

Wincanton plc
Annual Report 2003



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Shareholder information

The head office of our Continental European operations in Mannheim, Germany, is close to this container terminal, one of five operated by Wincanton.

Wincanton designs, implements and operates creative solutions for complex supply chains.

Our business is based on long-term partnerships with blue-chip customers and an in-depth knowledge of their markets and business processes.

We add value to our customers' operations through our leading-edge systems expertise, the skills and commitment of all our people and a relentless focus on the highest standards of operational performance.

By adding value for our customers throughout the UK, and now across Europe, we create value for our shareholders.

Wincanton five year record

Operating profit +51%

Return on capital employed +176%

Operating profit and the calculation of return on capital employed have been adjusted to exclude pension credit, exceptional items and the Trans European acquisition.

Twelve months of change, a year of transformation

Market/sectors 2002

1 Food & FMCG	46%
2 Food retail	23%
3 General merchandise retail	15%
4 Other manufacture	10%
5 Other	6%

UK & Ireland 2002

Highlights of the year

Following its successful demerger in May 2001, Wincanton produced another strong operational and financial performance.

June

Wincanton announces financial results for the year to 31 March 2002 showing a 10.8% increase in operating profit, a 17.8% increase in profit before tax, a 20.3% increase in basic earnings per share (all before pension credit and exceptional items) and a 5% increase in dividend.

September

A good first half of new business wins and contract renewals with both existing and new customers, including Britvic, Comet, Danone, MG Rover, Safeway and Tesco.

October

Chas Lawrence steps down as Chief Executive for reasons of family ill health. Appointment of Paul Bateman as the new Wincanton Chief Executive.

November

Continuing profit progress reported for the half year to September, with a 3.4% increase in operating profit, an 11.3% increase in pre-tax profit (both before pension credit) and a further 5% dividend increase. Two new joint ventures, KNW Retail Solutions and R-Log, announced with the results, targeting the inbound logistics and the reverse logistics markets.

December

Announcement of proposed acquisition of P&O Trans European for £152.5m debt free. £270.0m of new banking facilities successfully raised to fund the acquisition and future growth.

Market/sectors 2003

1 Food retail	22%
2 FMCG	21%
3 Petroleum	18%
4 Industrial	16%
5 Automotive	13%
6 General retail	10%

Across Europe 2003

A major strategic step forward is achieved with the acquisition of P&O Trans European. Wincanton confirms its position as a strong No. 2 in the UK market and establishes itself as one of the leading providers of pan-European supply chain management services.

January

Acquisition of P&O Trans European becomes effective and integration process begins. Graeme McFaul becomes Managing Director, UK & Ireland. Peter Brown becomes Managing Director, Continental Europe.

February

New UK business unit structure announced, integrating Wincanton's Industrial and Consumer units and Trans European's UK operations.

March

New business win momentum continues with gains in the second half of the financial year with customers such as Argos, B&Q, Heineken, Nestlé Purina PetCare, Procter & Gamble, Somerfield and Total.

Challenging for European leadership

Chairman, Wincanton plc
Victor Benjamin

This was a year in which Wincanton made further progress in profit as well as a major acquisition. A 4.7% increase in operating profit (before pension credit and exceptional items) from existing operations, to £31.1m, represents a creditable performance in difficult markets. The newly acquired Trans European business contributed £2.2m of operating profit (before goodwill amortisation and exceptional items) in its first three months of ownership. The combination of these gives a Group adjusted operating profit of £33.3m.

Profit progress was accompanied by another strong cash flow performance. The cash inflow from operations, before interest, tax and dividends, but after capital expenditure, was £61.9m.

Your Board is proposing a final dividend of 6.75p which represents a 7.1% increase compared to last year's final dividend and a 6.5% increase on the dividend paid in respect of the full financial year 2001/02.

At the time of demerger in May 2001, your Board indicated that the Company's strategy would be to continue to grow Wincanton's UK operations whilst, at the same time, seeking opportunities to develop into Continental Europe. In the two years since demerger, Wincanton has successfully delivered a strong financial performance from its existing UK operations, expanding both its customer base and its range of services. In order to achieve the second key step in the Company's strategy, and following an extensive review of a range of possible acquisition opportunities, your Board received shareholder approval in December to proceed with the acquisition of P&O Trans European for a debt free purchase price of £152.5m. New bank facilities of £270.0m were put in place to fund the acquisition and borrowings then outstanding. Net borrowings at 31 March 2003 were £147.7m.

That Wincanton was able to make such a move, placing itself in a position to

challenge for European leadership in its markets, owes much to the enormous contribution of Chas Lawrence over many years. Chas stepped down as Chief Executive in October because of his wife's illness. His contribution to the Company is separately described on the next page.

Trans European is a profitable business which operates from over 200 sites in 15 countries across Europe. Its UK activities complement our existing operations. Its Continental European activities include well-established businesses in France, Spain, Germany and Benelux, and a growing presence in the markets of Eastern Europe. Trading partners in other countries, such as Italy and Austria, substantially complete the European coverage. This geographic network offers an attractive platform for further profitable growth.

The acquisition represents a major step forward for Wincanton. It has consolidated the Group's position as the second largest company in the UK logistics market. At the same time, it has established Wincanton as one of the top three companies, by turnover, in the European logistics market overall. Already recognised as a leader in its UK market, Wincanton is now capable of serving the needs of its blue-chip customers across the continent.

We were very pleased to announce, in October, the appointment of Paul Bateman as the new Chief Executive. Paul has a lifetime's experience of the supply chain industry and a strong operational and strategic track record. In his statement in the pages that follow, Paul outlines his assessment of the progress made in the financial year, the integration of the Trans European acquisition and the outlook for the

- 1 Members of the Wincanton team at the Middleton site which was one of a number of customer service award winners this year.
- 2 Our expanded operations also include capabilities in the management of river, rail and sea traffic.
- 3 Efficient road transport management, such as for Lever Fabergé at Doncaster, remains a key competence, now available throughout Europe.

enlarged business. For future reporting purposes we will no longer segment our UK activities between Consumer and Industrial. Our operations will be appropriately reported only as 'UK & Ireland' and 'Continental Europe'.

Wincanton has increased in scale financially, operationally and geographically, significantly enhancing its ability to support the growth strategies of its blue-chip customers. We have been very encouraged by customer response to the acquisition. The customer bases of Wincanton and Trans European are largely complementary, and Wincanton's presence in the retail and fast-moving consumer goods sectors will fit well with the more industrial customer base of Trans European. Trans European also brings a range of new skills to add to Wincanton's leadership in areas such as retail logistics, tankers and automated warehousing. We believe there to be attractive opportunities for incremental growth from this enhanced portfolio of customers and skills and the presence of the enlarged Group throughout Europe. Outsourcing markets are competitive but growing. Wincanton, as a result of the Trans European acquisition, is now better placed to continue to add value for customers and shareholders in these markets.

The Group now employs over 24,000 people. We are pleased to welcome the Trans European employees, many of whom have taken up senior positions across the enlarged business. It was important to us that the two companies were found to have so many values in common. Customer focus, care for our employees and professionalism and integrity in the conduct of our business will continue to be as important to the new Group in the future as they have been to each company in the past.

The acquisition process inevitably absorbed significant management resource at both Trans European and Wincanton. It is a credit to both businesses that it was successfully completed without loss of focus on meeting the exacting requirements of our customers in respect of both day-to-day performance and new projects. Thanks are due to all our employees for having delivered another year of good progress, operationally and financially, during this time of major strategic change.

We are confident that, in line with the commitment in the shareholders' circular describing the acquisition, annual cost savings of not less than £2.0m p.a. will be delivered within 18 months. We now believe that this initial target will be exceeded. Further profit improvement is expected to come from an acceleration in the rate of new business growth. This will be generated from the broader customer, service and geographic base of the enlarged Group. We expect to achieve the final cost savings, and an enhanced new business flow, within three years of the acquisition.

The acquisition of Trans European represents a significant challenge for Wincanton. Your Company has the resources to address this challenge successfully.



Victor Benjamin
Chairman
11 June 2003

Chas Lawrence CBE

Wincanton, now one of the leading supply chain outsourcing companies in Europe, is barely recognisable as the Company that Chas Lawrence joined, from within Unigate, in 1974.

As Managing Director of Wincanton Distribution Services in the 1980s, Chief Executive of Wincanton in the 1990s, and a Board Director of Unigate since 1991, Chas guided the Company through two decades of significant change and challenge. The success of his programme of strategic and operational change made possible the demerger of Wincanton in May 2001.

Wincanton's people-focussed culture is another of Chas's lasting contributions to the Company. His strong family values and beliefs in the importance of respect and care for the individual were frequently reflected in many acts of personal kindness over the years and continue to underpin the Company's values today.

Chas retired as Chief Executive in October 2002 to care for his wife, Diane, who sadly passed away in March 2003. Chas stood down from the Wincanton Board in April 2003. He was President of the Freight Transport Association until April 2003 and remains on the Board. He is also a Fellow of the Institute of Logistics and Transport, a Life Fellow of the Institute of Grocery Distribution and a Liveryman of the Worshipful Company of Carmen.

His award of the CBE in the 2003 New Year Honours list was richly deserved recognition of nearly 40 years of service and contribution to the transport industry.

Chas looks forward to pursuing his many interests following his retirement from Wincanton.

Twelve months of change, a year of transformation

Chief Executive, Wincanton plc
Paul Bateman

- Strong operational and financial performance from existing operations
- Major strategic acquisition; No. 2 in the UK, Top 3 in Continental Europe
- Good progress on integration; cost saving target delivered and exceeded
- Encouraging start to new financial year

A year of transformation

The acquisition of Trans European has changed Wincanton from a strong player in its national market into one of the leading supply chain management companies in Europe. The enlarged Group has a well-diversified customer base, a wide range of skills and a pan-European presence that is amongst the best in the sector. I am delighted to have joined the Company at this challenging and exciting stage in its development.

We have much to do to deliver the full potential of the enlarged Group, but I believe that the acquisition has significantly enhanced Wincanton's prospects for sustainable, profitable growth.

Progress on integration

Good progress has already been made towards our integration objectives.

A major task for us, both pre and post acquisition, has been to work to ensure no loss of focus on existing customers and operations. One of Wincanton's key strengths over many years has been its focus on customer service and performance. I am pleased to say that performance delivery has continued to meet our customers' exacting requirements during the critical early months of the integration process. This has been our first success.

Our second success has been in the speed with which the UK businesses of Wincanton and Trans European have been integrated. The ability to drive costs out of the enlarged UK business was a key area of opportunity identified during due diligence. We moved quickly to rationalise the senior management and central service functions, implemented

- 1 A shared-user warehousing solution for a new blue-chip customer, Heineken, at our distribution centre in Lutterworth.
- 2 Total awarded Wincanton its national fuel distribution contract in the UK, reinforcing Wincanton's leading market position in tanker management.
- 3 Part of the automated high-bay warehouse operated for Nestlé Purina PetCare, one of ten such facilities designed, built and managed for major customers by Wincanton.
- 4 Imports of Kelloggs products are stored and distributed from our distribution centre at Tolka Quay in Dublin. Wincanton has a growing presence in the Republic of Ireland.

a new UK management structure under Graeme McFaul and announced the closure of Trans European's UK head office, subject to consultation. We are confident that our commitment to shareholders to deliver £2.0m p.a. of cost savings within 18 months of acquisition will be successfully delivered and exceeded.

Our third success has been in the rapid assessment of the initial actions required to improve the performance of certain Continental European operations. Peter Brown, formerly head of our Industrial business unit, relocated immediately post acquisition to Mannheim, the head office for Trans European's Continental operations. Although performance improvement in Continental Europe will take longer to deliver than in the UK, early signs of the potential for both increased efficiencies and new business opportunities are encouraging.

In addition to the good operational progress already made, we have also begun to extend Wincanton's financial disciplines to the acquired businesses. Again, this is a process that will take time to implement in full. We are confident, however, that increased focus on areas such as working capital and capital expenditure will improve the cash flow profile of the Trans European operations.

Performance review

Starting in the new financial year, we will report turnover and operating profit for the UK & Ireland and for Continental Europe only. This reflects both our new management structure and the increasingly integrated nature of our business in respect of customers, sectors and services. For the purpose of the current year to 31 March 2003

the comments set out below also address the business as a whole rather than in its previous constituent parts.

Underlying markets remained competitive throughout the year. Wincanton nonetheless produced another year of good operational and financial progress. The supply chain remains an area of critical importance to our customers, in terms of both cost and service levels to their own customers. The continuing search for performance improvement and increased efficiencies in the supply chain again provided opportunities for Wincanton. New business discussions therefore kept our development teams very active, particularly in respect of initiatives for retail customers.

The ability to identify opportunities to expand our range of services has been an important element in Wincanton's growth. The year to 31 March 2003 was no exception. In addition to initiatives such as Wincanton Store Development Services, a successful expansion of our retail service offering into store fittings, we were pleased to be able to announce in November two new joint ventures that significantly enhanced our range of services. These joint ventures, in respect of inbound logistics and reverse logistics, two promising areas of future growth, are beginning to establish their credentials in the market. Initial customer response has been encouraging, with a number of interesting projects already progressing to the development stage.

KNW Retail Solutions is a 50:50 venture with Kühne & Nagel, a company with strong credentials in international freight forwarding and supply chain management. The service offering of KNW Retail Solutions is therefore based on a strong combination of Kühne & Nagel's acknowledged expertise in the global

movement of goods and Wincanton's leadership in UK retail logistics. The joint venture gives customers the ability to manage all product movement from country of origin to UK distribution centre, or point of sale, on a fully integrated basis.

R-Log is a 50:50 venture with the US company Genco. It has been established to help retail customers design and implement reverse logistics solutions. Reverse logistics focuses on the efficient movement of products back from point of sale to retailer warehouse. Genco has developed specialist software for managing such movements, enabling them to secure contracts with some of the biggest retailers in the US. The combination of Genco's software and track record with Wincanton's customer base and transport and logistics expertise is already meeting with a positive response.

Further opportunities for this service will be created when the EU's Waste Electrical and Electronic Equipment Directive comes into force in the UK in 2005. Under this regulation, retailers of electrical and electronic goods will be legally obliged to dispose of old appliances when consumers buy replacements. R-Log is ideally positioned to service this need.

As in previous years, existing customers were again a significant source of new business. A new fully automated warehouse, for Heinz, was opened during the year. We now manage ten such facilities, including one in Germany, making us the market leader in this highly specialist field.

We were pleased to expand further our relationships with customers such as B&Q, Nestlé Purina PetCare, Argos, Somerfield, Tesco and Total. Systems-driven initiatives

driven initiatives also continued to be key to customer development. Examples include new voice-picking technology introduced for Somerfield and an innovative package of transport optimisation modules now in operation for Safeway. Contract renewals included long-standing relationships such as J Sainsbury, MG Rover, Comet, Britvic, Safeway and Midlands Co-op. Wins with new customers such as Heineken and Procter & Gamble further expanded the portfolio of blue-chip companies for which we operate. Pullman Fleet Services, our specialist vehicle maintenance operation, expanded its business with new and existing customers such as Tesco.com, Kerry Foods, BOCM Pauls, Woolworths, Iceland and Littlewoods.

The quality of our customer service was reflected in our continuing success in terms of customer awards. The award from Scottish & Newcastle Retail as 'Supplier of the Year 2003', for example, recognised not just high levels of service delivery but successful provision of a range of value-added services including demand planning, electronic ordering, complaints administration and inventory management. A safety award from Conoco, following the successful conclusion of the first year of this 5-year contract without a single lost time accident, was a pleasing acknowledgement of our focus on health and safety. The site managed for Comet at Westbury also won an award for damage reduction, reflecting the real cost savings that can be delivered to customers through good warehouse practice. The Wincanton team who manage Tesco's Middleton warehouse, one of a number of distribution centres operated for this customer, also received performance and teamwork awards in recognition of high levels of service achievement.

In financial terms, the year saw further profit and cash flow progress. Wincanton, pre acquisition, added approximately £100m of annualised turnover through new business wins, mostly with existing customers. Adjusted operating profit improvement, at 4.7%, would have been more significant but for adverse volume movements in our chilled consolidation operations as a result of retailer moves to factory gate pricing. New business was again substantially either customer funded or financed through operating leases back-to-back with customer contracts. Cash flow from operations was therefore strong.

The January to March quarter tends to be a period of lower volumes for the acquired Trans European business. There was a generally good performance in contract-based operations across Europe, particularly at Mondia in France, in the fast-growing Polish operations and in joint venture activities such as PGN. There was, as expected, continued volume weakness in the shared user transport and warehousing businesses. The intermodal operations in Germany were also adversely affected by the closure of the Rhine to barge traffic for a week in January. We have seen volume improvements since the year end, particularly in the UK, and have begun to take steps to reduce costs and improve efficiencies in a number of areas.

Growth prospects

Our acquisition adds further critical mass to Wincanton's UK operations, brings substantial geographic coverage of the rest of Europe and expands and enhances Wincanton's expertise and range of services. From a defensive perspective, it also underpins Wincanton's ability to continue to grow

in the UK. Multinational customers have driven much of Wincanton's historical growth and are expected, increasingly, to reduce their supplier base to logistics providers capable of operating on a regional, rather than a purely national basis. As well as bringing significant opportunity to work now with these customers across Europe, the acquisition will therefore also help us to both defend and grow our existing UK base.

As a result of our recent acquisition we are now able to offer logistics solutions, including transport networks, in both national markets and on a pan-European basis. We believe that the ability to combine operational expertise in local markets with supply chain integration expertise on a regional basis represents a powerful service offering to our blue-chip customers. The enlarged Group has a well diversified customer and sector base which we believe to be capable of greater leverage both within and across national boundaries. Trans European already worked in more than one country on behalf of a growing number of customers, for many customers on a regional basis and for certain customers on a global basis as an overall supply chain integrator. A key element of our strategy for growth is to continue, and accelerate, this process of internationalisation, working for an increasing number of existing blue-chip customers in more national markets and, wherever possible, on a regional basis. The initial response from customers to this significantly enhanced geographic presence has been very encouraging.

Going forward, in addition to our core strengths of transport networks, warehouse management, automated warehousing and supply chain integration, Wincanton's growing range of services now includes reverse and

- 1 Nationwide UK delivery of bulk liquid cleaning products for Johnson Diversey.
- 2 BMW motor cycles dispatched from a warehouse in Berlin for delivery in Germany within 24 hours using our national distribution network.
- 3 Scottish & Newcastle Retail named Wincanton as its Supplier of the Year for 2003.
- 4 Wincanton provides Just In Time and sequenced delivery to automotive production lines and also has significant operations in spare parts and aftermarket distribution.

inbound logistics, records management, in-store fittings, sub-assembly manufacturing, re-packing, garment preparation, change management and IT consultancy, purchasing and inventory management. The intermodal businesses acquired in Germany bring added strength to our existing supply chain integration services with particular expertise in rail, river and sea freight movements. This is a strong portfolio of services, capable of greater leverage across the substantial customer base of the Group.

Our European network is well invested, and gives us a presence in all the key continental markets. Belgium and the Netherlands are major import/export gateways with strong transport links into the rest of Europe. On the other side of the continent, the economies of both Poland and the Czech Republic are enjoying healthy growth, and will be strengthened by the expansion of the EU in the near future. Though currently experiencing challenging economic circumstances, Germany has a strategically important position between the 'old' and 'new' European nations. As a key geographical hub, it is clearly an essential location for any Europe-wide transport logistics and distribution operation. There is also scope for growth in France and Spain where our transport and sophisticated logistics solutions will be able to give forward-thinking customers competitive advantage, both locally and in cross-border commerce.

It has always been Wincanton's objective to be perceived as the 'employer of choice' within our industry, the Company for which the top industry professionals aspire to work. It is this ethos that will continue to drive our human resource policies. Our people will be the single most important factor in our future

success. The combined geographic, customer and operational experience and expertise of the enlarged Group offers creative and operational talent to our customers across Europe. Developing a common culture and identity across the new Group is not without its challenges but I am encouraged by the shared values that we already see in terms of customer focus, professionalism, and personal commitment.

Outlook

At an operational level, we have built a reputation by consistently delivering on our promises. The same spirit of determination applies to our strategic expansion into Europe. We now possess the people, the commercial and operational skills, the customer base and the network to take advantage of the continuing opportunities for profitable growth that we see in our markets. We also have a clear programme to enable us to deliver that growth.

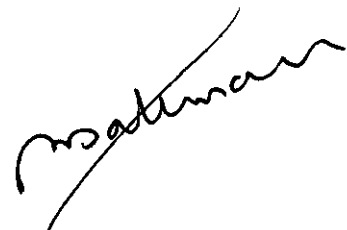
The next 18-24 months will be a challenging period. The integration process has begun well, but much remains to be done. We do not expect any significant improvement in the European economies next year and cost reduction, including increasing the efficient utilisation of our asset base, will remain a key area of focus and management attention.

Reasonable progress is being made towards our new business targets for the year to 31 March 2004, with good recent wins in both the UK and Continental Europe. In the UK we have added, for example, a new national transport operation for Matalan, a transport operation for Stylo, a fridge recycling service for Comet and a shop fittings activity for a leading high-street retailer

to add to business already won with B&Q in this new area of activity. We have also recently signed a letter of intent for a reverse logistics operation for a major retailer. We are therefore generating growth opportunities not just from existing customers and activities but by expanding both our customer portfolio and our range of added-value services.

We are also seeing new business wins in Continental Europe bringing volume to the network. A new contract for Philips will see us covering their logistics requirements across Central Europe in Poland, Hungary, the Czech Republic and Slovakia. We have won further business in the same region with another multinational electronics company. Another new win, with Dupont Dow Elastomers, is a pan-European operation serving their logistics requirements across the Continent from a new warehouse in Holland.

As in any year we will have ground to make up for known contract losses. Cost pressures in competitive markets will also continue to represent a challenge. We nonetheless expect to deliver another year of growth and good progress towards our strategic objectives.



Paul Bateman
Chief Executive
11 June 2003

Financial review

	2003 £m	Increase on 2002
Turnover		
Existing operations	812.1	+8.9%
Acquisition (3 months)	<u>185.9</u>	
	998.0	+33.9%
Operating profit		
Existing operations	31.1	+4.7%
Acquisition (3 months)	<u>2.2</u>	
	33.3	+12.1%
Basic earnings per share	16.5p	+3.1%
Dividend	10.06p	+6.5%

Note: All references to operating profit and basic earnings per share, including in the table opposite, have been adjusted to exclude pension credit, exceptional items and goodwill amortisation.

Trading result

Wincanton, before a 3-month contribution from the acquired businesses, reported a 4.7% increase in adjusted operating profit to £31.1m, on turnover up by 8.9% to £812.1m. The Consumer business unit reported stronger growth than in recent years with a 6.8% increase in turnover and an 8.5% increase in adjusted operating profit. The Industrial business unit also benefited from a number of good new business wins, reflected in an 11.4% increase in turnover, but saw adjusted operating profit held back to a 2.2% increase by a slower performance in chilled consolidation services.

The acquired businesses contributed £2.2m of adjusted operating profit on turnover of £185.9m in the period from January to March, a margin of 1.2%. The January to March quarter tends to be a period of lower volumes for these businesses. Turnover was generated as to approximately 21% in the UK & Ireland and 79% in Continental Europe. The level of margin in the acquired businesses, relative to Wincanton margin pre-acquisition, is a function of their currently lower levels of contract-based activity and weaker economic conditions in certain Continental European countries.

Turnover in the year, including the 3-month contribution of £185.9m from the acquired business, was £998.0m, a 33.9% increase on last year. Whilst this percentage increase is not directly comparable to last year, it does indicate the significant increase in scale of the business following the recent acquisition.

Adjusted return on capital employed, pre-acquisition, increased from 26.4% last

Group Finance Director, Wincanton plc
Gerard Connell

Note: Operating profit and the calculation of return on capital employed have been adjusted to exclude pension credit, exceptional items and the Trans European acquisition.

Five year record

Operating profit +51%	Return on capital employed +176%
1999 - £20.6m	1999 - 15.6%
2003 - £31.1m	2003 - 43.1%

year to 43.1% this year. The impact of the acquired business on Group capital employed is further discussed below.

In the last five years, Wincanton (excluding the contribution from this year's acquisition) has grown adjusted operating profit by 51%. Adjusted return on capital employed has more than doubled over the same period.

Exceptional items

The Group results reflect three items of an exceptional nature. Firstly, a £2.9m restructuring charge in respect of the acquired business, principally in relation to the rationalisation of the UK operations. Secondly, the decision has been taken to substantially write down the book value of our investment in a series of supply chain software modules. This has led to a £2.4m charge. We are currently in discussion with the vendor to seek to recover the costs of our investment. The third item is a credit of £2.4m arising from the release of a tax provision created, at the time of demerger, in respect of certain outstanding taxation issues for which provision is no longer considered to be required. This release of tax margin, together with the £1.6m tax effect of the operating exceptionals referred to above, shows a credit of £4.0m against the pre-exceptional tax charge for the year of £10.1m.

The £2.9m restructuring charge compares to the estimate of £2.0m contained in the circular to shareholders of 9 December describing the Trans European acquisition. This charge is expected to enable us to deliver cost savings in excess of the £2.0m p.a. within 18 months of acquisition also

described in the circular. Further restructuring charges are also likely in the current year.

Interest costs

As discussed below, the new syndicated facilities put in place to fund the Trans European acquisition carry a higher rate than our previous banking arrangements. The interest charge of £5.0m therefore reflects the effect of the new facilities on both existing Wincanton borrowings and the funding for the acquisition. The charge only includes 3 months' interest in respect of the acquisition, which was completed on 31 December 2002.

Interest cover in the year, as calculated in line with our banking covenants, was 7.4 times.

Taxation

The pre-exceptional taxation charge of £10.1m gives an effective rate for the year of 31.6%. This increase on last year's 28.6% is due to a combination of higher rates of tax in certain Continental European jurisdictions and an inability to offset losses in part of the German operations against profits being generated in other German activities.

Cash flow, borrowings and treasury

EBITDA of £60.6m combined with a working capital inflow of £9.8m to give a net cash inflow from operating activities of £70.4m. Gross capital expenditure of £17.7m was offset by asset sales, principally property-related, of £9.2m.

New business was again financed principally either by customers or

through operating leases back-to-back with customer contracts. Net capital expenditure of £8.5m was only 29.7% of the £28.6m charge for depreciation.

The cash inflow from operations, after capital expenditure but before interest, tax and dividends, was £61.9m.

Increased focus on working capital and capital expenditure is expected to lead to opportunities to improve the cash flow of the acquired businesses.

New committed 5-year bank facilities of £270.0m were raised to fund the acquisition, Wincanton's existing borrowings and the future working capital requirements of the enlarged business. In addition to these committed loans the Group also has available a range of overdraft facilities. At 31 March 2003 the Group's net borrowings were £147.7m.

The interest rate payable on the Group's borrowings is fixed at 1.5% over base rate for the first 12 months following the acquisition and may then be reduced in accordance with a mechanism linked to the overall level of Group debt. 3-year swaps have been entered into to fix approximately two-thirds of the Group's anticipated interest rate exposure. It is expected that the balance of our borrowings will remain floating. Overall borrowings are drawn approximately half in sterling and half in euros to hedge the asset base of the Group. No other instruments have been entered into to seek to fix the Group's interest or foreign exchange exposure at this stage.

The interest rate and foreign exchange position of the Group will be subject to regular review. No speculative trading is

Turnover

1 UK & Ireland	60%
2 Germany	26%
3 France, Spain, Benelux	12%
4 Eastern Europe	2%

Capital employed

1 UK & Ireland	60%
2 Germany	19%
3 France, Spain, Benelux	11%
4 Eastern Europe	10%

entered into and all activities of the treasury function are designed to support the Group's commercial operations.

Net assets and capital employed

The consideration of £152.5m paid to P&O for the Trans European operations is subject to potential adjustments arising from the preparation of completion accounts as at 31 December 2002. These accounts have yet to be finalised with the vendor. For the purposes of the preparation of consolidated Wincanton Group accounts at 31 March 2003, estimates have therefore been made in respect of an opening balance sheet, including fair value adjustments and the consequent amount of goodwill arising upon acquisition. This is currently estimated at £24.3m.

A consequence of the significant asset base of the acquired operations is a substantial increase in the adjusted capital employed of the enlarged Group. At 31 March 2003 the acquisition added £166.4m of adjusted capital employed to the Wincanton year-end capital base of £72.1m. Much of the capital base of the acquisition is accounted for by freehold and long leasehold property following significant capital investment in recent years.

Approximately 60% of the enlarged Group's capital employed relates to UK & Ireland operations. France, Spain and Benelux account for some 11%, with 19% in Germany and 10% in Eastern Europe.

Return on trading capital employed and cash flow return on investment are two important benchmarks for Wincanton.

A key objective for us in respect of the acquisition is to improve the returns of the acquired business and, where appropriate, seek to selectively reduce the capital base of its operations.

Earnings and dividends

Basic earnings per share of 16.5p, adjusted for exceptional items, pension credit and goodwill, as detailed in note 10, compared to last year's 16.0p, an increase of 3.1%.

The Board proposes a final dividend of 6.75p, representing an increase on last year's final dividend of 7.1%. Together with the interim dividend announced at the half year, this gives a total dividend of 10.06p per share, which is a 6.5% increase on last year.

The dividend, with earnings calculated on the same basis as interest cover above, is covered 1.8 times.

Pensions

The results of the triennial actuarial valuation as at 31 March 2002 indicated a funding shortfall of £15.2m. Incremental cash contributions of £2.1m per annum will be made to the pension fund to address this shortfall over the remaining average working lives of our employees. The possible need for further additional cash contributions will be kept under review. The Group will continue to assess the appropriateness of its pension policy and funding approach on the basis of actuarial advice.

The Group's defined benefit scheme has been substantially closed to new entrants since January 2003. In

recognition of the increased costs of future service accrual both employee and employer contribution rates have been increased from 1 April 2003.

The Group profit & loss account again shows a significant, but non-cash, item in respect of the release to profit of £4.0m from our SSAP 24 balance sheet provision. Year-on-year comparisons of operating profit and earnings exclude this item. The expected introduction in due course of FRS 17 to replace SSAP 24 requires certain additional accounting disclosures this year. These are set out in detail in note 24. The UK pension scheme accounting shortfall, on an FRS 17 basis, as at 31 March 2003 was estimated at £94.2m net of deferred tax.



Gerard Connell
Group Finance Director,
11 June 2003

- 1 Wincanton's vehicle washing facilities use recycled water thereby minimising their impact on the environment.
- 2 Transaid, an independent UK-based charity, uses transport skills and knowledge to improve access to services and markets for poor people in Africa and the developing world.

The Group has established policies in respect of employees, health & safety, the environment and business ethics. A working party was established by the Board in October 2002 to consider the continuing appropriateness of existing policies and their possible inclusion in a new, overall Corporate Social Responsibility code for the Group.

The Trans European acquisition in December 2002 significantly expanded the employee base and the geographical spread of activities of Wincanton. Consideration of existing policies must consequently now also take account of the increased complexity of the Group's operations.

Pending the outcome of this review no significant changes to existing policies are anticipated. The Group's approach in a number of key areas, including examples of certain current initiatives, is summarised below.

Employees

We aim to ensure that our corporate culture promotes a safe and healthy working environment in which all our 24,000 employees are treated with care, respect and integrity, irrespective of age, background, sexual orientation, race or gender.

Environmental

The Group recognises its responsibility to minimise the environmental impact of its operations. Current initiatives include a continuing focus on reduction in energy consumption and vehicle emissions, a number of recycling projects and projects to reduce vehicle movements.

We have successfully pioneered distribution centre to retail outlet collaborative operations. The environmental benefits include fewer vehicle movements, less fuel consumption and less road congestion.

As far as recycling is concerned we have been seeking to reduce the volume of packaging material sent for landfill from our sites and have also been looking to use recycled water for vehicle washing.

Our new R-Log joint venture specialises in reverse logistics to meet demand which is set to rise substantially as a result of the EU's Waste Electrical and Electronic Equipment Directive. This, combined with our fridge recycling operation, will help customers address potential environmental issues in their own businesses. Our rail and river freight activities in Continental Europe also work actively with customers to reduce freight movements by road.

Health and safety

Health and safety issues are high on the corporate agenda. We have formed a new HSE committee, chaired by the Chief Executive and co-ordinated by a single safety manager with a company-wide remit. We have also engaged Du Pont, recognised leaders in this field, to help us design and implement world-class HSE standards.

We are proud to have received a number of safety awards through the year, including one from Conoco in recognition of completing the first year of a 5-year contract without a single lost time accident.

Community and charity initiatives

At present, the majority of our community and charity initiatives are developed by employees on a local basis. As a matter of corporate policy, we encourage them to become involved in community activities and we provide support in the form of targeted sponsorship, ideally in relevant areas, such as road safety, the environment and young people.

Trans European was a corporate sponsor of Transaid, an international charity that aims to tackle poverty in the developing world through practical transport solutions. We have honoured the original commitment by agreeing to continue this sponsorship.

Ethics

We recognise that it is essential that the Company earns and maintains the trust and confidence of its employees, customers, suppliers, shareholders and the community at large. Wincanton has an established code of ethics for dealing with each of these five categories of people and organisations.

Serving customers
across Europe

Expansion into Europe. Coverage, capability and consistency.

- 1 As an integrated supply chain operator, Wincanton creates and co-ordinates pan-European logistics solutions encompassing the movement of goods by road, rail, river and sea.
- 2 Wincanton manages more than 25% of the container traffic on the Rhine.
- 3 Agricultural machinery is shipped by barge via Wincanton's ro-ro service on the Rhine. Compared to road transportation, this service offers both a cost-effective and an environmentally friendly transport solution.

Coverage across Europe

As one of the top three logistics suppliers in Europe, our market coverage is amongst the best in the supply chain management sector. We provide our customers with services on a national, international and pan-European basis.

Expertise in national markets

Wincanton has established operations in 15 European countries, including all the major economies. We are the second largest logistics provider in the UK, have a strong national network in Germany, a good presence in the major import/export gateways of the Benelux countries, a growing business in France and Spain and established businesses in the emerging markets of Central Europe such as Poland.

Regional coverage

Our strengths in local markets combine with our overall supply chain integration expertise to offer pan-European capabilities to our blue-chip customer base.

Service and performance

The key focus across all of the countries in which we operate is our total commitment to delivering customer service and operational performance. As a result of this commitment, we have long-standing partnerships with leading companies in many sectors.

A range of services

Diverse solutions
across the economy.

- 1 Wincanton designed, built and now operates this automated national distribution centre for Heinz.
- 2 Pullman Fleet Services 24/7 roadside assistance national control centre.
- 3 Wincanton's Data & Records Management business is a market leader in off-site storage of documents and computer media, serving banks, legal firms and hospitals.

Supply chain integration: planning and consultancy

Our in-house IT resources work closely with our business development teams and third-party software companies to produce innovative solutions for our customers' supply chain requirements.

Transportation and distribution

Transport represents one of the most significant costs in our customers' supply chains. Our operational expertise in the management of road transport allows us to generate cost savings plus operational and environmental improvements from the efficient utilisation of customer and third-party fleets and our own vehicles.

Warehousing

We design, build and operate warehousing assets for our customers, from small manual operations to capital intensive automated facilities. We operate these assets for customers on both a dedicated and shared-user basis and at all temperature ranges. Our expertise also includes bonded and pharmaceutical facilities.

Intermodal

Wincanton's integration capabilities have been significantly enhanced by the Rhenania business, acquired as part of the P&O Trans European transaction. Rhenania has an excellent reputation for the development and implementation of supply chain concepts linking the movement of freight by road, rail and river across Europe, supplemented as required by sea and air freight services on a global basis.

Added-value services

For manufacturing customers we also offer in-works logistics, sub-assembly, re-packaging, labelling and design services. Our added-value offering to retail customers includes in-store logistics, reverse and in-bound logistics, quality control and inventory management. Other specialist services include Data & Records Management, Pullman Fleet Services, customs clearance and recycling.

Providing
a competitive advantage
for our clients.

- 1 Wincanton's bonded warehouse for British Airways duty free operation at Heathrow.
- 2 World-wide distribution of fine paper for M-real Zanders from an automated warehouse in Germany.
- 3 Warehousing and distribution for Superquinn, Ireland's leading grocery retailer.

Performance delivery

No matter how complex and challenging the situation, we consistently deliver projects on time and on budget to meet the exacting specifications and performance requirements of our customers. Our reputation for reliability and consistency is one of our most important business assets.

Creative solutions

We apply creative thinking, operational expertise and the latest software and technology to deliver innovative and reliable supply chain solutions that reduce costs and add value for our customers. Our solutions are based on an in-depth understanding of our customers' business processes.

Change management

New supply chain solutions can have significant implications for a customer's business, employees and systems. We have many years of experience in change management, and this experience continues to be a key factor in the successful delivery of new outsourcing projects.

National strength, European coverage

Our European network offers customers both operational expertise in national markets and a regional capability that enables us to create and deliver pan-European solutions.

One team across Europe

Knowledge
that delivers international
solutions.

- 1 Customer focussed people with a broad skills base and extensive local knowledge enable us to design and deliver innovative solutions across Europe.
- 2 Intra Ocular Lenses are distributed on behalf of Advanced Medical Optics throughout the UK & Ireland from our Coventry warehouse and through much of Europe from Strasbourg.
- 3 Ryszard Warzocha, Managing Director of Wincanton Trans European Poland, pictured here with Wolfgang Dölger and Harry Dumser, Managing Directors of Wincanton Trans European management in Germany, being presented with the Team of the Year 2002 for another successful year, working with multi-national customers such as Thomson Multimedia and Goodyear.

Customer focus

Our people combine knowledge and understanding of national markets and pan-European supply chain issues with a detailed understanding of our customers' objectives and operational issues to create customer focussed solutions.

Flexibility

Our business development, systems and operational teams work flexibly across national boundaries to the benefit of both customers in national markets and customers for whom we manage cross-border, pan-regional or global solutions.

Sharing expertise and best practice

Our customers benefit from our commitment to sharing best practice across all our operations, whether in respect of new solutions, operational improvement, health and safety or systems.

A shared vision

Wincanton is already one of the leading supply chain management companies in Europe with geographic and sector coverage that is amongst the best in our sector. Our people share our commitment to excellence in both local markets and cross-border solutions that will see Wincanton continue to develop its reputation as an industry leader.

Board members

1. Victor Benjamin (aged 68)
Chairman

Victor retired as senior partner of Berwin Leighton in 1994 and is now a consultant to the firm. He was Deputy Chairman of Lex Service from 1973 until the end of last year, Deputy Chairman of Tesco from 1982 until 1996 and Chairman of Beazer from 1994 until 2001. He became non-executive Chairman of Wincanton in March 2001.

2. Paul Bateman (aged 59)
Chief Executive Officer

Paul was appointed Chief Executive of Wincanton in October 2002. Prior to that, Paul spent 24 years with Philips Industries before moving to Tesco. During his 17 years there he held the positions of Distribution Operations Director and Managing Director of their logistics company. More recently, he became their Distribution Strategy Director.

3. Gerard Connell (aged 45)
Group Finance Director

Gerard trained with Price Waterhouse and went into the City in 1984. During his 12 years in the City he became a Managing Director of Bankers Trust and a Regional Director of Hill Samuel. He joined Unigate as Corporate Development Director in 1996 and transferred to Wincanton in September 2000 to help prepare the Company for demerger.

4. Graeme McFaul (aged 41)
Managing Director, UK & Ireland

Graeme joined Wincanton in 1994 as Finance Director of the Retail Division, following financial positions with Geest, Cargill and Pepsico. He became Managing Director of the Retail Division in 1999 and Managing Director Consumer in 2000. He was appointed Managing Director UK & Ireland in January 2003, following an internal re-organisation.

Nomination Committee
Victor Benjamin (Chairman)
Paul Bateman
David Malpas

Remuneration Committee
David Malpas (Chairman)
Victor Benjamin
Philip Cox

Audit Committee
Philip Cox (Chairman)
Victor Benjamin
David Malpas

5. Peter Brown (aged 52)
Managing Director, Continental Europe

Peter joined Wincanton Transport as a graduate management trainee in 1973. He has held a variety of positions within the Company, becoming Managing Director of Wincanton Manufacturer Division in 1993 and, following an internal re-organisation, Managing Director Industrial in 2000. He was appointed Managing Director Continental Europe in January 2003. Peter is a fellow of the Institute of Logistics and Transport.

6. Ernest Zeida (aged 52)
Managing Director, Group Services

Ernest joined the Wincanton Group in 1983 and became Finance Director of Wincanton in 1987, Corporate Development Director in 1995 and Managing Director of Wincanton's Industrial & Commercial Division in 1997. Following an internal re-organisation, Ernest became Managing Director Group Services in 2000.

7. Philip Cox (aged 51)
Non-executive Director

Philip is Chief Financial Officer of International Power, having previously been Group Finance Director of Siebe. He became a non-executive Director of Wincanton in June 2001.

8. David Malpas (aged 63)
Non-executive Director

David is a non-executive Director of Allied Domecq and Chairman of Dresdner Income Growth Investment Trust, having retired as Managing Director of Tesco in 1997. He became a non-executive Director of Wincanton in June 2001.

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2003.

Principal activities

Wincanton designs, implements and operates a range of supply chain management solutions.

Acquisition

On 31 December 2002 the Group acquired P&O Trans European on a debt free basis for £152.5m in cash.

Results and Dividends

A review of the activities of the Group during the financial year and analyses of turnover and profit are presented in the Chairman's statement on pages 4 and 5 and the Chief Executive's statement on pages 6 to 9, plus the Financial review on pages 10 to 12. An indication of likely future developments is contained in the Chief Executive's statement on pages 6 to 9. The Group profit, after exceptional items and equity minority interests, attributable to shareholders for the financial year amounted to £20.1m. An interim dividend of 3.31p per share was paid on 8 January 2003. Subject to shareholders' approval at the Annual General Meeting to be held on 24 July 2003, a final dividend of 6.75p per share will be paid on 13 August 2003 to those shareholders on the register of Wincanton plc at 18 July 2003. This leaves retained Group profits of £8.5m to be added to reserves.

Policy and practice on payment of creditors

The Group does not have a formal code that it follows with regard to payments to suppliers. It agrees payment terms with its suppliers when it enters into binding purchase contracts for the supply of goods and services. Its suppliers are, in that way, made aware of these terms. The Group seeks to abide by these payment terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

At the year end there were 51 days (2002: 35 days) purchases in the Group's trade creditors.

Directors

The current Directors of the Company are shown on pages 22 and 23. Details of corporate governance policy are set out on pages 26 and 27. Directors' beneficial interests in the Company's share capital as at 31 March 2003 and the date of this report are set out in the Directors' remuneration report on pages 28 to 32. At the Annual General Meeting on 24 July 2003 Wincanton plc will seek the re-election as Directors of V W Benjamin, G D Connell and E A Zeida, who are resigning under the rotation provisions of the Articles, and also of P Bateman who was appointed during the year. C A Lawrence resigned as a Director on 9 April 2003.

Employees

The Group uses a number of ways to provide employees with information on matters of interest to them. These include an annual report to employees dealing with Group and segmental results, an in-house newsletter and briefing and consultative meetings.

The Group has established the Wincanton plc Sharesave Option Scheme 2001 and the Wincanton plc Executive Share Option Schemes 2001 that support Wincanton in the development of its business objectives. Invitations were made in December 2002 to certain senior managers under the Executive Schemes to apply for options.

Wincanton is committed to a policy of equal opportunities in employment by which the Group has and continues to:

- Select, recruit, develop and promote the very best people basing its judgement solely on suitability for the job;
- Ensure that all applicants and employees receive fair and equal treatment irrespective of sex, marital status, nationality, colour, race, ethnicity, national origin, disability or gender reassignment;
- Encourage diversity in its workforce, reflecting, where practical, the diversity of the working population;
- Maintain a working environment free from sexual and racial harassment and intimidation;
- Ensure that all employment conditions and job requirements reflect its commitment to equal opportunities.

Where people become disabled during the course of their employment, every practical effort is made to retain their services and to provide retraining if necessary. All employees are eligible for appropriate training, career development and promotion and disabled people are not treated any differently in this respect.

Political and charitable contributions

The Group made no political contributions during the year. Donations to charities amounted to £18,500 (2002: £17,500).

Directors' report

continued

Share Capital and Reserves

Details of the authorised and issued share capital and reserves of the Company are shown in notes 20 and 21 to the accounts.

Annual General Meeting

At the Annual General Meeting to be held on 24 July 2003, the Directors of Wincanton plc will propose the following: to seek to renew the authority to disapply shareholders' pre-emption rights in certain circumstances; to approve the Company's power to buy back a proportion of the Company's share capital and to allow the Directors to allot shares; to approve the payment of limited donations to political parties and to seek approval for the proposed Wincanton plc Approved Share Incentive Plan 2003, International Share Incentive Plan 2003 and Share Match Incentive Scheme 2003.

Substantial interests

At the date of this report, the Company has been notified by the following that they hold a disclosable beneficial interest in 3% or more of the issued share capital of the Company:

	%
Legal and General Investment Management Limited	4.1
Fidelity Investments	3.4
Threadneedle Asset Management Limited	3.4
Standard Life Investments Limited	3.4

Research and development

During the year the Group was active in the development of new products and supply chain services to support current and future customer requirements.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group overall have adequate resources to continue operating for the foreseeable future. Accordingly these financial statements have been prepared on a going concern basis.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

C F Phillips

Secretary
Cale House
Station Road
Wincanton
Somerset
BA9 9AD



11 June 2003

Corporate governance

Introduction

The Company is committed to high standards of corporate governance and supports the principles laid down in the Combined Code on Corporate Governance ('the Code'). This statement describes how the principles of the Code are applied and reports on the Company's compliance with the Code's provisions.

Board of Directors

The Board currently has eight members, comprising the Chairman (non-executive), Chief Executive, Group Finance Director, three further Executive Directors and two further non-executive Directors. All of the Directors bring strong judgement to the Board's deliberations. The Chairman and other non-executive Directors are all independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The non-executive Directors have each been appointed for a 3-year term. The senior non-executive Director is A D Malpas.

P Bateman was appointed as a Director and as Chief Executive on 9 October 2002. C A Lawrence served as Chief Executive until 9 October 2002 and took a 6-month sabbatical from that date until 9 April 2003, when he resigned as a Director.

The biographical details of the Board members are set out on pages 22 and 23. The Directors have all occupied, or occupy, senior positions in UK listed companies and have substantial experience in business. The non-executive Directors do not participate in any of the Group's pension schemes or in any of the Group's bonus, share option or other incentive schemes. All Directors must stand for election at the first Annual General Meeting after they are appointed. The Articles provide that all Directors will stand for re-election at least every three years.

The Board is responsible for the proper management of the Company. The Board normally meets 10 times each financial year and has a formal schedule of matters reserved to it for decision making, including the approval of annual and interim results, annual budgets, acquisitions and disposals, material agreements and major capital commitments. The Secretary maintains a record of attendance at Board meetings.

Board members are given appropriate documentation in advance of each Board or Committee meeting. This normally includes a detailed report on current trading and full papers on matters where the Board will be required to make a decision or give its approval. Annual reports are presented to the Board on matters such as pensions, insurance and treasury. Specific business presentations are given when appropriate.

There is an established procedure for the preparation and review, at least annually, by the Board of medium term plans and annual budgets for business units. Each business unit reports monthly on its performance against its agreed budget. The Board receives a monthly update on performance and reviews significant variances on a monthly basis. All major investment decisions are subject to post completion reviews.

The Board has approved a procedure for Directors to take independent professional advice if necessary. In addition, the Directors have direct access to the advice and services of the Company Secretary who is charged by the Board with ensuring that Board procedures are followed. Removal of the Company Secretary is a matter for the Board as a whole. Every Director receives appropriate training and business familiarisation as required on appointment to the Board, and subsequently as necessary.

The differing roles of the Chairman and Chief Executive are acknowledged. The non-executive Chairman is primarily responsible for the workings of the Board and ensuring that its strategic and supervisory role is achieved. The Chief Executive chairs the Wincanton Executive which also comprises the Group Finance Director, the three Executive Directors, the functional heads of IT and HR and the Company Secretary. The Executive is responsible for the day to day running of the business, carrying out the agreed strategy and implementing specific Board decisions relating to the operation of the Group.

Board Committees

There are a number of standing Committees of the Board to which various matters are delegated. The committees all have terms of reference, brief details of which are set out below:

The Nomination Committee comprises P Bateman, since his appointment as Chief Executive, (previously C A Lawrence) and A D Malpas, under the chairmanship of V W Benjamin. It is responsible for considering and recommending to the Board persons who are appropriate for appointment as Executive and non-executive Directors. Appointment is the responsibility of the whole Board following recommendation from the Committee. The Committee meets as necessary and uses the services of outside consultants to assist it.

The Remuneration Committee comprises V W Benjamin and P G Cox under the chairmanship of A D Malpas. It is responsible, within a framework established by the Board overall, for setting the remuneration of senior executives, including the Executive Directors. It is also responsible for granting executive options, long-term incentive plan awards, pension rights and any compensation packages. Full details of its activities and of Directors' remuneration are set out in the Directors' remuneration report on pages 28 to 32. It details compliance with the legal requirements with regard to remuneration matters.

The Audit Committee comprises V W Benjamin and A D Malpas under the chairmanship of P G Cox. It is responsible for:

- reviewing the annual and interim financial statements before they are presented to the Board;
- agreeing internal and external audit plans;
- receiving reports from external auditors and from the Head of Internal Audit and dealing with any significant control issues arising.

It is a specific responsibility of the Audit Committee to ensure that an appropriate relationship is maintained between the Company and its Auditors. The Chairman of the Audit Committee reports the outcome of meetings to the Board and the Board receives the minutes of all Audit Committee meetings.

Shareholder relations

The Company is committed to maintaining good communications with shareholders. Senior executives, including the Chairman, Chief Executive and Group Finance Director, have dialogue with individual institutional shareholders and twice a year give general presentations covering the annual and interim results. The Company Secretary generally deals with questions from individual shareholders. All shareholders have the opportunity to put questions at the Company's Annual General Meeting, when the Chief Executive will give a statement on the Company's performance during the year, together with a statement on current trading conditions. The Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer questions at the Annual General Meeting. The Chairman will advise shareholders on proxy voting details. In addition, a website containing published information and press releases can be found at www.wincanton.co.uk.

Internal control

The respective responsibilities of the Directors and Auditors in connection with the financial statements are explained on pages 32 and 33. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness.

An ongoing process for identifying, evaluating and managing significant risks faced by the Group has been in place throughout the year which accords with the Turnbull guidance on internal control. The Audit Committee has, as part of its review process, considered the Group's system of internal control throughout the year. The system of internal control is designed to manage rather than eliminate risk of failure to meet business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

The key elements of the control system are as follows: the Group has an organisational structure with established lines of accountability as well as clearly defined levels of authority. The Group has issued manuals, including the Group's ethical code, which provide details of the key policies and procedures to be followed and the overall environment in which the business is expected to operate. In addition, the Group has in place a system of control self-certification which provides a documented trail of accountability against the internal control policies and procedures. This process is facilitated by the Internal Audit Department who also provide a degree of assurance as to the operation and validity of the system of internal control. Following the acquisition of P&O Trans European, which operated a more decentralised approach to financial control, these processes and systems are being extended to encompass the sites and operations of the enlarged business.

All types of risk applicable to the business are reviewed on a continual basis. In addition, a formal risk assessment review is carried out on an annual basis to highlight key risks to the business and to consider action that can reasonably and cost effectively be taken to reduce them. This review, which accords with the Code, is considered by the Board.

The Group's Internal Audit Department is involved in the review and testing of the internal control system and of key risks across the Group in accordance with the annual programme agreed with the Audit Committee and undertakes from time to time ad hoc assignments requested by senior executives or the Audit Committee. The findings of the Internal Audit Department are discussed with the Audit Committee.

Compliance

The Directors consider that the Company has been in compliance with the provisions of the Code throughout the year ended 31 March 2003 and to the date of this report.

Directors' remuneration report

Consideration of matters relating to Directors' remuneration

The remuneration policy is set by the Board and is described below. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy. The names of the Directors who were members of the Remuneration Committee during the period relevant to the year ended 31 March 2003 are set out on page 23.

The Remuneration Committee meets as appropriate during the year. Except when matters concerning his own position are being considered, the Chief Executive is normally invited to attend the meetings to assist the Committee. Any matter affecting the Chairman would be discussed by the Remuneration Committee without the Chairman present. The terms of appointment of P Bateman as Chief Executive were agreed by the Remuneration Committee during the year.

The Remuneration Committee has access to independent advice when it considers it appropriate. During the year such advice was received from Towers Perrin who also provided similar advice to the Company in respect of other senior managers.

Remuneration policy

The Committee gives full consideration to the following:

- the importance of recruitment, motivation and retention of high quality management;
- the culture of linking reward to overall corporate and individual employees' performance.

The Remuneration Committee monitors practices in other companies to ensure that it remains in touch with current best practice in the market, whilst accepting its obligations to continue to honour pre-existing contractual commitments.

The base salaries of Executive Directors are, and will continue to be, reviewed annually, having regard to personal performance, Group and business unit performance and competitive market practice, supported by research through external independent surveys.

Subject to an overriding discretion by the Remuneration Committee, after taking an overall view of the Company's performance, annual bonuses may be earned by Executive Directors based on the achievement of pre-agreed targets for profit after tax (excluding amortisation of goodwill and exceptional items) in the year, and the Remuneration Committee's assessment of strategic and personal performance. The maximum bonus is capped at 50% of basic salary.

The current Executive Share Option Schemes are set up generally in accordance with guidelines published by the bodies representing institutional investors. When Executive Scheme grants are made, a performance condition is set by the Remuneration Committee which must normally be met before any executive options can be exercised.

The performance condition used for both the initial grant of executive options, made in June 2001, and the subsequent grant in December 2002, requires that before any such options can normally be exercised the average annual growth in the Group's adjusted earnings per share as published in the audited accounts must, in a 3-year period equal or exceed the average annual growth in the Government's Retail Price Index plus 3.0% over the same period. The relevant 3-year periods are, for each of the two option grants extant, any three consecutive financial years within the periods 1 April 2001 to 31 March 2006 and 1 April 2002 to 31 March 2007 respectively.

These performance conditions are considered appropriate and in line with market practice. They seek to achieve commonality of goals between option holders and shareholders. Performance conditions are monitored via the publication of the adjusted earnings per share figures in the annual accounts and through regular review of Executive performance by the Remuneration Committee.

The grant of executive options is on a discretionary basis within the limits set down in the rules of the Executive Share Option Schemes with emphasis on performance and job responsibilities. It is the policy of the Committee to consider carefully the need to incentivise senior management and the spread of time over which they are granted to ensure an appropriate long-term incentive. The Committee keeps under review the structure and mix of incentives overall.

Executive options held at 31 March 2003 were granted under the Executive Share Option Schemes 2001. Other than in respect of the Sharesave Option Scheme, options are not granted at a discount.

Directors' remuneration report

continued

Directors' contracts

The Executive Directors, other than P Bateman, have each entered into a service contract dated 23 March 2001. P Bateman's service contract is both dated and commenced on 9 October 2002. Each of the Executive Directors may terminate his service contract on 6 months' notice, whereas the notice period receivable from the Company is 12 months.

The termination conditions for Executive Directors under these continuing service contracts are as follows; 12 months' basic salary together with compensation for the value of other benefits to which he is entitled, for the period of 12 months from the date on which employment terminated. Unless terminated earlier by notice, P Bateman's service contract will automatically terminate on 31 October 2006, or if later, the date on which the interim results in 2006 are announced. C A Lawrence's service contract terminated on 9 April 2003 on his retirement. It is intended that future appointments to the Board will have notice periods of 12 months or less, except where longer periods are required in order to attract appropriate candidates.

The Executive Directors are each entitled to the following benefits pursuant to their service contracts: a company car or a car allowance in lieu of a company car, company sick pay in accordance with Wincanton's sick pay and absence policy, 25 days paid holiday, the right to participate in Wincanton's private health insurance arrangements and payment of the annual membership subscription to a relevant professional body.

The non-executive Chairman of Wincanton is entitled to a fixed fee of £100,000 per annum. His appointment is for a 3-year term from 15 March 2001, but may be terminated by either Wincanton or the Chairman giving 12 months' notice.

The non-executive Directors, other than the Chairman, receive a basic fee of £25,000 each per annum. Chairmen of Committees receive a fee of £2,500 per annum per Committee. The letters of appointment of the non-executive Directors are dated, and their appointments commenced on, 4 June 2001, each for a 3-year term. These appointments may be terminated by either Wincanton or the non-executive Director giving 12 months' notice.

The non-executive Directors do not participate in any incentive, pension or benefit schemes and their appointments are subject to review every year.

As noted above C A Lawrence retired from the Board on 9 April 2003 in advance of his normal retirement date and accordingly certain remuneration arrangements were agreed with him, the principal item being a pension settlement at an additional cost of £91,000.

Total shareholder return

The following graph charts the total cumulative shareholder return of the Company since the listing of the Company's shares on the London Stock Exchange on 18 May 2001, against the FTSE 250 Index in which the Company's shares are listed.

Directors' remuneration report

continued

Directors' shareholdings

The Directors' interests in the shares of the Company at 31 March 2003 were:

	31 March 2003 Number	31 March 2002 Number
P Bateman	68,000	8,000*
P H Brown	30,198	16,198
G D Connell	52,255	29,755
C A Lawrence	32,898	32,898
G McFaul	15,000	10,000
E A Zeida	5,494	5,494
V W Benjamin	60,000	48,750
P G Cox	5,000	5,000
A D Malpas	48,750	38,750

* On date of appointment

There were no changes in the Directors' personal holdings between 1 April 2003 and 11 June 2003. None of the Directors held any shares non-beneficially nor had any interest in the shares of any subsidiary undertakings.

The auditors are required to report on the information contained in the following sections of the Directors' remuneration report.

Directors' Remuneration

The remuneration of each of the Directors of the Company for the year ended 31 March 2003 was:

	Salary/ Fees £'000	Performance bonus £'000	Benefits £'000	2003 Total £'000	2002 Total £'000
P Bateman ⁽¹⁾	188	65	14	267	-
P H Brown	202	81	16	299	268
G D Connell	237	103	22	362	319
C A Lawrence	335	66	20	421	458
G McFaul	191	86	13	290	251
E A Zeida	160	60	18	238	227
V W Benjamin	100	-	-	100	100
P G Cox	28	-	-	28	23
A D Malpas	28	-	-	28	23
	1,469	461	103	2,033	1,669

(1) Appointed 9 October 2002

It is company policy not to give Directors' expense allowances, but to reimburse them for all expenses incurred in the performance of their duties. None of the Directors received compensation for loss of office in either the current or preceding year. Benefits relate principally to the provision of company cars and medical insurance cover.

Directors' remuneration report

continued

Pensions

The following pension benefits accrued to Executive Directors of the Company:

	Accrued benefit at 31 March 2003 £'000	Increase in accrued benefits excluding inflation £'000	Increase in accrued benefits including inflation £'000	Transfer value of increase in accrued benefit excluding inflation £'000	Transfer value of accrued benefits at 1 April 2002 £'000	Transfer value of accrued benefits at 31 March 2003 £'000	Increase in transfer value £'000
P Bateman	-	-	-	-	-	-	-
P H Brown	101	10	13	97	1,021	975	(46)
G D Connell	48	10	12	65	313	311	(2)
C A Lawrence	210	16	22	278	2,915	3,654	739
G McFaul	49	8	9	45	290	275	(15)
E A Zeida	75	3	6	29	811	735	(76)

Executive Directors (other than P Bateman) are members of the Wincanton Scheme. Executive Directors are generally eligible for a pension of up to two-thirds of base salary at normal retirement age of 60 normally after 20 years of qualifying service (for which purpose previous service with Uniq plc will qualify). The Directors' current ages are stated on pages 22 and 23, except for C A Lawrence who is 58. Pensions for Executive Directors (other than P Bateman) are provided on a non-contributory basis so far as possible through the Wincanton Scheme or, in respect of G D Connell and G McFaul (who are subject to the statutory earnings cap on pensionable earnings), through the use of unfunded arrangements, to provide broadly similar benefits. P Bateman receives an additional payment, which is subject to both tax and national insurance deduction, equal to 15% of his base salary. Non-executive Directors are not eligible to participate in any Group pension arrangement.

The value of bonuses, other benefits and share options or other long-term incentives do not form part of pensionable salary. The pension scheme and/or purchased life policies provide for the payment of benefits on death or disability. On death, a two-thirds spouse's pension is due. Children's allowances to a maximum, including spouse's pension, of 100% of the Executive's pension may be payable.

During the year there was a change in investment market conditions which has led to a reduction in the transfer values calculated for all Scheme members, apart from those who are close to their normal retirement age. This is the reason for the decreases in the transfer values for the Directors as disclosed above, offset by a change in the actuarial assumptions used to calculate transfer values for all Scheme members in the year.

Directors' Options under the Wincanton plc Executive Schemes

Name/Date of Grant	Balance 31 March 2002	Options granted in year	Options exercised in year	Balance 31 March 2003	Exercise price	Date from which exercisable	Expiry date
P Bateman							
December 2002	-	350,000	-	350,000	193p	12.12.05	12.12.12
C A Lawrence							
June 2001	381,668	-	-	381,668	190p	18.06.04	26.09.11
P H Brown							
June 2001	222,458	-	-	222,458	190p	18.06.04	26.09.11
December 2002	-	50,000	-	50,000	193p	12.12.05	12.12.12
G D Connell							
June 2001	263,247	-	-	263,247	190p	18.06.04	26.09.11
December 2002	-	50,000	-	50,000	193p	12.12.05	12.12.12
G McFaul							
June 2001	211,932	-	-	211,932	190p	18.06.04	26.09.11
December 2002	-	50,000	-	50,000	193p	12.12.05	12.12.12
E A Zeida							
June 2001	193,511	-	-	193,511	190p	18.06.04	26.09.11
December 2002	-	50,000	-	50,000	193p	12.12.05	12.12.12

Directors' remuneration report

continued

Details of the performance criteria of these options are given on page 28 under Remuneration policy. Grants of options to Executive Directors are, in the absence of exceptional circumstances, limited to a single multiple of their individual annual salary at the time of the grant.

On 12 December 2002, P Bateman was granted options over 350,000 shares under the Executive Share Option Schemes. Subject to the approval of the Remuneration Committee, he will be eligible for two further grants of share options each equal to approximately one year's salary on or about the first and second anniversaries of this initial grant of options.

The Company's register of Directors' interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe. No options were exercised by Directors in the year ended 31 March 2003 and there have been no changes in the number of share options held by them between 1 April 2003 and 11 June 2003.

The highest and lowest prices of the Company's shares during the year were 234.5p and 137.0p respectively. The price at the year end was 142.5p.

By order of the Board

C F Phillips



Secretary
Cale House
Station Road
Wincanton
Somerset
BA9 9AD

11 June 2003

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent Auditors' report to the Members of Wincanton plc

We have audited the financial statements on pages 34 to 59. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Directors' remuneration report. As described on page 32, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent Auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our professions ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 26 and 27 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the Corporate governance statement and the unaudited part of the Directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc

Chartered Accountants
Registered Auditor
Bristol

11 June 2003

Consolidated profit and loss account

for the year ended 31 March 2003

	Note	Before exceptional items 2003 £m	Exceptional items (note 4) 2003 £m	Total 2003 £m	2002 £m
Turnover					
Existing operations		812.1	-	812.1	745.6
Acquisition		185.9	-	185.9	-
	2, 3	998.0	-	998.0	745.6
Operating profit before pension credit and goodwill amortisation					
Existing operations		31.1	(2.4)	28.7	29.3
Acquisition		2.2	(2.9)	(0.7)	-
	2, 3	33.3	(5.3)	28.0	29.3
Pension credit		4.0	-	4.0	4.8
Goodwill amortisation		(0.3)	-	(0.3)	-
Operating profit		37.0	(5.3)	31.7	34.1
Existing operations		35.1	(2.4)	32.7	34.1
Acquisition		1.9	(2.9)	(1.0)	-
Profit on disposal of a surplus property	4	-	-	-	0.6
Profit on ordinary activities before interest		37.0	(5.3)	31.7	34.7
Net interest payable and similar charges	7	(5.0)	-	(5.0)	(3.9)
Profit on ordinary activities before taxation	5	32.0	(5.3)	26.7	30.8
Tax on profit on ordinary activities	8	(10.1)	4.0	(6.1)	(8.8)
Profit on ordinary activities after taxation		21.9	(1.3)	20.6	22.0
Equity minority interests	22	(0.5)	-	(0.5)	-
Profit for the financial year		21.4	(1.3)	20.1	22.0
Dividends	9	(11.6)	-	(11.6)	(10.9)
Retained profit for the year		9.8	(1.3)	8.5	11.1
Earnings per share	10				
- basic				17.5p	19.2p
- diluted				17.4p	19.1p
Earnings per share before exceptional items and goodwill amortisation	10				
- basic		18.9p			18.9p
- diluted		18.7p			18.8p
Earnings per share before exceptional items, goodwill amortisation and excluding pension credit	10				
- basic		16.5p			16.0p
- diluted		16.3p			15.9p

The operating profit before pension credit and goodwill amortisation for 2002 of £29.3m is stated after charging £0.4m of operating exceptional items against the pre-exceptional operating profit of £29.7m, as set out in note 3.

All operations in both years were continuing.

Balance sheets

at 31 March 2003

	Note	Group		Company	
		2003 £m	2002 £m	2003 £m	2002 £m
Fixed assets					
Intangible assets	11	24.7	–	–	–
Tangible assets	12	286.5	157.5	–	–
Investments	13	1.2	–	11.5	11.5
		312.4	157.5	11.5	11.5
Current assets					
Stocks	14	7.3	3.8	–	–
Debtors	15	281.7	104.8	183.7	55.0
Cash at bank and in hand	28	37.0	18.6	–	–
		326.0	127.2	183.7	55.0
Creditors: amounts falling due within one year	16	(363.9)	(181.6)	(16.6)	(20.8)
Net current (liabilities)/assets		(37.9)	(54.4)	167.1	34.2
Total assets less current liabilities					
		274.5	103.1	178.6	45.7
Creditors: amounts falling due after more than one year	17	(162.3)	(31.4)	(159.8)	(30.0)
Provisions for liabilities and charges	18	(87.8)	(63.0)	–	–
Net assets/(liabilities)		24.4	8.7	18.8	15.7
Capital and reserves					
Called up share capital	20	11.5	11.5	11.5	11.5
Share premium account	21	0.3	–	0.3	–
Merger reserve	21	3.5	3.5	–	–
Profit and loss account	21	1.7	(6.3)	7.0	4.2
Equity shareholders' funds		17.0	8.7	18.8	15.7
Equity minority interests	22	7.4	–	–	–
		24.4	8.7	18.8	15.7

These financial statements were approved by the Board of Directors on 11 June 2003 and were signed on its behalf by:

P Bateman
Chief Executive



G D Connell
Group Finance Director



Consolidated cash flow statement

for the year ended 31 March 2003

	Note	2003 £m	2002 £m
Cash inflow from operating activities	26	70.4	57.8
Returns on investments and servicing of finance	27	(3.9)	(3.0)
Taxation		(10.4)	(10.4)
Capital expenditure	27	(8.5)	(10.8)
Acquisition	27	(143.2)	–
Equity dividends paid		(11.1)	(10.2)
Cash (outflow)/inflow before use of liquid resources and financing		(106.7)	23.4
Management of liquid resources	27	(4.0)	(17.6)
Financing	27	125.1	(20.5)
Increase/(decrease) in cash in year		14.4	(14.7)

Reconciliation of net cash flow to movement in net debt

for the year ended 31 March 2003

	Note	2003 £m	2002 £m
Increase/(decrease) in cash in year		14.4	(14.7)
(Increase)/decrease in debt and lease financing		(124.8)	20.5
Increase in liquid resources		4.0	17.6
Change in net debt resulting from cash flows		(106.4)	23.4
Loans and finance leases acquired with Trans European		(9.8)	–
New finance leases		(0.2)	(0.6)
Exchange movement		(4.3)	–
Movement in net debt in year		(120.7)	22.8
Net debt at beginning of year		(27.0)	(49.8)
Net debt at end of year	28	(147.7)	(27.0)

Consolidated statement of total recognised gains and losses

for the year ended 31 March 2003

	2003 £m	2002 £m
Profit for the financial year	20.1	22.0
Net exchange adjustments arising on foreign currency investments and related borrowings	(0.5)	–
Total recognised gains and losses relating to the financial year	19.6	22.0

Reconciliation of movements in equity shareholders' funds

for the year ended 31 March 2003

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Profit for the financial year	20.1	22.0	14.2	15.1
Dividends	(11.6)	(10.9)	(11.6)	(10.9)
Retained profit for the year	8.5	11.1	2.6	4.2
Other recognised gains and losses	(0.5)	–	0.2	–
Issue of share capital	0.3	–	0.3	11.5
Net addition to equity shareholders' funds	8.3	11.1	3.1	15.7
Opening equity shareholders' funds	8.7	(2.4)	15.7	–
Closing equity shareholders' funds	17.0	8.7	18.8	15.7

Notes to the accounts

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements. The Group has adopted the second year transitional disclosure requirements of FRS 17 'Retirement Benefits' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2003. Subsidiary undertakings include all entities over which dominant control is exerted.

When the Company acquired the Wincanton group of companies upon demerger from the former parent in May 2001, the changes in group structure were accounted for using the principles of merger accounting. Businesses acquired or disposed of since then have been accounted for using acquisition accounting principles from or up to the date control passed.

The Group's share of the results of associates and joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included at cost in investments in the consolidated balance sheet.

An associate is an undertaking in which the Group has a long-term interest, usually from 20% to 49% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 April 1998 is capitalised and amortised to £nil by equal annual installments over the estimated useful life of up to 20 years.

Purchased goodwill previously written off to reserves on acquisition is, on subsequent disposal of the acquired business, written back through the profit and loss account as part of the profit or loss on disposal.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost.

Tangible assets and depreciation

The cost of tangible assets includes directly attributable costs, including appropriate commissioning costs. The cost of financing the construction of major warehouses is included in their capitalised cost. The interest rate applied represents the actual finance costs incurred on the funds borrowed specifically to construct the asset.

The charge for depreciation is calculated to write down the cost of tangible assets, excluding freehold land and assets in the course of construction, to their estimated residual values by equal annual installments over their expected useful lives which are as follows:

Freehold and long leasehold buildings	50 years
Short leasehold land and buildings	life of lease
Plant and equipment, furniture and fittings	5 to 25 years
Office machinery and computers	3 to 5 years
Motor vehicles	5 to 10 years

The range of useful economic lives given reflects the fact that assets held for specific contracts are depreciated over the lives of those contracts.

Notes to the accounts

continued

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction or, where applicable, the contracted rate.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the end of the financial year. Profits and losses on exchange arising from the retranslation of the opening net investment in overseas subsidiary undertakings and the foreign currency loans which exist to finance these acquired entities are taken directly to reserves.

The results of overseas subsidiary undertakings are translated at the average rates for the year and the exchange differences arising from retranslating the results to closing rates are taken directly to reserves. All other profits and losses on exchange are credited or charged to operating profit.

Leases

Assets acquired under finance leases are included in the balance sheet at cost less depreciation. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Post retirement benefits

The Group operates defined contribution and defined benefit pension schemes. The assets of these schemes are held separately from those of the Group. Contributions in respect of the defined contribution schemes are charged to the profit and loss account in the accounting period they become payable. Contributions to the defined benefit schemes are charged to the profit and loss account so as to spread the cost on pensions over the service lives of the employees in the schemes. Variations from the regular cost are spread over the expected average remaining service lives of current employees in the schemes.

Employee share schemes

The employer National Insurance contribution costs arising on awards to employees of shares or rights to shares are recognised over the period of the employee's related performance. No cost is recognised in respect of SAYE schemes that are offered on similar terms to all, or substantially all, employees.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes which have occurred but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred Tax'.

Tax charges or credits arising on the retranslation of foreign currency borrowings used to finance or provide a hedge against equity investments in foreign enterprises are taken to the statement of total recognised gains and losses together with the exchange differences on the borrowings themselves.

Notes to the accounts

continued

Turnover

Turnover represents the amounts receivable for services provided and goods sold to third parties excluding value added tax. Turnover from the provision of services is recognised on the delivery of those services.

Certain distribution contracts oblige Wincanton to purchase goods from third parties and sell them on to the customer at cost. As Wincanton is rewarded for the physical distribution service provided, and as the sale and purchase of the goods have no impact on the operating profit, the amounts invoiced to customers and charged by suppliers for the sale and purchase of these goods are excluded from turnover and cost of sales. Stocks, debtors and creditors relating to such transactions are included in the balance sheet.

Financial instruments

The Group does not trade in derivative financial instruments and it makes limited use of forward foreign exchange contracts to hedge foreign currency cash flows. Gains or losses on such instruments are recognised in the period to which they relate. Amounts payable or receivable in respect of interest rate swaps are recognised as interest expense over the period of the contracts.

2 Segmental information

By division:

	Turnover		Operating profit	
	2003 £m	2002 £m	2003 £m	2002 £m
Consumer Logistics	431.1	403.5	12.8	11.8
Industrial Logistics	381.0	342.1	18.3	17.9
Trans European – acquired in the year	187.9	–	2.2	–
– less share of joint ventures and associates	(2.0)	–	–	–
	998.0	745.6	33.3	29.7
Pension credit			4.0	4.8
Goodwill amortisation			(0.3)	–
Operating profit before exceptional operating costs			37.0	34.5
Exceptional operating costs			(5.3)	(0.4)
Operating profit after pension credit, goodwill amortisation and exceptional operating costs			31.7	34.1
Profit on disposal of a surplus property			–	0.6
Profit on ordinary activities before interest			31.7	34.7
Consumer Logistics			12.9	13.4
Industrial Logistics			19.8	21.3
Trans European – acquired in the year			(1.0)	–
			238.5	112.5
Trading capital employed			238.5	112.5
Non-operating net liabilities			(214.1)	(103.8)
Net assets			24.4	8.7

Notes to the accounts

continued

2 Segmental information *(continued)*

By geographical area of origin:

	Turnover		Operating profit	
	2003 £m	2002 £m	2003 £m	2002 £m
UK & Ireland	851.2	745.6	32.0	29.7
Continental Europe	148.8	-	1.3	-
- less share of joint ventures and associates	(2.0)	-	-	-
	998.0	745.6	33.3	29.7
Pension credit			4.0	4.8
Goodwill amortisation			(0.3)	-
Operating profit before exceptional operating costs			37.0	34.5
Exceptional operating costs			(5.3)	(0.4)
Operating profit after pension credit, goodwill amortisation and exceptional operating costs			31.7	34.1
Profit on disposal of a surplus property			-	0.6
Profit on ordinary activities before interest			31.7	34.7
UK & Ireland			30.6	34.7
Continental Europe			1.1	-

Turnover by destination is not materially different from turnover by origin.

	Net assets	
	2003 £m	2002 £m
UK & Ireland	139.5	112.5
Continental Europe	99.0	-
Trading capital employed	238.5	112.5
Non-operating net liabilities	(214.1)	(103.8)
Net assets	24.4	8.7

The pension credit adjusted in the analyses above is the variation credit to the regular cost arising under SSAP 24 'Accounting for Pension Costs'.

Operating profit after pension credit, goodwill amortisation and exceptional operating costs includes the Group's share of the operating profit of joint ventures and associates of Enil.

Non-operating net liabilities comprise goodwill, net debt, taxation and dividend liabilities and pension and insurance provisions.

Notes to the accounts

continued

3 Operating profit

The Group's results are analysed as follows:

	2003			2002		
	Before operating exceptional items £m	Operating exceptional items £m	Total £m	Before operating exceptional items £m	Operating exceptional items £m	Total £m
Turnover	998.0	–	998.0	745.6	–	745.6
Cost of sales	(936.4)	–	(936.4)	(689.5)	(0.4)	(689.9)
Gross profit	61.6	–	61.6	56.1	(0.4)	55.7
Administrative expenses	(25.1)	(5.3)	(30.4)	(21.9)	–	(21.9)
Other operating income	0.5	–	0.5	0.3	–	0.3
Operating profit	37.0	(5.3)	31.7	34.5	(0.4)	34.1
Pension credit	(4.0)	–	(4.0)	(4.8)	–	(4.8)
Goodwill amortisation	0.3	–	0.3	–	–	–
Operating profit before pension credit and goodwill amortisation	33.3	(5.3)	28.0	29.7	(0.4)	29.3

The total figures for 2003 include the following amounts relating to the acquisition: cost of sales £182.2m, gross profit £3.7m, administrative expenses £1.7m, other operating income £0.2m, goodwill amortisation £0.3m and exceptional items £2.9m.

4 Exceptional items

	2003 £m	2002 £m
Operating exceptional items		
Reorganisation of acquired operating structure	(2.9)	–
Write down of an investment in a series of supply chain software modules	(2.4)	–
Closure of Chippenham consolidation depot	–	(0.4)
	(5.3)	(0.4)
Non-operating exceptional items		
Profit on disposal of a surplus property	–	0.6

The tax effect of the exceptional items is a credit of £1.6m (2002: £0.1m). In addition, the tax exceptional item includes a £2.4m release of prior year tax provision no longer required.

Notes to the accounts

continued

5 Profit on ordinary activities before taxation

	2003 £m	2002 £m
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
– Group fees for statutory audit services (including £0.1m re. the Company)	0.5	0.1
– fees paid to the Auditors and their associates for tax advisory services	0.1	–
Depreciation and other amounts written off tangible assets:		
– owned	26.8	2.3
– leased	1.8	1.6
Amortisation of goodwill	0.3	–
Operating lease rentals		
– plant and machinery	22.0	14.5
– land and buildings	20.7	13.2

In addition, £0.5m was paid to the Auditors in respect of services in connection with the acquisition of P&O Trans European which have been capitalised as a cost of investment.

6 Staff costs, including Directors

	2003 £m	2002 £m
Wages and salaries	388.8	331.1
Social security costs	33.6	25.9
Other pension costs (note 24)	15.2	12.3
	437.6	369.3

	2003 Number	2002 Number
Average number of persons employed by the Group (including Directors) during the year	18,895	16,632

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Directors' emoluments				
Salaries	1,313	1,013	1,313	877
Bonuses	461	454	461	393
Other benefits	103	56	103	48
Non-executive Directors' fees	156	146	156	133
Total emoluments	2,033	1,669	2,033	1,451

Full details of the individual Director's emoluments, share options and pension entitlements are given in the Directors' remuneration report on pages 28 to 32. The amounts shown for the Company are required to be disclosed under the Companies Act and for 2002 these are calculated on a pro rata basis for the post demerger period.

Notes to the accounts

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7 Net interest payable and similar charges

	2003 £m	2002 £m
Interest receivable	1.0	0.9
Interest payable on bank loans and overdrafts	(4.9)	(3.9)
Finance charges payable in respect of finance leases	(0.2)	(0.2)
Unwinding of discounted insurance and German pension provisions	(0.9)	(0.7)
	(5.0)	(3.9)

The interest receivable relates primarily to the cash deposits held by the Group's captive insurance company.

8 Taxation

	Pre-exceptional items 2003 £m	Exceptional items 2003 £m	2003 £m	2002 £m
UK corporation tax				
Current tax on income for the year	11.2	(1.6)	9.6	7.7
Adjustments in respect of prior years	0.1	(2.4)	(2.3)	1.7
	11.3	(4.0)	7.3	9.4
Foreign tax				
Current tax on income for the year	0.5	–	0.5	–
Adjustments in respect of prior years	–	–	–	–
	0.5	–	0.5	–
Total current tax	11.8	(4.0)	7.8	9.4
Deferred tax (note 18)				
Current year	(1.5)	–	(1.5)	1.3
Adjustments in respect of prior years	(0.2)	–	(0.2)	(1.9)
	(1.7)	–	(1.7)	(0.6)
Tax on profit on ordinary activities	10.1	(4.0)	6.1	8.8

The following table reconciles the tax charge at the UK standard rate to the actual tax charge:

	2003 £m	2002 £m
Profit on ordinary activities before taxation	26.7	30.8
Tax charge at UK standard rate (30%)	8.0	9.2
Permanent differences – overseas profits at higher rates	0.1	–
– overseas losses not utilised	0.6	–
– disallowable expenditure	0.3	–
– non taxable proceeds	(0.4)	(0.2)
Temporary differences – movement on accelerated capital allowances	2.1	0.6
– other	(0.6)	(1.9)
Adjustments in respect of prior years	(2.3)	1.7
Current tax charge for the year	7.8	9.4

As a result of the acquisition in the year which encompasses trading activities in a number of European territories with higher corporate tax rates than the UK, the Group's effective tax rate is expected to increase in the future.

Notes to the accounts

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9 Dividends

	2003 £m	2002 £m
Equity shares:		
Interim dividend paid	3.8	3.6
Final dividend proposed	7.8	7.3
	11.6	10.9

A final dividend of 6.75p per share is proposed to be paid on 13 August 2003 to shareholders on the register at 18 July 2003. An interim dividend of 3.31p per share was paid on 8 January 2003 to shareholders on the register at 6 December 2002.

10 Earnings per share

Earnings per share are calculated on the basis of earnings of £20.1m (2002: £22.0m) and the weighted average of 114.8m shares which have been in issue throughout the year. The diluted earnings per share are calculated on the basis of an additional 0.9m shares (2002: 0.7m shares) deemed to be issued at £nil consideration under the Company's share option schemes.

Two further adjusted earnings per share numbers are shown, being earnings before exceptional items and goodwill amortisation and earnings before exceptional items, goodwill amortisation and pension credit, since the Directors consider that they provide further information on the underlying performance of the Group. Adjusted earnings are as follows:

	2003 £m	2002 £m
Profit for the financial year	20.1	22.0
Goodwill amortisation	0.3	–
Exceptional items	5.3	(0.2)
Tax on exceptional items (note 8)	(4.0)	(0.1)
Earnings before exceptional items, goodwill amortisation and related tax	21.7	21.7
Pension credit	(4.0)	(4.8)
Tax on pension credit	1.2	1.4
Earnings before exceptional items, goodwill amortisation, pension credit and related tax	18.9	18.3

11 Intangible assets

Cost	Goodwill £m
At beginning of year	–
Additions (note 19)	24.3
Exchange adjustment	0.7
At end of year	25.0
Amortisation	
At beginning of year	–
Charge for year	0.3
At end of year	0.3
Net book value	
At 31 March 2003	24.7
At 31 March 2002	–

Notes to the accounts

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12 Tangible assets

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At beginning of year	64.8	232.0	296.8
Additions	0.6	17.9	18.5
Acquisition	88.4	58.0	146.4
Disposals	(8.2)	(28.9)	(37.1)
Exchange adjustment	2.9	3.2	6.1
At end of year	148.5	282.2	430.7
Depreciation			
At beginning of year	18.0	121.3	139.3
Charge for year	1.9	26.7	28.6
On disposals	(2.0)	(24.2)	(26.2)
Exchange adjustment	0.4	2.1	2.5
At end of year	18.3	125.9	144.2
Net book value			
At 31 March 2003	130.2	156.3	286.5
At 31 March 2002	46.8	110.7	157.5

Included in the total net book value of plant and machinery is £2.7m (2002: £2.9m) in respect of assets held under finance leases, and in the cost of tangible assets is £3.6m (2002: £3.6m) in respect of capitalised finance costs.

The net book value of land and buildings comprises:

	2003 £m	2002 £m
Freehold	100.6	41.3
Long leasehold	2.5	1.6
Short leasehold	27.1	3.9
	130.2	46.8

13 Investments

Group	Interests in associated undertakings £m	Other participating interests £m	Loans to joint ventures £m	Total £m
Cost				
At beginning of year	–	–	–	–
Acquisition	0.6	0.5	0.1	1.2
Profit for the year	–	–	–	–
At end of year	0.6	0.5	0.1	1.2

Company	Shares in subsidiary undertakings £m
Cost	
At beginning of year	11.5
Additions	–
At end of year	11.5

The investment in Trans European in the year has been made via a new intermediate holding company, Wincanton International Limited.

Notes to the accounts

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13 Investments (continued)

The principal companies which made up the Wincanton group of companies at 31 March 2003 were as follows:

Name	Principal activity	% of equity held	Country of incorporation
Wincanton Holdings Limited*	Contract logistics services	100	Great Britain
Wincanton Group Limited	Contract logistics services	100	Great Britain
Wincanton Ireland Limited	Contract logistics services	100	Republic of Ireland
Risk Underwriting (Guernsey) Limited	Captive insurer	100	Guernsey
Wincanton International Limited*	Intermediate holding company	100	Great Britain
Wincanton Trans European Limited	Contract logistics services	100	Great Britain
Red Carnation Gums Limited	Merchandising gums	100	Great Britain
PGN Logistics Limited	Logistics and general transport	50	Great Britain
P&O Records Management Limited	Records management	100	Republic of Ireland
House of Hill Holdings Limited	Records management	100	Great Britain
Wincanton Trans European Management GmbH	Contract logistics services	100	Germany
Rhenania Intermodal Transport GmbH	Contract logistics services	100	Germany
Wincanton Trans European (Deutschland) GmbH	Contract logistics services	100	Germany
Wincanton Mondia S.A.	Contract logistics services	100	France
Transportes Internacionales El Marqueset S.A.	Contract logistics services	100	Spain
P&O Trans European (Nederland) B.V.	Contract logistics services	100	Netherlands
P&O Trans European (Hungary) Kft	Contract logistics services	100	Hungary
Wincanton Trans European (Polska) Sp. Z.o.o.	Contract logistics services	100	Poland
P&O Trans European Praha spol s.r.o.	Contract logistics services	100	Czech Republic
Roba A.G.	Contract logistics services	100	Switzerland

* Direct subsidiaries of Wincanton plc

Of the acquired subsidiaries above, those incorporated in Spain, The Netherlands, Hungary and the Czech Republic have yet to alter their accounting reference date following the acquisition, accordingly these currently remain at 31 December.

14 Stocks

	Group	
	2003 £m	2002 £m
Raw materials and consumables	7.3	3.8

15 Debtors

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Trade debtors	218.8	76.3	–	–
Amounts owed by Group undertakings	–	–	180.6	55.0
Other debtors including deferred tax (note 18)	7.6	0.5	0.5	–
Prepayments and accrued income	55.3	28.0	2.6	–
	281.7	104.8	183.7	55.0

All debtors are due within one year, except for other debtors of £2.0m (2002: £0.5m), in respect of amounts recoverable from customers and others under contracts of more than one year, and the amounts owed by Group undertakings.

Notes to the accounts

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16 Creditors: amounts falling due within one year

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Bank loans and overdrafts	24.3	13.1	8.0	13.1
Obligations under finance leases	1.3	1.1	-	-
Trade creditors	128.7	30.2	-	-
Corporation tax	10.0	8.8	-	-
Other taxes and social security	32.4	27.8	-	-
Other creditors	25.0	8.5	-	-
Accruals and deferred income	134.4	84.8	0.8	0.4
Dividends proposed	7.8	7.3	7.8	7.3
	363.9	181.6	16.6	20.8

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Bank loans and overdrafts	158.2	30.0	159.8	30.0
Obligations under finance leases	0.9	1.4	-	-
Other creditors	3.2	-	-	-
	162.3	31.4	159.8	30.0

Analysis of debt

The maturity profile of debt is as follows:

	Group	
	2003 £m	2002 £m
Within one year	25.6	14.2
Between one and two years	25.0	21.1
Between two and five years	128.3	10.3
Greater than five years	5.8	-
	184.7	45.6

Borrowing facilities

The Group has the following undrawn committed facilities in respect of which all conditions precedent have been met:

	Group	
	2003 £m	2002 £m
Expiring:		
Within one year	3.8	6.9
Between one and two years	-	60.0
Between two and five years	110.2	35.0
Greater than five years	-	-
	114.0	101.9

Notes to the accounts

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18 Provisions for liabilities and charges

	Group				Total £m
	Insurance £m	Pensions and similar obligations £m	Deferred taxation £m	Other provisions £m	
At beginning of year	15.1	43.7	1.9	2.3	63.0
Utilised during year	(5.9)	(4.2)	(0.9)	(1.6)	(12.6)
Charge for year	8.8	0.7	(0.8)	3.0	11.7
Acquisition	–	18.9	(4.9)	5.1	19.1
Exchange adjustment	–	0.9	–	0.1	1.0
Deferred tax asset (note 15)	–	–	5.6	–	5.6
At end of year	18.0	60.0	0.9	8.9	87.8

The insurance provisions are held in respect of outstanding insurance claims which are expected to be paid within two to six years and where appropriate have been discounted. These provisions are held in the Group's captive insurer and are offset by its cash balances.

The brought forward other provisions are held in respect of leasehold property liabilities and will be utilised over the relevant lease terms. The majority of the additional other provisions established during the year relate to the exceptional item provided for reorganisation of the acquired operating structure. The majority of the other provisions acquired relate to leasehold property liabilities.

The amounts for deferred taxation are set out below:

	Provided		Not provided	
	2003 £m	2002 £m	2003 £m	2002 £m
Difference between accumulated depreciation and capital allowances	9.2	15.2	–	–
Pensions provisions	(12.1)	(13.1)	–	–
Losses carried forward	(2.5)	–	3.0	–
Other deferred tax assets	(0.2)	(0.2)	–	–
Other deferred tax liabilities	0.9	–	–	–
	(4.7)	1.9	3.0	–

Notes to the accounts

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19 Acquisition

On 31 December 2002 the Group acquired P&O Trans European on a debt free basis for £152.5m in cash plus £5.9m of costs and other incidental settlement items. The resulting goodwill of £24.3m has been capitalised and will be written off over 20 years in line with standard accounting practice. The goodwill value remains subject to change pending the finalisation of, firstly, the ongoing completion discussions with the vendor and, secondly, the fair values of the net assets acquired.

The book values of the identifiable assets and liabilities acquired and their provisional fair value to the Group are set out below:

	Book value £m	Revaluation £m	Accounting policy alignment £m	Fair value £m
Tangible fixed assets	155.6	5.3	(14.5)	146.4
Investments	2.6	–	(1.4)	1.2
Working capital	33.9	–	(23.2)	10.7
Net cash	5.4	–	–	5.4
Taxation	(1.0)	–	(2.7)	(3.7)
Pension and other provisions including deferred taxation	(23.0)	(0.5)	4.4	(19.1)
Total assets before equity minority interest	173.5	4.8	(37.4)	140.9
Equity minority interest	(6.8)	–	–	(6.8)
Net assets	166.7	4.8	(37.4)	134.1
Goodwill (note 11)				24.3
				158.4
Satisfied by				
Payment to vendor				152.5
Costs and incidental settlement items				5.9
				158.4

The book values of the non sterling assets and liabilities acquired, which are principally denominated in euro, have been translated using the exchange rates at the date of acquisition (£1: €1.534).

The fair value adjustments above are required to align the accounting policies of the acquired business with those of the Group and to revalue certain properties and pension liabilities. These adjustments remain provisional as, in line with standard accounting practice, they can be amended for up to 12 months following acquisition.

Summarised profit and loss account of P&O Trans European for the 12 months ended on 31 December 2002, being the date of acquisition:

	Before exceptional items £m	Exceptional items £m	Total £m
Turnover	816.5	–	816.5
Operating profit	12.0	(1.2)	10.8
Net interest payable and similar charges	(8.2)	–	(8.2)
Profit on ordinary activities before taxation	3.8	(1.2)	2.6
Tax on profit on ordinary activities	(4.5)	–	(4.5)
Loss on ordinary activities after taxation	(0.7)	(1.2)	(1.9)
Minority interests	(2.1)	–	(2.1)
Loss after tax and minority interest	(2.8)	(1.2)	(4.0)

In the year ended 31 December 2001 profit after tax and minority interests was £11.0m.

Notes to the accounts

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19 Acquisition (continued)

Statement of total recognised gains and losses of P&O Trans European for the 12 months ended on 31 December 2002:

	Total £m
Loss as above	(4.0)
Gain on foreign currency translation	3.7
Total recognised gains and losses relating to the period	(0.3)

The information above is presented on the basis of P&O Trans European's accounting policies prior to the acquisition.

20 Called up share capital

	Group and Company 2003 £m	Group and Company 2002 £m
Authorised		
Equity: 159,999,980 (2002: 159,999,980) ordinary shares of 10p each	16.0	16.0
Allotted, called up and fully paid		
Equity: 114,913,863 (2002: 114,741,405) ordinary shares of 10p each	11.5	11.5

Employee share schemes

Wincanton employees participate in Wincanton's Executive Share Option Schemes and Sharesave Option Scheme. Movements on these schemes during the year were as follows:

	Balance 31 March 2002	Granted in year	Exercised in year	Lapsed in year	Balance 31 March 2003	Exercise price range	Dates of grant
Executive schemes	3,343,702	1,665,318	(161,584)	(36,454)	4,810,982	190p-220p	June-Sept 2001 & July-Dec 2002
Sharesave scheme	4,036,109	-	(11,291)	(882,696)	3,142,122	152p	June 2001

The Sharesave Scheme is an approved scheme under current Inland Revenue rules and therefore the Group has taken advantage of the exemption under UITF Abstract 17 'Employee Share Schemes' not to recognise in the profit and loss account the discount on the option price.

21 Reserves

	Group			Company	
	Share premium account £m	Merger reserve £m	Profit and loss account £m	Total £m	Reserves £m
At beginning of year	-	3.5	(6.3)	(2.8)	4.2
Retained profit for the year	-	-	8.5	8.5	2.6
Issue of share capital	0.3	-	-	0.3	0.3
Net exchange adjustments arising on foreign currency investments and related borrowings	-	-	(0.5)	(0.5)	0.2
At end of year	0.3	3.5	1.7	5.5	7.3

During the year the Company issued shares, both under the Executive Share Option Schemes and the Sharesave Scheme, for consideration at the applicable exercise prices shown in note 20.

During the year ended 31 March 2002, the Company established a Capital Redemption Reserve of £49,998 on redemption of redeemable preference shares.

As permitted by Section 230 (4) of the Companies Act 1985, the Company has not presented its own profit and loss account.

The cumulative amount of goodwill eliminated against reserves at 31 March 2003 and 2002 was £56.2m.

Notes to the accounts

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22 Equity minority interests

	Total £m
At beginning of year	–
Acquisition	6.8
Retained profit	0.5
Exchange adjustment	0.1
At end of year	7.4

23 Commitments

(a) Capital commitments for the Group at the end of the financial year for which no provision has been made, including its share of such commitments of joint ventures and associates (*£nil*), are as follows:

	2003 £m	2002 £m
Contracted	6.7	4.6

(b) Annual commitments for the Group under non-cancellable operating leases are as follows:

	2003 Land and buildings £m	2002 Land and buildings £m	2003 Plant and machinery £m	2002 Plant and machinery £m
Operating leases which expire:				
Within one year	3.3	0.6	9.9	8.8
Between one and five years	8.7	1.7	17.3	4.9
Greater than five years	28.6	9.4	2.5	0.9
	40.6	11.7	29.7	14.6

24 Pension schemes

Employees of Wincanton plc participated in funded pension arrangements in the UK & Ireland during the year ended 31 March 2003.

Following the acquisition, the employees of Trans European continued to participate in P&O's UK pension arrangements for the 3 months to 31 March 2003. The contributions to this scheme, together with contributions to other smaller pension arrangements across Europe, are shown under 'other schemes' below. In addition, Wincanton assumed liability for certain historic unfunded pension obligations of Trans European (Germany) which closed to future service in the 1980s. The pension charge in respect of this arrangement represents interest on the unfunded obligations and is also included under 'other schemes' below.

The pension charge for the Wincanton employees participating in all of these pension schemes was:

	2003 £m	2002 £m
Defined benefit scheme:		
Gross regular pension cost	17.4	16.1
Variation credit	(4.0)	(4.8)
	13.4	11.3
Defined contribution schemes	1.0	1.0
Other schemes	0.8	–
	15.2	12.3

The principal Wincanton Scheme in the UK has three defined benefit sections, plus a defined contribution section called the Wincanton Retirement Savings Section. The employees of Wincanton Ireland Limited are eligible to participate in a separate defined contribution scheme. Assets of these pension arrangements are held in separate trust funds independent of Wincanton. Additionally, a small number of senior employees who are subject to the statutory earnings cap on pensionable earnings are entitled to participate in an unfunded unapproved arrangement, which generally replicates the benefits which would otherwise be payable from the Scheme had they not been subject to the earnings cap.

Notes to the accounts

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24 Pension schemes (continued)

The pension cost in relation to the defined benefit sections of the Scheme is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest formal actuarial valuation was carried out as at 31 March 2002 by Hymans Robertson. The main actuarial assumptions used for accounting purposes under SSAP 24 were: a pre-retirement discount rate of 7.0% per annum; post retirement discount rates of 6.0% and 6.5% per annum for past and future service liabilities respectively; annual increases in earnings of 4.0% per annum (plus an allowance for promotional salary increases) and pension increases and price inflation of 2.5% per annum. Assets were taken into account at 100% of their market value.

The aggregate market value of the assets of the defined benefit sections of the Scheme as at 31 March 2002 was £282.0m and the value of these assets was 99% of the accrued liabilities. The provision in the balance sheet as at 31 March 2002, less the disclosed deficit at the same date (the variation credit), is being credited to the profit and loss account over 10 years, which is the expected average remaining service life of the existing members. There is a provision of £39.3m (2002: £43.3m) in the balance sheet representing the cumulative difference between the amount charged in the profit and loss account and the amount paid into the Scheme.

The year to 31 March 2003 has been marked by further falls in the market value of equities and this has, in common with other UK pension schemes, resulted in a material worsening of the funding position of the Scheme. The impact of this change is reflected in the additional disclosures required under FRS 17 shown below.

Future developments

As a result of the formal 31 March 2002 valuation for funding purposes, Company contributions have been increased from 12.6% to 13.6% of pensionable salaries for the main category of employee with effect from 1 April 2003. Different rates apply for other smaller employee categories. Employer contributions were paid at the rates recommended in the period to 31 March 2003. The contributions are subject to review following the results of the next formal actuarial valuation due no later than as at 31 March 2005. In addition, the Company has agreed to contribute a further £2.1m per annum over 10 years to meet the shortfall of £15.2m disclosed by the funding valuation.

Following a strategic review of the pension arrangements during the year, the Company has closed the defined benefit sections of the Scheme to new employees with effect from 1 January 2003 and introduced a new defined contribution section for new employees. In addition, existing employee members were offered the option of increased member contributions or reduced future benefits from 1 April 2003.

P&O Trans European

As mentioned above, former employees of P&O Trans European in the UK continued to participate in P&O's UK pension arrangements until 31 March 2003. With effect from 1 April 2003 those employees covered by defined benefit arrangements were offered membership of the defined benefit section of the Wincanton Scheme and all other employees were offered defined contribution benefits.

The liabilities in respect of the historic unfunded defined benefit arrangements were transferred to Wincanton following the acquisition and a provision of £19.8m is included in the balance sheet as at 31 March 2003, which represents the present value of the expected future payments due.

FRS 17 Transitional Disclosures

FRS 17 'Retirement Benefits' was issued in November 2000, but under the transitional arrangements set out in the FRS and in recent pronouncements by the Accounting Standards Board, it is not expected to be fully effective for the Group and Company until the year ended 31 March 2006 and only the following transitional disclosures are required until then.

FRS 17 Assumptions, asset, liability and reserves disclosure

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

Notes to the accounts

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24 Pension schemes (continued)

As noted overleaf, an actuarial valuation of the Wincanton Scheme was undertaken as at 31 March 2002 for the purposes of determining the pension costs under SSAP 24. This valuation was updated by the actuary as at 31 March 2003 on an FRS 17 basis and the major assumptions used (in nominal terms) were:

	2003 %	2002 %
Price inflation rate	2.5	2.5
Discount rate	5.5	6.0
Salaries increase rate (plus an allowance for promotional increases)	4.0	4.0
Rate of increase of pensions in payment and deferred pensions	2.5	2.5

The fair values of assets in the Wincanton Scheme and the expected rates of return (net of investment management expenses) thereon were as follows:

	Long-term rate of return expected %	2003 £m	Long-term rate of return expected %	2002 £m
Equities	7.50	152.2	7.5	215.7
Bonds	5.50	85.0	6.0	59.9
Other	3.75	3.8	4.0	5.6
Scheme assets		241.0		281.2
Less: Present value of Scheme liabilities		(375.5)		(312.0)
Deficit in the Wincanton Scheme		(134.5)		(30.8)
UK unfunded arrangements		(1.3)		(0.5)
European unfunded arrangements		(20.5)		-
Total deficit before deferred tax		(156.3)		(31.3)
Related deferred tax asset		48.9		9.4
Net pension liabilities		(107.4)		(21.9)

As set out above, in addition to the Wincanton Scheme, unfunded arrangements exist for certain senior employees who are subject to the statutory earnings cap and in respect of Trans European (Germany). The actuarial assumptions used in the determination of the liabilities of these complementary pension schemes are in line with those above. At 31 March 2003 provisions of £1.1m, (2002: £0.4m) and £19.8m (2002: £nil), made on a SSAP 24 basis, were held in the balance sheet. Under FRS 17 these respective liabilities amounted to £1.3m (2002: £0.5m), and £20.5m (2002: £nil).

The impact on the net assets of the Group had FRS 17 been fully adopted would have been:

	2003 £m	2002 £m
Net assets	24.4	8.7
Less: Net pension liabilities	(107.4)	(21.9)
Add: Pension provisions net of deferred tax	47.9	30.6
Net (liabilities)/assets as adjusted	(35.1)	17.4

Notes to the accounts

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24 Pension schemes (continued)

FRS 17 profit and loss account disclosures

If FRS 17 had been fully adopted in these financial statements, the following would have been impacted and for the purpose of these disclosures all of the above arrangements have been amalgamated as one pension scheme:

Analysis of other pension costs charged in arriving at operating profit:

	2003 £m
Current service cost	18.4

Analysis of amounts included in finance charges:

	2003 £m
Expected return on pension scheme assets	20.5
Interest on pension scheme liabilities	(19.5)
	1.0

Analysis of amount recognised in statement of total recognised gains and losses:

	2003 £m	2003 %
Actual return less expected return on pension scheme assets	(75.8)	
Percentage return on pension scheme assets		(31.5)
Experience gains and losses arising on pension scheme liabilities	4.6	
Percentage of present value of pension scheme liabilities		1.2
Changes in assumptions underlying the present value of pension scheme liabilities	(33.3)	
Actuarial loss recognised in statement of total recognised gains and losses	(104.5)	
Percentage of present value of pension scheme liabilities		(26.3)

The above disclosures will be built up over time into a 5-year history of pension scheme performance.

Movement in deficit in the pension scheme during the year

	2003		
	Wincanton Scheme	Unfunded arrangements	Total £m
Deficit at beginning of year	(30.8)	(0.5)	(31.3)
Transfer in of European unfunded arrangements on acquisition	–	(20.5)	(20.5)
Current service cost	(18.2)	(0.2)	(18.4)
Employer contributions	17.4	0.3	17.7
Past service costs	–	(0.3)	(0.3)
Net return	1.3	(0.3)	1.0
Actuarial loss	(104.2)	(0.3)	(104.5)
Deficit at end of year	(134.5)	(21.8)	(156.3)
Net pension liabilities	(94.2)	(13.2)	(107.4)

The movement in the deficit in the year was primarily a result of the decline in market value of the scheme assets. The assets are held in a mixture of equities and corporate bonds, the former experienced on average a fall in value of c.30% in the year, which was marginally offset by the latter's rise in value of c.11%.

Notes to the accounts

continued

25 Financial instruments

Treasury risk management

Wincanton has a centralised treasury function which operates under Board approved treasury policies and guidelines covering funding and management of foreign exchange exposure and interest rate risk. All transactions entered into by the Wincanton treasury function are required to be in support of, or as a consequence of, underlying commercial transactions.

Interest rate and currency of funding

The effective interest rate and currency of funding exposures of Wincanton's net debt position at the balance sheet dates was as follows:

	Total 2003 £m	Total 2002 £m
Sterling:		
Bank loans and overdrafts	95.7	43.1
Fixed rate finance leases	1.6	2.5
Cash deposits held by the Group's captive insurance company	(21.7)	(17.7)
Cash at bank and in hand	(0.6)	–
Euro:		
Bank loans and overdrafts	86.8	–
Fixed rate finance leases	0.6	–
Cash at bank and in hand	(11.6)	(0.9)
Other:		
Cash at bank and in hand	(3.1)	–
Net debt position	147.7	27.0

During the prior year and for most of the year ended 31 March 2003, the bank loans and overdrafts were at floating rates, yielding interest based on short-term inter-bank rates (principally applicable to periods of 3 months or less), and bank base rates.

In March 2003 the Company entered into a number of 3-year interest rate swap transactions to fix the interest rate liability of approximately two-thirds of both the sterling and the euro denominated debt.

Interest rate and currency of funding

The interest rate risk profile of the Group as at 31 March was as follows:

	2003			2002		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling:						
Bank loans and overdrafts	25.7	70.0	95.7	43.1	–	43.1
Finance leases	–	1.6	1.6	–	2.5	2.5
Euro:						
Bank loans and overdrafts	36.2	50.6	86.8	–	–	–
Finance leases	–	0.6	0.6	–	–	–
	61.9	122.8	184.7	43.1	2.5	45.6

Notes to the accounts

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25 Financial instruments (continued)

The fixed rate liabilities on the previous page have the following weighted average interest rates and periods to maturity

	2003		2002	
	Weighted average interest rate %	Average remaining duration in months	Weighted average interest rate %	Average remaining duration in months
Sterling:				
Bank loans and overdrafts	4.03	35	-	-
Finance leases	7.9	24	7.0	27
Euro:				
Bank loans and overdrafts	3.01	35	-	-
Finance leases	6.0	30	-	-

Cash at bank and in hand and the cash deposits held by the Group's captive insurance company earn interest based on the applicable local inter-bank rate.

Currency analysis

As a result of the acquisition of P&O Trans European in the year, the Group now has a much greater proportion of its activities denominated in currencies other than sterling compared to prior years. However, the transactional exposure of the Group is minimised as the transactions of each operation are denominated in the relevant functional foreign currency. At the year end there were no material transactional balances which were denominated in currencies other than the relevant functional currency.

The Group's exposure to structural foreign exchange movements is minimised by matching non sterling assets with non sterling liabilities. Any gains or losses arising on the non sterling investments and associated non sterling borrowings are recognised in the statement of total recognised gains and losses.

Fair values of financial instruments

Financial instruments comprise overdrafts, medium-term loans and finance leases. Short-term debtors and creditors are excluded. During the period under review, Wincanton held a forward foreign exchange contract for a period of 1 week for a value of £70.0m in connection with the P&O Trans European acquisition (2002: £0.3m). At the year end no such contracts existed.

The fair value of all financial assets and liabilities is not materially different from the book value, except for the interest rate swap transactions entered into at the end of the financial year discussed above. At 31 March 2003 the fair value of these, being the market values of the instruments, was as follows:

	2003 Carrying value £m	2003 Fair value £m
Currency:		
Sterling	-	(0.4)
Euro	-	(0.3)

Notes to the accounts

continued

26 Reconciliation of operating profit to operating cash flows

	Group	
	2003 £m	2002 £m
Operating profit	31.7	34.1
Depreciation and amortisation	28.9	24.8
(Increase)/decrease in stocks	(0.2)	0.2
Increase in debtors	(13.6)	(9.4)
Increase in creditors	21.7	13.0
Increase/(decrease) in provisions	0.1	(4.9)
Loss on sale of fixed assets	1.8	–
Net cash inflow from operating activities	70.4	57.8

The operating cash flows include an outflow of £0.5m (2002: £2.7m) in respect of exceptional costs.

27 Analysis of cash flows

	2003 £m	2003 £m	2002 £m	2002 £m
Returns on investments and servicing of finance				
Interest received	1.0		0.8	
Interest paid	(4.7)		(3.6)	
Interest element of finance lease rental payments	(0.2)		(0.2)	
		(3.9)		(3.0)
Capital expenditure				
Purchase of tangible assets	(17.7)		(14.7)	
Sale of tangible assets	9.2		3.9	
		(8.5)		(10.8)
Acquisition				
Purchase of Trans European (note 19)	(158.4)		–	
Cash acquired with Trans European	15.2		–	
		(143.2)		–
Management of liquid resources				
Increase in cash deposits held by the captive insurer	(4.0)		(17.6)	
		(4.0)		(17.6)
Financing				
Increase/(decrease) in borrowings	125.9		(18.9)	
Capital element of finance lease rental payments	(1.1)		(1.6)	
Issue of share capital	0.3		–	
		125.1		(20.5)

Cash flows in respect of Trans European, which was acquired in the year, amounted to £(2.2)m of the Group's net operating cash flows, £(1.3)m in respect of returns on investments and servicing of finance, £(1.6)m in respect of taxation and £(3.9)m of capital expenditure.

Notes to the accounts

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28 Analysis of net debt

	At beginning of year £m	Cash flow £m	Acquisition £m	Other non cash changes £m	Exchange movement £m	At end of year £m
Cash at bank and in hand	0.9	14.4	--	--	--	15.3
Cash deposits held by the captive insurer	17.7	4.0	--	--	--	21.7
	18.6	18.4	--	--	--	37.0
Debt due within one year	(13.1)	(1.2)	(9.2)	--	(0.8)	(24.3)
Debt due after one year	(30.0)	(124.7)	--	--	(3.5)	(158.2)
Finance leases	(2.5)	1.1	(0.6)	(0.2)	--	(2.2)
Total	(27.0)	(106.4)	(9.8)	(0.2)	(4.3)	(147.7)

During the year the Group entered into finance lease arrangements in respect of assets with a capital value at the inception of the leases of £0.2m (2002: £0.6m).

29 Related party transactions

Wincanton has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to disclose transactions with its subsidiaries, on the basis that all transactions were with members of the Group, 90% or more of whose voting rights were controlled within the Group.

In the period 1 April 2002 to 31 December 2002 the Group made purchases of £0.2m from P&O Trans European.

Five year record

	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
Turnover	998.0	745.6	721.8	685.2	603.3
Operating profit ⁽¹⁾	33.3	29.7	26.8	25.7	20.6
Net interest payable and similar charges ⁽²⁾	(5.0)	(3.9)	(4.9)		
Profit before taxation ⁽¹⁾	28.3	25.8	21.9		
Profit before taxation (unadjusted)	26.7	30.8	23.4		
Profit after taxation for the year ⁽¹⁾	18.9	18.3	15.2		
Basic earnings per share ⁽¹⁾	16.5p	16.0p	13.3p		
Dividend per share ⁽²⁾	10.06p	9.45p	9.0p		
Dividend cover ⁽³⁾	1.8x	2.0x	1.8x		
Interest cover ⁽³⁾	7.4x	8.8x	6.4x		
Net debt	(147.7)	(27.0)	(49.8)		
Capital employed ⁽⁴⁾	238.5	112.5	127.3		
Year end return on capital employed ⁽⁴⁾	43.1%	26.4%	21.1%	19.4%	15.6%
Year end return on capital employed ⁽⁴⁾ (including Trans European)	14.0%	26.4%	21.1%	19.4%	15.6%

(1) Operating profit and hence profit before and after taxation, are adjusted to exclude pension credit, goodwill amortisation and exceptional items. Basic earnings per share is calculated on the same basis. The analysis after operating profit is not presented for the years prior to 2001, as both the interest charged to Wincanton on the funding provided by the former parent Uniq plc and the inter company dividends levied by the former parent are not comparable with the post demerger position.

(2) The net interest payable in 2001 is pro forma and calculated as if the debt assumed at demerger had been the basis of Group funding throughout the year. The dividend per share in 2001 is also pro forma and determined as set out in note 9 in the 2002 Annual Report.

(3) Interest cover is based on the profit before exceptional items and goodwill amortisation, but including pension credit, in line with the Group's banking facilities. Dividend cover is calculated on the same basis.

(4) Capital employed is defined as net assets/(liabilities) adjusted for goodwill, debt, taxation, dividends, pension and insurance provisions. Return on capital employed is calculated as operating profit before pension credit, goodwill amortisation and exceptional items over capital employed. The Trans European acquisition has reduced the return due to the inclusion of only 3 months of post acquisition operating profit but the full amount of year end capital employed.

Financial calendar

Full year results	Preliminary announcement on 12 June 2003
Annual report	Posted to shareholders at the end of June 2003
Annual General Meeting	To be held on 24 July 2003 at the Mayfair Conference Centre, 17 Connaught Place, London W2 2EL at 11.30am
Half year results	Interim announcement November 2003
Ordinary dividends – Interim 3.31p per share – Final 6.75p per share	Paid 8 January 2003 Payable 13 August 2003 to shareholders on the register at the close of business on 18 July 2003

Shareholder information

Annual report

Copies can be obtained from the Company's address below.

Share Registrar – Lloyds TSB

The Company's Registrar is Lloyds TSB Registrars. If you have any questions about your holding or wish to notify any change in your details please contact the Registrar at: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 0870 6003970. Whenever you contact the Registrar, please quote the full names in which your shares are held. Please advise the Registrar promptly of any change of address.

Dividend mandates

If you wish all further dividends to be paid directly into your bank or building society account, you should contact the Registrar for a dividend form or complete the instructions attached to your dividend payment.

Share dealing service

Wincanton shares may be dealt through the Company's brokers at a special commission rate. If you would like further information, you may contact the brokers at: Postal Dealing Service, Cazenove & Co Limited, 12 Tokenhouse Yard, London EC2R 7AN. Telephone: 020 7588 2828. Please note that to comply with recent legislation aimed at the control of money laundering, users of this service will be required to provide details of their identity.

Share price quotation

The Company's share price is quoted daily in national and regional newspapers as well as on BBC2 Ceefax, Channel 4 Teletext and via the Wincanton website, where it is regularly updated through the day.

Shareholders' enquiries

If you have an enquiry about the Company's business or about something affecting you as a shareholder (other than queries regarding shareholdings which are dealt with by Lloyds TSB Registrars), you are invited to contact the Company at the address below.

Unsolicited mail

The Company is obliged to make its Register available to other organisations. Shareholders wishing to limit the amount of unsolicited mail they may receive as a result should write to the Mailing Preference Service at DMA House, 70 Margaret Street, London, SW1W 8SS, or online at www.mpsonline.org.uk

Secretary and Registered Office

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