of options	**–**	**–**	**–**	**–**	**–**	**–**	**2.1**	**(2.1)**	**–**	**–**	**–**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Balance at 31 March 2012	**12.2**	**12.8**	**3.5**	**(4.3)**	**–**	**14.6**	**(16.6)**	**(290.6)**	**(268.4)**	**–**	**(268.4)**

Consolidated statement of cash flows

for the year ended 31 March 2012

	2012 £m	2011 restated[1] £m
Operating activities		
(Loss)/profit before tax	**(47.4)**	3.6
Adjustments for		
– depreciation and amortisation	**25.3**	30.5
– write down of non-current assets	**11.4**	19.7
– interest expense	**15.0**	16.7
– share of results of associates	**(1.3)**	(1.2)
– net result of business disposals	**4.8**	(7.0)
– share-based payments fair value charges	**0.7**	2.5
	8.5	64.8
Decrease/(increase) in trade and other receivables	**46.7**	(6.0)
Decrease/(increase) in inventories	**1.9**	(0.9)
(Decrease)/increase in trade and other payables	**(33.8)**	14.5
Increase/(decrease) in provisions	**44.3**	(2.5)
Decrease in employee benefits	**(19.5)**	(13.4)
Income taxes paid	**(0.5)**	–
Cash generated from continuing operations	**47.6**	56.5
Cash (utilised)/generated from discontinued operations	**(17.7)**	0.4
Cash flows from operating activities	**29.9**	56.9
Investing activities		
Proceeds from sale of property, plant and equipment	**1.9**	6.8
Net proceeds from business disposals	**61.3**	10.6
Interest received	**0.2**	0.2
Dividends received from associates	**0.5**	0.4
Additions of property, plant and equipment	**(16.0)**	(24.9)
Additions of computer software costs	**(14.4)**	(19.9)
Cash flows from investing activities	**33.5**	(26.8)
Financing activities		
Proceeds from the issue of share capital	**–**	0.7
Own shares acquired	**–**	(0.3)
Increase/(decrease) in borrowings	**36.0**	(4.6)
Payment of finance lease liabilities	**(1.4)**	(2.0)
Dividends paid to minority interests in subsidiary undertakings	**(0.4)**	(0.4)
Equity dividends paid	**–**	(17.0)
Interest paid	**(19.4)**	(14.9)
Cash flows from financing activities	**14.8**	(38.5)
Net increase/(decrease) in cash and cash equivalents	**78.2**	(8.4)
Cash and cash equivalents at beginning of year	**88.3**	96.8
Effect of exchange rate fluctuations on cash held	**(0.9)**	(0.1)
Cash and cash equivalents at end of year	**165.6**	88.3
Represented by		
– cash at bank and in hand	**148.7**	68.4
– restricted cash, being deposits held by the Group's captive insurer	**16.9**	19.9
	165.6	88.3

1 Comparatives relating to cash flows from operating activities have been restated to reclassify the results of the operations in Mainland Europe as discontinued operations as shown in note 6.

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 2012 and 31 March 2011. Statutory accounts for the year ended 31 March 2012 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 March 2011 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 498 (2) or (3) of the Companies Act 2006.

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. Operating Segments

Wincanton plc provides contract logistics services. Following the completion of the disposal of its Mainland Europe operations in January 2012, the Group restructured its remaining United Kingdom and Ireland operations into two distinct operating segments: Contract logistics (the majority of activities including transport and warehousing for various market sectors including retailers, manufacturers, Defence and Construction) and Specialist businesses (Pullman, Containers, Wincanton Records Management). Management reporting has been aligned with this reorganisation and, as a result, the segment information set out below reflects this change. The results of the Mainland Europe operations are classified as discontinued in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and are shown in note 6. Comparative information for the year ended 31 March 2011 has been restated accordingly.

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

	Contract logistics		Specialist businesses		Consolidated	
	2012 £m	2011 restated £m	**2012 £m**	2011 restated £m	**2012 £m**	2011 restated £m
Continuing operations						
Revenue from external customers[1]	**1,023.8**	1,143.7	**179.0**	184.6	**1,202.8**	1,328.3
Depreciation	**(13.6)**	(17.3)	**(3.4)**	(5.0)	**(17.0)**	(22.3)
Amortisation of software intangibles	**(0.1)**	(0.1)	**–**	–	**(0.1)**	(0.1)
Share of results of associate[2]	**1.3**	1.2	**–**	–	**1.3**	1.2
Reportable segment underlying operating profit[3]	**34.6**	36.6	**9.2**	10.1	**43.8**	46.7
Other material non-cash items:						
– write down of other non-current assets[4]	**(11.4)**	(19.7)	**–**	–	**(11.4)**	(19.7)
Total Group assets[5]					**567.7**	858.4
Less discontinued operations					**–**	(321.9)
Total Group assets – continuing operations					**567.7**	536.5
Investment in associate[2]	**–**	14.9	**–**	–	**–**	14.9
Additions to reportable segment non-current assets:						
– property, plant and equipment	**6.2**	12.0	**1.9**	3.4	**8.1**	15.4
– computer software costs	**14.4**	17.8	**–**	–	**14.4**	17.8
Total Group liabilities					**(836.1)**	(965.4)
Less discontinued operations					**–**	220.6
Total Group liabilities – continuing operations					**(836.1)**	(744.8)

1 Included in segment revenue is £1,170.5m (2011: £1,287.9m) in respect of customers based in the UK .

2 The associate reported relate to the Group's 20% investment in Culina Logistics Limited which was disposed of during the year. This has been classified as a continuing operation.

3 Underlying operating profit includes the share of results of the associate and is stated before amortisation of acquired intangibles and exceptionals.

4 The write down of other non-current assets comprises in the current period, the write down of property plus plant and equipment to recoverable value. In the year ended 31 March 2011, the write down related to the back office IT project.

5 Total Group assets include non-current assets of £228.4m (2011: £238.5m) for the UK. The 2011 total Group assets also included non-current assets of £50.0m for Germany, and £105.2m for Mainland Europe overall.

3. Operating (Loss)/profit

	2012			2011 restated		
	Underlying[1] £m	**Amortisation and Exceptionals[2] £m**	**Total £m**	Underlying[1] £m	Amortisation and Exceptionals[2] £m	Total £m
Revenue	**1,202.8**	**–**	**1,202.8**	1,328.3	–	1,328.3
Cost of sales	**(1,144.3)**	**(68.0)**	**(1,212.3)**	(1,264.2)	(18.3)	(1,282.5)
Gross profit	**58.5**	**(68.0)**	**(9.5)**	64.1	(18.3)	45.8
Administrative expenses	**(16.0)**	**(8.2)**	**(24.2)**	(18.6)	(8.1)	(26.7)
Share of results of associates	**1.3**	**–**	**1.3**	1.2	–	1.2
Operating (loss)/profit	**43.8**	**(76.2)**	**(32.4)**	46.7	(26.4)	20.3

1 Underlying operating profit includes the share of results of the associate and is stated before amortisation of acquired intangibles and exceptionals.

2 Comprises the amortisation of acquired intangibles, exceptional costs and other exceptional income.

	2012 £m	2011 restated £m
The following items have been charged in arriving at operating (loss)/profit from continuing operations:		
Auditor's remuneration		
Audit fees for statutory audit services		
– parent Company and consolidation	**0.1**	0.1
– subsidiary undertakings	**0.2**	0.2
Non-audit fees		
– fees paid to the Auditor and its associates for tax advisory services	**0.1**	0.1
– fees paid to the Auditor and its associates for assurance services	**0.1**	0.1
– fees paid to the Auditor and its associates for other services	**0.2**	0.2
Depreciation and other amounts written off property, plant and equipment		
– owned	**26.7**	21.4
– leased	**1.7**	0.9
Amortisation and other amounts written off software intangibles	**0.1**	19.8
Operating lease rentals		
– plant and equipment	**32.5**	35.0
– land and buildings	**37.7**	39.1

Exceptionals

	2012 £m	2011 restated £m
Exceptional costs		
Closure and restructuring of operations – UK & Ireland	**(29.1)**	(4.7)
Onerous property provisions	**(34.1)**	–
Disposal of investment in Culina Logistics Limited	**(4.8)**	–
Provision for aged non trading receivable	**–**	(0.9)
Write down of back office IT project	**–**	(19.7)
	(68.0)	(25.3)
Other exceptional income		
Disposal of Recycling business	**–**	7.0
	–	7.0

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.

Closure and restructuring of operations relates to the closure of the Foodservices business of £23.4m plus other restructuring costs in central support functions, including taking some accounts processing activity offshore, of £5.7m.

Onerous lease and other property related provisions of £34.1m have been recognised in the year. Several properties have been or will shortly be returned to the Group and in certain cases the relatively short length of the remaining lease will make it difficult for them to be sub-let or reassigned. This, the general economic environment and the overall property market, which have both deteriorated over the course of the year, has led the Group to review all empty and part-used sites and extend the assumed anticipated marketing periods and incentives required to sub-let or assign leased sites.

On 6 March 2012 the Group disposed of its investment in Culina Logistics Limited for a consideration of £11.0m, resulting in a loss on disposal of £4.8m.

4. Net financing costs

Recognised in the income statement – continuing operations

	2012 £m	2011 restated £m
Interest income	**0.4**	0.2
Expected return on defined benefit pension scheme assets	**44.3**	41.7
Interest on defined benefit pension scheme obligations	**(39.2)**	(39.8)
	5.5	2.1
Interest expense	**(18.1)**	(16.9)
Finance charges payable in respect of finance leases	**(0.7)**	(1.0)
Unwinding of discount on insurance and other provisions	**(1.7)**	(0.9)
	(20.5)	(18.8)
Net financing costs	**(15.0)**	(16.7)

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

5. Income tax (credit)/expense

Recognised in the income statement – continuing operations

	2012 £m	2011 restated £m
Current tax (credit)/expense		
Current year	**0.3**	0.9
Adjustments for prior years	**(0.8)**	(0.7)
	(0.5)	0.2
Deferred tax credit		
Current year	**(6.1)**	0.2
Adjustments for prior years	**(0.2)**	(1.0)
	(6.3)	(0.8)
Total income tax credit	**(6.8)**	(0.6)

Reconciliation of effective tax rate

(Loss)/profit before tax	**(47.4)**	3.6
Income tax using the UK corporation tax rate of 26% (2011: 28%)	**(12.3)**	1.0
Effect of tax rates in foreign jurisdictions	**(0.1)**	(0.4)
Trading losses not recognised	**2.2**	–
Non-deductible expenditure	**1.0**	1.4
Loss on disposal	**1.2**	–
Change in UK corporation tax rate	**0.2**	(0.9)
Other	**2.0**	–
Adjustments for prior years		
– current tax	**(0.8)**	(0.7)
– deferred tax	**(0.2)**	(1.0)
Total tax credit for the year	**(6.8)**	(0.6)

Recognised in other comprehensive income – continuing and discontinued operations

Actuarial losses/(gains) on defined benefit pension schemes	**14.4**	(15.3)
Income tax relating to foreign exchange movements	**(0.8)**	(0.4)
	13.6	(15.7)

The main UK Corporation tax rate reduced from 26% to 24% with effect from 1 April 2012. The closing UK deferred tax provision is calculated based on the rate of 24% which was substantively enacted at the balance sheet date.

6. Discontinued operations

During the year the Group disposed of all of its operations in Mainland Europe as follows:

On 9 June 2011 the Group announced the sale of its German Road operations and businesses in Central & Eastern Europe to companies in the Raben group (Raben) and also announced the sale of its logistics business in The Netherlands to JCL Transport und Logistik GmbH (JCL).

On 15 August 2011 the Group announced that it had signed a conditional agreement for the disposal of its remaining operations in Mainland Europe to Rhenus AG & Co. KG (Rhenus) via the disposal of its Mainland Europe holding company plus subsidiaries.

In accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations the results for the above businesses have been classified as discontinued operations in the Group's consolidated income statement. The results of the discontinued operations up until the point of disposal and the comparative year, which have been disclosed separately in the consolidated income statement, are as follows:

	2012 £m	2011 £m
Revenue	**552.0**	852.1
Operating expenses before exceptionals	**(547.2)**	(845.8)
Underlying operating profit	**4.8**	6.3
Impairment of goodwill and acquired intangibles	**–**	(22.5)
Amortisation of acquired intangibles	**(1.4)**	(3.0)
Exceptionals restructuring and other costs	**–**	(8.4)
Operating profit/(loss)	**3.4**	(27.6)
Net financing costs	**(1.5)**	(1.9)
Profit/(loss) before tax	**1.9**	(29.5)
Income tax (expense)/credit	**(0.7)**	0.4
Profit/(loss) after tax on discontinued operations for the period	**1.2**	(29.1)
Loss on disposal of discontinued operations	**(63.0)**	–
Total loss arising from discontinued operations	**(61.8)**	(29.1)

For the year ended 31 March 2011 there was an impairment charge of £22.5m recognised against the goodwill and acquired intangibles allocated to the Western Europe CGU.

The loss on disposal of £63.0m includes the loss recognised at 30 September 2011 on transferring the assets and liabilities relating to the businesses to be sold to Rhenus to assets and liabilities held for sale of £15.6m.

On 29 July 2011, the Group completed the sale of its Netherlands based logistics business to JCL for €6.5m before disposal costs. On 31 August 2011, the Group completed the sale of its German Road operations and businesses in Central and Eastern Europe to Raben for €25.0m before disposal costs and working capital adjustments. On 3 January 2012 the Group completed the sale of its remaining operations in Europe to Rhenus for €43.8m before disposal costs. The net assets of the businesses, the estimated consideration and the loss on disposal are as follows:

	£m
Goodwill and intangible assets	**21.7**
Property, plant and equipment	**98.6**
Investments	**0.7**
Income tax receivable	**0.4**
Inventories	**1.7**
Trade and other receivables	**146.0**
Cash and cash equivalents	**2.4**
Borrowing and other financial liabilities	**(1.9)**
Trade and other payables	**(129.6)**
Employee benefits	**(34.7)**
Provisions	**(1.2)**
Deferred tax liability	**(0.2)**
Total assets disposed	**103.9**
Minority interest	**(0.5)**
Net assets disposed	**103.4**
Cash consideration received	**(64.3)**
Consideration receivable	**(0.8)**
Transaction and other costs[1]	**13.5**
Translation reserve transferred from equity	**(4.4)**
Goodwill written off on transfer to assets and liabilities held for sale	**15.6**
Loss on disposal	**63.0**

Net cash inflow arising on disposal:	
Cash consideration received	**64.3**
Transaction and other costs[1]	**(13.5)**
Net consideration received	**50.8**
Less net cash disposed of with the business	**(0.5)**
Net cash inflow for the period	**50.3**

1 Transaction and other costs include £6.4m in respect of legal and other advisor fees.

During the year discontinued operations contributed a net outflow of £17.7m (2011: £0.4m inflow) to the Group's net operating cash flows, a £42.7m inflow to investing activities (2011: £12.9m outflow) and a £38.5m outflow to financing activities (2011: £5.9m inflow).

Of the loss from discontinued operations of £61.8m (2011: £29.1m), an amount of £62.2m (2011: £29.5m) is attributable to the equity shareholders of Wincanton plc. All of the (loss)/profit from continuing operations of £(40.6)m (2011: £4.2m profit) is attributable to the equity shareholders of Wincanton plc.

7. (Loss)/earnings per share

(Loss)/earnings per share calculation is based on the loss attributable to the equity shareholders of Wincanton plc of £(102.8)m (2011: £(25.3)m) and the weighted average of 115.1m (2011: 114.4m) shares which have been in issue throughout the year. The diluted (loss)/earnings per share calculation is based on there being no additional shares deemed to be issued under the

Company's share option schemes. The weighted average number of ordinary shares for both basic and diluted (loss)/earnings per share are calculated as follows:

	2012 millions	2011 millions
Weighted average number of ordinary shares		
Issued ordinary shares at the beginning of the year	**114.6**	114.3
Net effect of shares issued and purchased during the year	**0.5**	0.1
	115.1	114.4
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at the end of the year	**115.1**	114.4
Effect of share options on issue	**–**	–
	115.1	114.4

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

	Continuing operations pence	**Discontinued operations pence**	**Total 2012 pence**	Continuing operations pence	Discontinued operations pence	Total 2011 pence
Underlying earnings per share						
– basic	**18.0**	**1.6**	**19.6**	19.6	1.6	21.2
– diluted	**18.0**	**1.6**	**19.6**	19.6	1.6	21.2

Underlying earnings are determined as follows:

	Continuing operations £m	**Discontinued operations £m**	**Total 2012 £m**
Loss for the year attributable to equity shareholders of Wincanton plc	**(40.6)**	**(62.2)**	**(102.8)**
Exceptional costs	**68.0**	**–**	**68.0**
Loss on disposal	**–**	**63.0**	**63.0**
Amortisation of acquired intangibles	**8.2**	**1.4**	**9.6**
Tax	**(14.9)**	**(0.3)**	**(15.2)**
Underlying earnings	**20.7**	**1.9**	**22.6**

	Continuing operations £m	Discontinued operations £m	Total 2011 £m
Profit/(loss) for the year attributable to equity shareholders of Wincanton plc	4.2	(29.5)	(25.3)
Exceptional restructuring and other costs	25.3	8.4	33.7
Other exceptional income	(7.0)	–	(7.0)
Impairment of goodwill and acquired intangibles	–	22.5	22.5
Amortisation of acquired intangibles	8.1	3.0	11.1
Tax	(8.2)	(2.6)	(10.8)
Underlying earnings	22.4	1.8	24.2

Underlying earnings and underlying earnings per share for continuing operations include share of results of associate, being the investment in Culina Logistics Limited, which was sold in March 2012. Underlying earnings excluding Culina are £19.4m (2011: £21.2m), and earnings per share 16.9p (2011: 18.5p).

8. Net liabilities

The Group is reporting net liabilities of £268.4m (2011: £107.0m) as a result of the loss retained in the period plus the pension deficit of £89.8m net of deferred tax. To provide greater visibility of the Group's underlying balance sheet position, net (liabilities)/assets before the net pension deficit are also shown on the face of the balance sheet.