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Smiths News PLC
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This Announcement Contains Inside Information

Smiths News plc

("Smiths News" or the "Company")

Final Results for the 53 weeks ended 31 August 2024

Robust trading performance delivers results ahead of market expectations

Debt refinancing and materially lower debt underpins renewed capital allocation and diversification ambitions

Proposed total ordinary dividend for the year of 5.15 pence per share, alongside a further special dividend of 2.0 pence per share

Smiths News (LSE: SNWS), the UK's largest news wholesaler and a leading provider of early morning end-to-end supply chain solutions, today announces its final results for the 53 weeks ended 31 August 2024 (the "Period" or "FY 2024").

Key highlights:

- Financial performance across FY 2024 ahead of market expectations*
- Revenues of £1,104m (+1.1% versus FY 2023) and adjusted operating profit of £39.1m (+£0.3m versus FY 2023), supported by sales from the men's UEFA European Championships and the additional week of trading**
- Continued focus on operational efficiencies, delivering £5.6m cost savings in FY 2024
- 91%*** of existing publisher revenue streams secured subject to contract until 2029
- Increased contribution to operating profit from organic growth initiatives of £2.0m (FY 2023 £0.7m)
- Average Bank Net Debt during the period decreased 53% to £11.7m
- Free cash flow of £7.3m and closing Bank Net Debt of £11.0m were both impacted by the 53rd week
- May 2024 debt refinancing allows the Company to implement a revised capital allocation policy and significantly reduces interest costs
- Proposed final ordinary dividend of 3.4 pence per share due to be paid on 6 February 2025, resulting in a total ordinary dividend for the year of 5.15 pence per share (+23% on FY 2023)
- The Company proposes a further special dividend of 2.0 pence per share to be paid on 6 February 2025 resulting in total dividends (interim, final and special) for the year of 7.15 pence per share (+72% on FY 2023)

Adjusted results (1)	**53 weeks to 31 Aug 2024**	52 weeks to 26 Aug 2023	Change
Revenue	**£1,103.7m**	£1,091.9m	1.1%
Operating profit	**£39.1m**	£38.8m	0.8%
Profit after tax	**£24.7m**	£25.6m	(3.5%)
Earnings per share	**10.3p**	10.8p	(0.5p)
Statutory results			
Revenue	**£1,103.7m**	£1,091.9m	1.1%
Operating profit	**£40.0m**	£38.3m	4.4%
Profit after tax	**£25.5m**	£25.1m	1.6%
Earnings per share	**10.6p**	10.6p	0.0p
Cash flow and net debt			
Free cash flow (2)	**£7.3m**	£21.8m	(66.5%)

Bank Net Debt (3)	**£11.0m**	£4.2m	161.9%
Average Bank Net Debt	**£11.7m**	£25.0m	(53.2%)
Dividend per share	**7.15p**	4.15p	3.00p

** Company compiled analyst consensus can be found on Smiths News's website: [Analyst consensus]()*

*** The impact of the 53rd week was an increase to revenue of 1.9%, an increase to adjusted operating profit of £0.9m and a cash outflow of £15.7m*

**** 74% of publisher contracts signed to 2029, additional 17% secured under Heads of Terms agreement*

Strategy

- The Company's vision is to consolidate our position as one of the UK's leading providers of early morning end to end supply chain solutions
- As outlined previously, the Company has identified several growth initiatives that build on its expertise in warehousing, reverse logistics and early morning final mile services, across its extensive high-density UK delivery network
- The news and magazines business remains resilient, with 91%*** of revenues under renewed long-term agreements to 2029, and its asset-light, flexible cost base model underpins the Company's strategy to build growth revenues
- Established growth initiatives that leverage these proven capabilities, such as Smiths News Recycle, are delivering good progress

Outlook

- Refinancing agreement, announced in May 2024, removes restrictions on shareholder distributions and allows the Company to implement its revised capital allocation policy
- Cost-out plans in place to deliver continued savings, targeting approximately £5.0m annually
- Three-year internal investment programme underway to ensure the business is positioned to support our market-leading news and magazines offering alongside additional growth opportunities
- 91%*** of existing publisher revenue streams secured subject to contract to 2029, providing the Company with stability of and visibility over revenues across the medium term
- Anticipated growing contribution from growth initiatives
- Outlook remains in line with market expectations and the Company has delivered a good start to trading in the current financial year

Jonathan Bunting, Chief Executive Officer, commented:

"Our performance over FY 2024 reflects the resilience of our news and magazines business and impact of our cost efficiency initiatives. The refinancing agreement announced in May removes restrictions on shareholder returns and also enables internal investment to support both our news and magazines business and our growth plans.

"Our growth programme is centred around Smiths News's asset-light, flexible cost base and our established competencies across reverse logistics, warehousing and early morning final mile services. These position us well to drive profitability from complementary market opportunities in growth areas such as recycling, final mile and warehousing verticals.

"We have today announced both a final ordinary dividend of 3.4 pence per share, and a further special dividend of 2.0 pence per share. This means that we propose to return over £17.2m to our shareholders in respect of FY 2024.

"In summary, Smiths News is well placed to continue to deliver a resilient performance over the medium term. Meanwhile, the combination of the recently announced investment programme and dividend policy demonstrates our ability to meet the ongoing needs of the business while providing attractive cash returns to shareholders."

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About Smiths News

For over 200 years, Smiths News has been delivering newspapers to retailers across the UK. It distributes newspapers, magazines and ancillary items on behalf of the major national and regional publishers, delivering to approximately 22,400 customers across England and Wales on a daily basis. The speed of turnaround and density of Smiths News' coverage is critical to its position as a leading provider of early morning end-to-end supply chain solutions.

For more information, please visit: www.smithsnews.co.uk

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Notes

The Company uses certain performance measures for internal reporting purposes and employee incentive arrangements. The terms 'Bank Net Debt', 'free cash flow', 'Adjusted operating profit', 'Adjusted profit before tax', 'Adjusted earnings per share' and 'Adjusted items' are not defined terms under IFRS and therefore are Alternative Performance Measures (APM) and may not be comparable with similar measures disclosed by other companies.

(1) The following are key APMs identified by the Company in the Group Financial Statements as Adjusted results:
a. Adjusted operating profit - is defined as operating profit excluding Adjusting items.
b. Adjusted profit before tax (PBT) - is defined as profit before tax excluding the impact of Adjusting items.
c. Adjusted earnings per share - is defined as Adjusted PBT, less taxation attributable to Adjusted PBT and including any adjustment for minority interest to result in adjusted profit after tax attributable to shareholders; divided by the basic weighted average number of shares in issue.
d. Adjusting items - Adjusting items of income or expenses are excluded in arriving at adjusted operating profit to present a further measure of the Company's performance. Each Adjusting items is considered to be significant in nature and/or quantum, non-recurring in nature and/or unrelated to the Group's ordinary activities or consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Team. Adjusting items are disclosed and described separately in Note 3 to the Group Financial Statements to provide further understanding of the financial performance of the Company. A reconciliation of adjusted profit to statutory profit is presented on the income statement.

(2) Free cash flow - is defined as cash flow excluding the following: payment of dividends, the impact of acquisitions and disposals, the repayment of bank loan principal amounts and outflows for purchases of own shares (EBT share purchases).

(3) Bank Net Debt - represents the net position drawn under the Company's banking facilities and is calculated as total debt less cash and cash equivalents. Total debt includes loans and borrowings excluding amortised arrangement fees, overdrafts and obligations under finance leases under accounting standards applicable in 2019.

Cautionary Statement

OPERATING REVIEW

Overview of performance

Smiths News continued to see robust trading throughout FY 2024, delivering results ahead of market expectations for the period. These results reflect a pleasing period across the business, supported by the performance of our established news and magazines operations, alongside increased contributions from strategic growth initiatives and the Company's ongoing cost efficiency programme. Trading performance was further bolstered by sales of collectables from England and Scotland's participation in the men's UEFA European Championships, and the additional benefit of a 53rd week in the reporting period.

The Company delivered adjusted operating profit of £39.1m (FY 2023: £38.8m) from revenue of £1,103.7m (FY 2023: £1,091.9m), including the benefit of the 53rd week. This was despite ongoing inflationary pressures, lower magazine waste prices and the anticipated continued volume decline in the newspaper and magazine market. Adjusted profit before tax was £33.2m (FY 2023: £32.3m), marking a £0.9m increase. Free cash flow was £7.3m, in line with plans, and skewed by the 53-week reporting period, with the additional week including scheduled publisher payments. On a 52-week comparative basis, free cash flow remained in line with plan at £23.0m (FY 2023: £21.8m inflow). Average Bank Net Debt saw a notable decrease of 53% to £11.7m (FY 2023: £25.0m), and Bank Net Debt was impacted by net payments of £15.7m in the 53rd week, rising by £6.8m to £11.0m as a result, compared to £4.2m in FY 2023. Adjusted EPS stood at 10.3p (FY 2023: 10.8p), a decrease of 0.5p.

As previously stated, the Company remains focused on continuing to deliver first-class service within its news and magazines business, while simultaneously exploring opportunities that build on its expertise in early morning end-to-end supply chain solutions. Management is seeking to drive opportunities that build upon these capabilities, alongside successfully mitigating the long-established and gradual decline of sales of print newspapers and magazines.

The Company's established expertise in early morning supply chain management, including end to end and final mile logistics sits centrally in its growth strategy as it seeks to further leverage this skill set.

A year of continued progress and building growth

FY 2024 has been a year of continued progress. The Company has made significant strides in strengthening its business, achieving strong progress in reducing average bank net debt, and creating headroom to deliver further attractive returns to shareholders. As announced at the half year results in May 2024, the Company signed a new financing agreement which removed certain restrictions on dividends and distribution of capital. The new agreement allows Smiths News to implement its revised capital allocation policy, which includes consideration of future shareholder returns and facilitates investment in its core capabilities and exploration of potential adjacent market opportunities.

As outlined previously, the Company has been developing growth initiatives that build on its expertise in warehousing, reverse logistics and early morning final mile services, across its extensive high-density UK delivery network. These initiatives seek to layer additional services over our existing provision in the news and magazines markets, creating a compelling proposition for both current and prospective customers.

To date, our growth initiatives have included the delivery of new products and services for existing customers, including the previously announced rollout of Smiths News Recycle which capitalises on our core reverse logistics capabilities. Additionally, we have expanded the range of our services to national supermarket and convenience store clients with the distribution of books, home entertainment and new products, utilising our expertise in warehousing and early morning final mile services, alongside network optimisation.

Refinancing and implementation of revised capital allocation policy

In May 2024, the Company announced the successful refinancing of the business, reflecting the continued strengthening of the underlying performance and material reduction in total and average net debt. The new facility comprises a £40m revolving credit facility, with an additional uncommitted accordion facility of up to £10m. The facility is set to run for a minimum 3-year term at an initial 2.45% margin over SONIA, with options to extend for up to a further 2 years. The new facility removes the cap on distributions to shareholders and supports investment in the business.

Prior to the refinancing agreement, the total annual dividend payment was capped at a maximum of £10m per annum. The refinancing has removed this cap and allows the Company to implement its revised capital allocation policy, which comprises:

- Maintaining a strong balance sheet with a Bank Net Debt: Bank EBITDA ratio of less than 1.0x
- Continued investment in both the news and magazines business and organic growth initiatives
- Payment of sustainable ordinary dividend, maintaining 2x dividend cover
- Disciplined approach to inorganic growth initiatives, focused on bolt-on acquisitions with clear accretive returns to enhance shareholder value
- Further returns to shareholders when appropriate.

Dividend

Following the interim ordinary dividend of 1.75p, paid in July 2024, the Company proposes to pay a final ordinary dividend of 3.4 pence per share on 6 February 2025 (FY 2023: 2.75p per share) to shareholders on the register on 10 January 2025, which will bring the total proposed dividend for the year to 5.15 pence per share. The ex-dividend date will be 9 January 2025.

Additionally - in line with the Company's revised capital allocation policy and reflecting the greater discretion relating to shareholder distributions allowed by the renegotiation of its banking facilities - the Company proposes to pay a special dividend of 2.0 pence per share, to be paid alongside the final ordinary dividend on 6 February 2025 to shareholder on the register at 10 January 2025.

Growth initiatives

The Company continues to explore strategic organic growth initiatives that leverage and expand upon the business' core competencies of early morning and final mile services, warehousing and reverse logistics, which remain central to our newspaper and magazine operations.

Smiths News Recycle - a waste recycling service for our retail customers and other appropriate outlets - was initially launched to a select group of customers in February 2023. It was rolled out more broadly across a larger portion of our network in November 2023 and as of 31 August 2024, had been adopted by approximately 5,000 customers, representing strong penetration of the Company's existing customer footprint. The success of Smiths News Recycle can be attributed to our long-standing reverse logistics capabilities, and deep understanding of the unique dynamics of the early-morning and final mile markets - core competencies which will remain central to our growth plans. We believe there is scope to expand this service beyond our existing customer base.

The application of our core competencies - specifically warehousing and early morning final mile services - to other growth initiatives includes the delivery of books and home entertainment to multiple national supermarket chains, as well as new products to a national grocer, both of which are progressing well. The Company is currently engaged in discussions with a number of other potential customers, aiming to further extend the delivery of its services.

Operating profit generated from our organic growth initiatives in FY 2024 was £2.0m versus £0.7m in FY 2023, demonstrating the Company's ability to identify and develop growth angles that leverage existing infrastructure and are complementary to our news and magazines operations.

Internal investment programme

As highlighted in our half year results, the Company will be undertaking an investment programme over the next three years, increasing investment in the business by approximately £2.0m per annum over that period to £6.0m per annum. The investment will include the implementation of a new warehouse management system which will optimise warehouse operations going forward, a transport management system and investment in facilities, ensuring that we continue to provide our customers and suppliers with the best quality service. Furthermore, investment in technology will ensure the Company is better able to support its growth initiatives including the provision of end-to-end supply chain solutions for new and existing clients. Following this period of investment, annual capital investment in the business is expected to return to circa. £4.0m maintenance capex per annum thereafter.

Contract renewals

Further to the recent announcements of contract renewals with the Financial Times, Smiths News now has secured 91% of its publisher revenue streams out to 2029, providing underlying revenue stability and assurance.

This includes the signing of a Head of Terms for a new 5-year commercial agreement with Reach plc, which commenced in October 2024, subject to contract.

Securing these key contract renewals provides Smiths News with revenue stability over the medium term and enables Smiths News to plan accordingly for its network and the delivery of these services going forward. This revenue stability also supports additional growth initiatives to further drive profitability.

Inflation and operational efficiencies

Cost inflation continued to impact our operating cost base in the period, in line with our internal forecasts. Whilst showing some signs of relaxation, these increases remained well above historic norms during the Period.

Within Smiths News, we remain focused on identifying operational efficiencies to optimise its broader network and services. In FY 2024, we delivered £5.6m of cost savings centred around streamlining warehouse and final mile operations and finding efficiencies in our overhead cost base, including reducing variable costs aligned to volume declines. Looking ahead, we continue to identify opportunities for enhanced efficiencies and believe the previously mentioned investment in the warehouse management system will facilitate further savings in the longer-term.

The Company targets annual operational efficiencies of circa £5.0m, prioritising value creation, while preserving operational resilience. Most of this expenditure yields positive returns through our growth and cost-reduction initiatives, with the remaining portion allocated for investments in facilities.

Cash generation and net debt reduction

Predictable cash flow remains at the core of the Smiths News business model. Cash generation excluding the 53rd week was £23.0m, in line with FY 2023 (£21.8m). Average Net Debt halved to £11.7m (FY 2023: £25.0m). Bank Net Debt rose by £6.8m to £11.0m, impacted by net payments of £15.7m in the 53rd week.

Following the Refinancing Agreement announced in May 2024, the Company has in place a £40m Revolving Credit Facility, with an additional uncommitted 'accordion' facility of up to £10m, which enables the business to manage its intra-month working capital which can vary by up to £44m within each month.

Board changes

A recruitment search process commenced following confirmation from Denise Collis (independent non-executive director and Remuneration Committee chair) that she intends to retire from the Board at the conclusion of the 2025 AGM as she approaches the expiry of her 9 year term. Whilst an appointment is yet to be made, a suitable candidate is expected to positively contribute a broad range of competencies, skills and experiences, particularly as we embrace the future needs and strategic direction of the business and, in so doing, also serve to improve the level of diversity on the Board. We will report further progress in due course but, in the meantime, the Board would like to express its sincere appreciation for Denise's significant contribution, guidance and support during her time with the Company.

Outlook

Outlook

The Company enters FY 2025 on a strong footing with trading in line with expectations and clear plans in place for another successful year and beyond. The news and magazines business has secure contracts and a well-established business model, while we continue to make progress expanding our adjacent growth initiatives. Furthermore, the recent debt refinancing allows us to implement our revised capital allocation policy.

Going forward, the Company is focused on maximising its core capabilities and driving revenues from continuing to deliver best-in-class service to its news and magazines customer base and from successfully expanding organic initiatives which leverage the existing network and competencies. These activities are all underpinned by Smiths News' asset-light, flexible cost base business model. From FY 2025, our aforementioned investment programme will ensure the business is able to optimise efficiencies and streamline working processes moving forward, facilitating the continued programme of identifying cost management initiatives.

The proposed special dividend reflects the strength in Smiths News' business, alongside the Board's commitment to a revised capital allocation policy; seeking to maximise shareholder returns while simultaneously ensuring continued investment in the business.

Moving into FY 2025, the Board remains confident for the Company's prospects, leveraging its logistics and final mile expertise, and establishing Smiths News firmly as one of the UK's leading providers of early morning end-to-end supply chain solutions.

FINANCIAL REVIEW

Overview

In FY 2024 the Company traded ahead of expectation, continued to generate good levels of cash and refinanced its banking facilities on improved terms, enabling an update of its capital allocation policy.

Adjusted Operating Profit of £39.1m (FY 2023: £38.8m) was £0.3m ahead of last year, benefitting from the men's UEFA European Championships collectables, increased contribution from growth initiatives and the 53rd trading week. Average net debt was reduced to £11.7m compared to £25.0m in FY 2023. In May 2024, the Company successfully concluded a refinancing of its banking facilities, reducing interest charges and enabling an update of its capital allocation policy. Consequently, the full year dividend has increased to 5.15p per share (FY 2023: 4.15p per share), representing 2x adjusted profit after tax, and a further special dividend is to be paid representing 2.0p per share.

The Company's financial results in FY 2024 represent 53 weeks of trading, compared to 52 weeks in FY 2023 as the reporting year closed on the last Saturday in August. The additional week benefitted revenue by 1.9%, adjusted operating profit by £0.9m and did not include any significant one-off items. From a cash and net debt perspective, the 53rd week was a net outflow of £15.7m driven by scheduled calendar month end publisher payments, part of the Company's normal working capital cycle which we have previously communicated.

Revenues of £1,103.7m (FY 2023: £1,091.9m), were up 1.1% on the prior year, of which 1.9% related to the 53rd week. The remaining movement excluding the 53rd week of -0.8% was below the historic trend of -3% to -5%. Within Adjusted operating profit, the benefit of the men's UEFA European Championships collectables matched the contribution made from Royal Succession and the World Cup in FY 2023, and cost out plans of £5.6m more than offset the net decline in newspaper and magazines income. Inflation remains a headwind as do prices for the sale of waste, but £1.3m increased contribution from the Company's growth activities provides good trajectory going forward. Adjusted operating profit was £39.1m (FY 2023: £38.8m) up £0.3m from last year and including a £0.9m benefit of the 53rd week.

While lower average Bank Net Debt helped drive lower net finance costs (FY 2024: £5.9m; FY 2023: £6.5m), Adjusted profit after tax decreased by £0.9m to £24.7m due to a £1.8m higher tax charge which included a higher headline UK rate in FY 2024. Adjusted EPS reduced from 10.8p to 10.3p as a result.

Average Bank Net Debt for the period decreased by £13.3m (53.2%) from £25.0m in FY 2023 to £11.7m in FY 2024, reflecting consistent ongoing cash flow generation. Bank Net Debt of £11.0m was higher than last year (FY 2023: £4.2m) as there was an outflow of £15.7m in the 53rd week, owing to calendar month end publisher payments. Bank Net Debt on 24 August 2024 after 52 weeks was a net cash position of £4.7m. Free cash flow of £7.3m (FY 2023: £21.8m) was equally impacted and Free cash flow after 52 weeks would have been £23.0m, compared to the prior year period of £21.8m.

Adjusting items after tax were a credit of £0.8m as they included a £0.6m reduction in the provision for McColls receivables and £0.3m reversal of impairment on the investment in Rascal. This compares to a cost of £0.5m in the prior year driven by £0.6m aborted acquisition costs.

A final ordinary dividend of 3.40p per share (£8.2m) is proposed by the Board which makes a total full year ordinary dividend of 5.15p (£12.4m) compared to 4.15p in FY 2023 (£10.0m). A special dividend of 2.0p (£4.8m), is also to be paid alongside the final ordinary dividend in February 2025.

Adjusted results

Group

£m	**53 weeks to 31 Aug 2024**	52 weeks to 26 Aug 2023	Change
Revenue	**1,103.7**	1,091.9	1.1%
Operating profit	**39.1**	38.8	0.8%
Net finance costs	**(5.9)**	(6.5)	(9.2%)
Profit before tax	**33.2**	32.3	2.8%
Taxation	**(8.5)**	(6.7)	26.9%
Effective tax rate	***25.6%***	*20.7%*	*486bps*
Profit after tax	**24.7**	25.6	(3.5%)

Revenue

Revenue was £1,103.7m (FY 2023: £1,091.9m), up 1.1% on the prior year including a 1.9% benefit from the 53rd week. Excluding the 53rd week the residual decrease of 0.8% was well below the historic revenue trend of c.-3% to -5% and was supported by new contract wins and cover price increases.

Newspaper revenue increased by 2.5%, and by 1% excluding the impact of the 53rd week and the Royal succession in FY 2023. Underlying volume decreases were more than offset by News UK and Midlands News Association contract wins and the continuing benefit from cover price increases, although these continued to impact volumes.

Magazine revenue was down 2% and this was 3.2% excluding 53rd week and Royal Succession. Weekly and Monthly titles both performed better than expected this year and a 3% decline is lower than the 10-year average decline of 6%.

Revenue from collectables however decreased by 7.3%, despite the men's UEFA European Championships and benefit of the 53rd week. Excluding these items, the decrease was 13% and included a weaker performance from the current Pokémon series over the last 12 months.

Operating profit

The increase in Adjusted operating profit of £0.3m to £39.1m (FY 2023: £38.8m) includes the following items:

- The benefit of a 53rd week of trading (£0.9m)
- Lower revenue from sale of waste paper (£1.1m), driven by a reduction in price and volumes
- Increased contribution from strategic growth lines (£1.3m)

- Depot rationalisation costs of £0.6m in the prior year which have not reoccurred
- Cost reduction plans within depot and overheads (£5.6m), which partly offset increases to the cost base driven by inflation (£4.4m) and net newspaper and magazine wholesale margin decline (£2.6m).

Profit after tax

Net finance charges of £5.9m (FY 2023: £6.5m) were driven by a lower average net debt and partially offset by the write-off of unamortised fees on the previous loan facility of £46.5m and higher average interest rates. Taxation of £8.5m (FY 2023: £6.7m) was £1.8m higher than the prior period, driven by the increase in the corporation tax rate from 19% to 25% from April 2023. Profit after tax of £24.7m (FY 2023: £25.6m) was £0.9m lower than last year.

Statutory Results

Group

£m	**53 weeks to 31 Aug 2024**	52 weeks to 26 Aug 2023	Change
Revenue	**1,103.7**	1,091.9	1.1%
Operating profit	**40.0**	38.3	4.4%
Net finance costs	**(5.9)**	(6.5)	(9.2%)
Profit before tax	**34.1**	31.8	7.2%
Taxation	**(8.6)**	(6.7)	28.4%
Effective tax rate	***25.2%***	*21.1%*	*415bps*
Profit after tax	**25.5**	25.1	1.6%

Statutory profit after tax of £25.5m was a £0.4m increase on the prior year (FY 2023: £25.1m). The increase was the net of the £0.9m decrease in Adjusted profit after tax described above and a £1.3m difference in adjusting items which were a £0.5m cost in FY 2023 but a £0.8m credit in FY 2024.

Earnings per share

	Adjusted		**Statutory**	
	53 weeks to 31 Aug 2024	52 weeks to 26 Aug 2023	**53 weeks to 31 Aug 2024**	52 weeks to 26 Aug 2023
Earnings attributable to ordinary shareholders (£m)	**24.7**	25.6	**25.5**	25.1
Basic weighted average number of shares (millions)	**240.3**	237.3	**240.3**	237.3
Basic Earnings per share	**10.3**	10.8	**10.6**	10.6
Diluted weighted number of shares (millions)	**251.1**	249.9	**251.1**	249.9
Diluted Earnings per share	**9.8**	10.2	**10.2**	10.0

Adjusted basic earnings per share of 10.3p, was a decrease of 0.5p on the prior year driven by the decrease in earnings of the business and an increase in the average number of shares as a result of the employee benefit trust holding fewer shares.

Statutory basic earnings per share remained at 10.6p (FY 2023: 10.6p) due to the above plus higher earnings from the impact of adjusting items.

Dividends

	53 weeks to 31 Aug 2024	52 weeks to 26 Aug 2023
Dividend per share (proposed)	**7.15p**	4.15p
Dividend per share (paid and recognised)	**4.50p**	4.15p

The Board is proposing a final ordinary dividend of 3.40p per share (FY 2023: 2.75p per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 16

January 2025 and has not been included as a liability in these accounts. The Board is also proposing a special dividend of 2.0p per share. These dividend recommendations follow the revised capital allocation policy.

The proposed dividends will each be paid on 6 February 2025 to shareholders on the register at close of business on 10 January 2025. The ex-dividend date will be 9 January 2025.

Adjusting items

£m	**53 weeks to 31 Aug 2024**	52 weeks to 26 Aug 2023
Tuffnells provision	**0.2**	(0.4)
Network and reorganisation (costs)/credits	**(0.1)**	0.5
Technology transformation costs	**(0.1)**	-
Aborted acquisition costs	**-**	(0.6)
Impairment reversal in investment in joint ventures	**0.3**	-
Impairment of receivables - McColl's	**0.6**	-
Total before tax	**0.9**	(0.5)
Taxation	**(0.1)**	-
Total after taxation	**0.8**	(0.5)

Adjusting items before tax was a credit of £0.9m compared to a net cost of £0.5m in the prior year period. In FY 2024, the Company reduced the impairment provision held on the McColls receivable by £0.6m following information received from the McColls administrators, reversed the remaining impairment held on the Rascal joint venture of £0.3m and released provisions made following Tuffnells entering into administration of £0.2m. These credits were partially offset by £0.1m of reorganisation costs in relation to simplifying the Group structure and £0.1m in respect of implementation costs for the three-year internal investment programmes highlighted above.

In the prior period, the Company incurred £0.6m of costs for due diligence and legal activity associated with an aborted acquisition and made £0.4m of provisions following Tuffnells falling into administration. These costs were offset by £0.5m of credits relating to provisions releases which were the result of a contract renewal with our shared service centre partner.

Further information on these items can be found in Note 3 to the Group Financial Statements. Adjusting items are defined in the Glossary to the Group Financial Statements and present a further measure of the Company's performance. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Team. Alternative Performance Measures (APMs) should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Free cash flow

£m	**53 weeks to 31 Aug 2024**	52 weeks to 26 Aug 2023
Adjusted operating profit	**39.1**	38.8
Depreciation and amortisation	**8.5**	9.2
Adjusted EBITDA	**47.6**	48.0
Working capital movements	**(17.0)**	(4.9)
Capital expenditure	**(4.4)**	(3.4)
Lease payments	**(5.9)**	(6.1)
Net interest and fees	**(5.0)**	(5.3)
Taxation	**(8.5)**	(6.6)
Other	**0.9**	1.1
Free cash flow (excluding Adjusting items)	**7.7**	22.8
Adjusting items (cash effect)	**(0.4)**	(1.0)
Free cash flow	**7.3**	21.8

Free cash flow of £7.3m was £14.5m lower than last year (£21.8m) due to the impact of the 53rd week, which was a net outflow of £15.7m. The 53rd week included payment made to publishers as part of the Company's normal working capital cycle at the end of the calendar month. Free cash flow excluding the 53rd week was £23.0m.

The working capital outflow arose largely from scheduled publisher payments in the 53rd week. Excluding the outflow in the 53rd week, there was a working capital outflow of £0.4m compared to an outflow of £4.9m in the prior year. The difference was due to the timing of receivables due from a major supermarket multiple which are scheduled in calendar months, with the August 2023 receipt falling into the first week of FY 2024 and the August 2024 receipt falling into the last week of FY 2024.

Capital expenditure in the period was £4.4m (FY 2023: £3.4m), an increase of £1.0m due to depot and office refurbishments during the summer of FY 2024.

Lease payments of £5.9m (FY 2023: £6.1m) decreased by £0.2m driven by network rationalisation activities which involved the closure of one site and the downsizing of another during FY 2024, partially offset in the second half of the year by rent renewals.

Net interest and fees of £5.0m (FY 2023: £5.3m) decreased by £0.3m, due to lower average net debt and interest earned on deposits partially offset by the impact of arrangement fees incurred on refinancing.

Cash tax outflow of £8.5m was a £1.9m increase on the prior period (FY 2023: £6.6m outflow) owing principally to the full year impact of the increase in corporation tax rate from 19% to 25% in April 2023.

Other items relate predominantly to the non-cash share-based payment expense.

The total net cash impact of other Adjusting items was an £0.4m (FY 2023: £1.0m) outflow.

A reconciliation of free cash flow to the net movement in cash and cash equivalents is given in the Glossary.

Net debt

£m	**As at 31 August 2024**	As at 26 August 2023
Opening Bank Net Debt	**(4.2)**	(14.2)
Free cash flow	**7.3**	21.8
Dividend paid	**(10.8)**	(9.8)
Investment in joint venture	**-**	(0.3)
Purchase of shares for employee benefit trust	**(3.3)**	(1.7)
Closing Bank Net Debt	**(11.0)**	(4.2)

Bank Net Debt closed the year at £11.0m compared to £4.2m at August 2023, an increase of £6.8m but including a £15.7m outflow in the 53rd week as outlined above. The Company had a net cash position of £4.7m at the end of the 52nd week on 24 August 2024.

Reported net debt is impacted by the timing of the Company's working capital cycle. The intra-month working capital cash flow cycle generates a routine and predictable cash swing within the overall bank facility of £40.0m at the period end (FY 2023: £64.0m). This results in a predictable fluctuation of net debt during the month compared to the closing net debt position.

Average daily bank net debt reduced from £25.0m in the prior period to £11.7m in the current period, a reduction of £13.3m (53%) and reflecting good ongoing cash generation.

Total dividends paid during the year amounted to £10.8m (FY 2023: £9.8m), an increase of £1.0m. The FY 2023 final ordinary dividend of £6.7m was paid in February (FY 2023: £6.5m), bringing the total dividend paid in respect of FY 2023 to £10.0m. The Company also paid an interim ordinary dividend in July 2024 of £4.2m (FY 2023: £3.3m).

In the prior period the Company invested £0.3m in Lucid Digital Magazines limited, a joint venture for retailing single copy electronic versions of newspapers and magazines under the trading name LoveMedia.

The Company's Bank Net Debt: Bank EBITDA ratio increased to 0.3x (FY 2023: 0.1x). The net outflow in the 53rd week, part of the Company's normal working capital cycle, increased reported Bank Net Debt compared to the prior year as outlined above. The Bank Net Debt: Bank EBITDA ratio covenant of 0.3x is within our main leverage covenant ratio of 2.5x and we remain within all our other bank covenant tests at period end.

A reconciliation of Bank Net Debt (which excludes IFRS 16 lease liabilities and unamortised arrangement fees) to the balance sheet and Bank EBITDA (which uses pre-IFRS16 lease accounting) to the profit and loss account is provided in the Glossary.

Going concern

Having considered the Company's banking facility, the ongoing impact of inflationary pressures within the macro-economy and the funding requirements of the Company, the directors are confident that headroom under the bank facility remains adequate, future covenant tests can be met and there is a reasonable expectation that the business can meet its liabilities as they fall due for a period of greater than 12 months (being an assessment period of 16 months) from the date of approval of the Financial Statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements and no material uncertainty has been identified.

PRINCIPAL AND EMERGING RISKS

The Company has a clear framework in place to continuously identify and review both the principal and emerging risks it faces. This includes, amongst others, a detailed assessment of business and functional teams' principal and emerging risks and regular reporting to, and robust challenge from, both the Executive Team and Audit Committee. The directors' assessment of these risks is aligned to the strategic business planning process and regulatory landscape.

Specifically, key risks are plotted on risk maps with descriptions, owners, and mitigating actions, reporting against a level of materiality (principally relating to impact and likelihood) consistent with their size. These risk maps are reviewed and challenged by the Executive Team and Audit Committee and reconciled against the Company's risk appetite. As part of the regular principal risk process, a review of emerging risks (internal and external) is also conducted, and a list of emerging risks is maintained and rolled-forward to future discussions by the Executive Team and Audit Committee. Where appropriate, these emerging risks may be brought into the principal risk registers. Additional risk management support is provided by external experts in areas of technical complexity to complete our bottom-up and top-down exercises.

As part of the Board's ongoing assessment of the principal and emerging risks, the Board has considered the performance of the business, its markets, the changing regulatory and macro-economic landscape, the Company's future strategic direction and ambition as well as the heightened climate-related risk environment. The directors have carried out a robust assessment of the Company's emerging and principal risks, including those that could threaten its business model, future performance, solvency or liquidity. Risks are still subject to ongoing scrutiny, monitoring and appropriate mitigation.

Key Changes in the Year

In line with our usual procedures, the opportunity to review and refresh the Company's principal and emerging risks has resulted in an elevation of the Growth initiatives principal risk for the reasons noted in the table below as well as the identification of potentially a more challenging macro-economic climate (although the principal risk has remained stable) due to the continuing impact of inflationary pressures in the macro-economy and its potential impact not only on the demand-side risk inherent in the print media business but also our ability to maintain high service performance standards and our strategic planning programmes. In light of this, we have been able to maintain a stable number of principal risks but with a programmes. In light of this, we have been able to maintain a stable number of principal risks but with a reduction in the number of emerging risks identified by the Board given that those events previously identified as emerging were, in fact, already broadly under review either as part of another principal or emerging risk. Following this review, there remains a general alignment around the nature of risks, the risk ownership, the direction of travel, any mitigation actions to reduce the gross risk, and acceptance of remaining net risk.

The table below details each principal business risk, those aspects that would be impacted were the risk to materialise, our assessment of the current status of the risk and how each is mitigated.

Principal risks and potential impact	**Mitigations**	**Strategic link/ change**
1. Cyber security		
Global trends demonstrate a continued high volume of cyber-attacks against all industry sectors and that cyber threats continue to indiscriminately evolve. To meet the needs of our stakeholders, our IT infrastructure and data processes need to be flexible, reliable and secure from cyber-attacks. Secure infrastructure acts as a deterrent to, and helps prevent and/or mitigate the impact of, external cyber-attack, internal threat or supplier-related breach, which could cause service interruption and/or the loss of Company and customer data. Cyber incidents could lead to major adverse customer, financial, reputational and regulatory impacts.	• Defined risk-based approach to the information security roadmap and technology strategy which is aligned to the strategic plans. • Regular tracking of key programmes against spend targets and delivery dates. • The Company assesses cyber risk on a day-to-day basis, using proactive and reactive information security controls to detect and mitigate common threats. • Dedicated information security investments and access to third-party cyber security specialists, including 24/7 security monitoring, incident response and specialist testing. • The Company encourages a cyber-aware culture by undertaking exercises, such as computer-based training and simulated phishing attacks and regular communications about specific cyber threats. • All functions that place reliance on business systems have established business continuity plans that set out how to conduct key activities if a system interruption takes place due to a disruptive event such as a cyber-attack.	Strategic link: Technology Change: Stable - despite ongoing investment and enhancements in the Company's IT infrastructure and IT security the backdrop remains heightened, leading to a stable risk assessment.
2. Macro-economic uncertainty		
Deterioration in the macro-economic environment could result in supply-side cost inflation and/or a reduction in demand-side sales volumes. Supply-side macro-economic pressures could present the Company with additional cost challenges, e.g. increased competition in the distribution labour market and/or rises in fuel and utility prices. Adverse changes to economic conditions could result in reduced consumer demand for newspapers and magazines and/or reduction in titles/editions. These cost increases and sales pressures present a risk when they cannot be fully mitigated through increased prices or other productivity gains. This could result in deterioration in the level of profitability in both the short and medium term and impacts on the Company's ability to execute its strategies, including level of debt and liquidity objectives.	• Annual budgets and forecasts take into account the current macro-economic environment to set expectations internally and externally, allowing for or changing objectives to meet short- and medium-term financial targets. • Weekly cost monitoring enables oversight and action on a timely basis. • Cover price increases in magazine and newspaper titles provide some offset against the impact of volume decline. • Predictable level of volume decline within the core business enables cost optimisation planning. • Use of fixed-term contracts as a hedge against rapidly rising prices e.g. energy costs. • The Company continues to be significantly cash generating to support its strategic priorities.	Strategic link: Cost and efficiencies, Operations Change: Stable - whilst the UK economy has returned to growth in 2024 and inflation is now within the Bank of England's target range, increases in the National Living Wage in excess of inflation, the tightening of standards pursuant to the Employment Rights bill together with expected increases (with effect from April 2025) in employers' national insurance contributions recently announced by the Government is expected to add to the

		Company's cost base.
3. Changes to retailers' commercial environment		
Our largest retailers (e.g. grocers and symbol group members) remain under significant pressure to maximise sales and profitability by channel within their retail stores and at associated sale outlets, such as at petrol forecourt stores. This could result at any time in a category review of the newspaper and/or magazine channel, leading to a significant reduction in newspapers' and/or magazines' selling space-in-store (or its location) in favour of other higher margin products and/or the delisting of all/particular titles of newspapers and/or magazines. A reduction in (or change in location of) sales space and/or full delisting of newspapers and/or magazines by our largest retailers (or a high number of other retailers) could materially reduce the Company's revenue, profitability and cash flow.	• Our EPoS-based returns (EBR) solution has been introduced in-store with our largest retailers, improving staff efficiency in managing the magazine category, thereby reducing cost to the retailer. • Potential to extend EBR to newspapers in order to broaden efficiency-benefits to retailers. • Supply-side shrink activities underway and renewed focus improve channel profitability and reduce complexity associated with the category. • Form stronger partnerships with emerging retailers to stock magazines and newspapers. • Expand retail offering to include single copy digital downloads of newspapers and/or magazines to supplement physical print and category range in-store.	Strategic link: Cost and efficiencies Change: Stable
4. Acquisition and retention of labour		
Due to competition and constraints in the current distribution labour market, this could lead to an increased risk of being unable to recruit and/or retain warehouse colleagues and support staff. The same pressures are also being felt in sourcing and retaining delivery sub-contractors as well as filling in-house roles within our central support functions. A failure to maintain an appropriate level of resourcing could result in increased costs, employee disengagement and/or loss of management focus which underpin our ability to address the strategic priorities and to deliver forecasted performance.	• We seek to offer market competitive terms to ensure talent remains engaged. • We offer long-term contracts with our sub-contracted delivery partners. • We use a variety of platforms to recruit employees and contractors. • The level of vacancies across warehouse and delivery contractors is monitored daily. • We undertake workforce planning; performance, talent and succession initiatives; learning and development programmes; and promote the Company's culture and core values. • Retention plans are reviewed to address key risk areas, and attrition across the business is regularly monitored. • Regular surveys are undertaken to monitor the engagement of colleagues.	Strategic link: People first, Culture and values, Cost and efficiencies Change: Stable
5. Growth initiatives		
A successful growth and diversification strategy is essential to the long-term success of the Company. Implementing new business opportunities in order to grow the Company's revenue and profit streams carries an execution risk to achieving our vision and purpose.	• Strong project management and governance in place to sign-off growth initiatives and oversee their implementation. • A Growth Business Development Group and Growth Operations Delivery Steering Committee have been established to review and control new business opportunities and then plan and measure the impact of these opportunities on core operations. • Experimentation through trials of new business opportunities has been deployed to assess the demand and potential economic benefit of such opportunities. • The Executive Team's balanced scorecard of key performance indicators ensures sub-optimal performance is tracked and monitored on a regular basis and allows appropriate interventions to be made.	Strategic link: Cost and efficiencies Change: Increasing - as Growth initiatives become a more significant part of our business, space and capacity constraints at both our sites and in our vehicles will likely increase. In addition, layering in of change projects such as our investment in a Warehouse Management System, and the Operational Excellence programme may create pressure in the short-term before improvements

		become evident.
6. Sustainability and climate change		
Our sustainability linked risks extend beyond the physical and transitional risks associated with climate change which we have previously identified, such as a scarcity of resources, extreme weather events, power outages, increasing regulation and associated cost in response to a drive to "net zero" carbon emissions and the increasingly stringent air quality emission zones. Regulatory requirements and reporting obligations on environmental, social and governance (ESG) matters are increasing and ongoing investment is required to maintain a safe working environment and to protect the Company from cyber-attacks, as well as making progress in delivering on our diversity and inclusion ambitions. In common with all major organisations, there is a risk of reputational damage and/or loss of revenue if the Company fails to meet stakeholder expectations across our sustainability framework.	• Board Sustainability Committee established (Chaired by the Chief Financial Officer) to consider and determine the Company's sustainability strategy and progress, together with risk environment and activities and actions. • Dedicated management Sustainability Steering Committee established (also chaired by the Chief Financial Officer) coordinates the Company's day-to-day activities and actions in delivering the Company's sustainability strategy, including in relation to climate change. • Working with suppliers to ensure they share the Company's vision to act on sustainability and climate change. • Emissions and air quality targets in UK towns and cities are monitored by a central team in the Operations function which ensures the Company can fulfil its obligations to customers and remain compliant with legal requirements. • Operational sites are reviewed for their resilience to extreme weather events, such as flooding, with upgrades and interventions made where these are cost-effective. Depots are relocated to new sites (e.g. during lease break windows) where this represents a better option than adapting an existing location.	Strategic link: Cost and efficiencies, Operations, Sustainability Change: Stable
7. Major newspaper titles exit the market or move to digital only editions		
Significant decline in advertising and/or circulation, together with rising production costs, could lead to one or more national newspaper titles exiting the market and/or publications being taken fully digital. This could lead to a significant deterioration in the Company's profitability and cash flow in both the short and medium term as well as impacting on its ability to execute its strategies.	• We seek to ensure full availability of alternative newspaper titles to maximise substitution opportunities for customers. • Partial mitigation against newspaper title closures is built into our contracts with major publishers. • Ongoing successful execution of our growth and diversification strategy provides longer-term mitigation through alternative profitable revenue streams.	Strategic link: Cost and efficiencies, Change: Stable
8. Legal and regulatory compliance		
The Company is required to be compliant with all applicable laws and regulations. Failure to adhere to these could result in financial penalties, third party redress, and/or reputational damage. Key areas of legal and regulatory compliance include: • GDPR • Health and Safety • Tax compliance • Environmental legislation • Employment law	• Changes in laws and regulations are monitored, with policies and procedures being updated as required. • Business-wide mandatory training programmes for higher-risk regulatory areas. • External experts are used where applicable. • All major policies are reviewed by the Board or Audit Committee on an annual basis. • Operational auditing and monitoring systems for higher risk areas.	Strategic link: Technology, Sustainability, Operations Change: Stable

GROUP FINANCIAL STATEMENTS

Group Income Statement

for the 53-week period ended 31 August 2024

£m		2024			2023	

	Note	Adjusted*	Adjusting items	Total	Adjusted*	Adjusting items	Total
Revenue	1	**1,103.7**	**-**	**1,103.7**	1,091.9	-	1,091.9
Cost of sales	2	**(1,030.5)**	**-**	**(1,030.5)**	(1,019.4)	-	(1,019.4)
Gross profit	2	**73.2**	**-**	**73.2**	72.5	-	72.5
Administrative expenses	2	**(33.8)**	**-**	**(33.8)**	(33.7)	(0.5)	(34.2)
Net impairment (loss)/reversal on trade receivables	13	**(0.1)**	**0.6**	**0.5**	(0.1)	-	(0.1)
(Losses)/profits from joint ventures	11	**(0.2)**	**-**	**(0.2)**	0.1	-	0.1
Impairment reversal of joint venture investment	11	**-**	**0.3**	**0.3**	-	-	-
Operating profit	2	**39.1**	**0.9**	**40.0**	38.8	(0.5)	38.3
Finance costs	5	**(6.3)**	**-**	**(6.3)**	(6.5)	-	(6.5)
Finance income	5	**0.4**	**-**	**0.4**	-	-	-
Profit/(loss) before tax		**33.2**	**0.9**	**34.1**	32.3	(0.5)	31.8
Income tax (expense)	6	**(8.5)**	**(0.1)**	**(8.6)**	(6.7)	-	(6.7)
Profit/(loss) for the year attributable to equity shareholders		**24.7**	**0.8**	**25.5**	25.6	(0.5)	25.1
Earnings per share							
Basic	8	**10.3**		**10.6**	10.8		10.6
Diluted	8	**9.8**		**10.2**	10.2		10.0
Equity dividends per share (paid and proposed)	7	**7.15**		**7.15**	4.15		4.15

*This measure is described in Note 1(4) of the accounting policies and the Glossary to the Accounts. Adjusting items are set out in Note 3 to the Group Financial Statements.

Group Statement of Comprehensive Income
for the 53-week period ended 31 August 2024

£m	2024	2023
Items that may subsequently be reclassified to the income statement:		
Currency translation (subsidiaries)	**(0.1)**	-
Other comprehensive result for the year	**(0.1)**	-
Profit for the year	**25.5**	25.1
Total comprehensive income for the year	**25.4**	25.1

Group Balance Sheet
as at 31 August 2024

£m	*Note*	2024	2023
Non-current assets			
Intangible assets	9	**2.4**	1.9
Property, plant and equipment	10	**9.7**	8.8
Right of use assets	17	**29.5**	21.8
Interest in joint ventures	11	**4.6**	4.4
Deferred tax assets	18	**1.3**	1.7
		47.5	38.6
Current assets			
Inventories	12	**22.1**	17.7
Trade and other receivables	13	**102.1**	101.1
Cash and cash equivalents	15	**7.0**	37.3
Corporation tax receivable		**0.9**	0.6
		132.1	156.7
Total assets		**179.6**	195.3
Current liabilities			
Trade and other payables	14	**(128.5)**	(141.5)
Bank loans and other borrowings	15	**-**	(10.0)
Lease liabilities	17	**(5.5)**	(4.9)
Provisions	19	**(1.3)**	(2.5)
		(135.3)	(158.9)
Non-current liabilities			
Bank loans and other borrowings	15	**(17.6)**	(30.2)

Lease liabilities	17	**(25.4)**	(18.3)
Non-current provisions	19	**(4.6)**	(4.2)
		(47.6)	(52.7)
Total liabilities		**(182.9)**	(211.6)
Total net liabilities		**(3.3)**	(16.3)
Equity			
Called up share capital	22(a)	**12.4**	12.4
Share premium account	22(c)	**60.5**	60.5
Demerger reserve	23(a)	**(280.1)**	(280.1)
Own shares reserve	23(b)	**(3.7)**	(4.4)
Translation reserve	23(c)	**0.2**	0.4
Retained earnings	24	**207.4**	194.9
Total shareholders' deficit		**(3.3)**	(16.3)

The accounts were approved by the Board of Directors and authorised for issue on 4 November 2024 and were signed on its behalf by:

Jonathan Bunting
Chief Executive Officer

Paul Baker
Chief Financial Officer

Registered number - 05195191

Group Statement of Changes in Equity
for the 53-week period ended 31 August 2024

£m	Note	Share capital	Share premium account	Demerger reserve	Own shares reserve	Hedging and translation reserve	Retained earnings	Total
Balance at 27 August 2022		**12.4**	**60.5**	**(280.1)**	**(4.6)**	**0.4**	**179.4**	**(32.0)**
Profit for the year		-	-	-	-	-	25.1	25.1
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	25.1	25.1
Dividends paid	7	-	-	-	-	-	(9.8)	(9.8)
Employee share scheme purchases		-	-	-	(1.7)	-	-	(1.7)
Employee share scheme awards		-	-	-	1.9	-	(1.9)	-
Recognition of share-based payments net of tax		-	-	-	-	-	1.5	1.5
Deferred tax recognised in equity		-	-	-	-	-	0.6	0.6
Balance at 26 August 2023		**12.4**	**60.5**	**(280.1)**	**(4.4)**	**0.4**	**194.9**	**(16.3)**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**25.5**	**25.5**
Currency translation (subsidiaries)		**-**	**-**	**-**	**-**	**(0.2)**	**0.1**	**(0.1)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(0.2)**	**25.6**	**25.4**
Dividends paid	7	**-**	**-**	**-**	**-**	**-**	**(10.8)**	**(10.8)**
Employee share scheme purchases		**-**	**-**	**-**	**(3.3)**	**-**	**-**	**(3.3)**
Employee share scheme awards		**-**	**-**	**-**	**4.0**	**-**	**(3.2)**	**0.8**
Recognition of share-based payments net of tax		-	-	-	-	-	**0.9**	**0.9**
Current tax recognised in equity		-	-	-	-	-	**0.1**	**0.1**
Deferred tax recognised in equity		-	-	-	-	-	**(0.1)**	**(0.1)**
Balance at 31 August 2024		**12.4**	**60.5**	**(280.1)**	**(3.7)**	**0.2**	**207.4**	**(3.3)**

Group Cash Flow Statement
for the 53-week period ended 31 August 2024

£m	*Note*	**2024**	2023
Net cash inflow from operating activities	21	**22.4**	36.4
Investing activities			
Dividends received from joint ventures		**0.2**	0.2
Purchase of property, plant and equipment		**(3.4)**	(2.6)

Purchase of intangible assets		**(1.0)**	(0.8)
Investment in joint venture	11	**-**	(0.3)
Interest received		**0.4**	-
Net cash used in investing activities		**(3.8)**	(3.5)
Financing activities			
Interest paid		**(4.9)**	(5.3)
Dividend paid	7	**(10.8)**	(9.8)
Repayments of lease principal		**(5.9)**	(6.1)
Repayment of term loan		**(41.5)**	(8.0)
Net increase in revolving credit facility		**17.5**	-
Purchase of shares for Employee Benefit Trust		**(3.3)**	(1.7)
Net cash used in financing activities		**(48.9)**	(30.9)
Net (decrease)/increase in cash and cash equivalents		**(30.3)**	2.0
Opening net cash and cash equivalents		37.3	35.3
Closing net cash and cash equivalents	15	**7.0**	37.3

Notes to the Accounts

1. Accounting policies

(1) Basis of consolidation

Smiths News plc ('the Company') is a company incorporated in England, UK under the Companies Act 2006. The Group accounts for the 53-week period ended 31 August 2024 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in joint ventures and associates. Subsidiary undertakings are included in the Group Accounts from the date on which control is obtained. They are deconsolidated from the date on which control ceases. All significant subsidiary accounts are made up to 31 August 2024 and are included in the Group Accounts.

Unless otherwise noted references to 2023 and 2024 relate to a 52-week period ended 26 August 2023 and the 53-week period ended 31 August 2024 as opposed to calendar year.

The Accounts were authorised for issue by the directors on 4 November 2024.

(2) Accounting basis of preparation

The financial information contained within this preliminary announcement for the 53 weeks to 31 August 2024 and the 52 weeks to 26 August 2023 does not comprise statutory financial statements for the purpose of the Companies Act 2006 but is derived from those statements. The statutory accounts for Smiths News PLC for the 52 weeks to 26 August 2023 have been filed with the Registrar of Companies and those for the 53 weeks to 31 August 2024 will be filed following the Company's annual general meeting. The auditor's reports on the accounts for both the 53 weeks to 31 August 2024 and the 52 weeks to 26 August 2023 were unqualified, did not draw attention to any matters by way of emphasis, and did not include a statement under Section 498 (2) or (3) of the Companies Act 2006. The Annual Report and Accounts will be available for shareholders in December 2024.

The Accounts are prepared on the historical cost basis with the exception of certain financial instruments and are presented in Pound Sterling and rounded to £0.1m, except where otherwise indicated.

The Group Accounts have been prepared in accordance with UK-adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006.

Intra-group balances and unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Group Accounts. Unrealised gains and losses arising from transactions with joint ventures are eliminated to the extent of the Group's interest in these entities.

(3) Going concern

The Group accounts have been prepared on a going concern basis.

When assessing the going concern of the Group, the directors have reviewed the year-to-date financial actuals, as well as detailed financial forecasts for the period up to 1 March 2026, the going concern period.

The Group currently has a net current liability position of £3.2m as at 31 August 2024. All bank covenant tests were met at the year end. The key Bank Net Debt: Bank EBITDA ratio of 0.3x was below the covenant test threshold of 2.5x. The threshold reduced from 1.75x on 24 February 2024 then increased to 2.5x on 2 May 2024 when the facility was amended and extended.

The intra-month working capital cash flow cycle at Smiths News generates a routine and predictable cash swing and therefore a predictable fluctuation in Bank Net Debt during the course of the month compared to the closing net debt position. The Group's average daily Bank Net Debt during the period was £11.7m (2023: £25.0m). The Company utilises a Revolving Credit Facility (RCF) to manage the cash swing. At the year end, £20.5m of the RCF was available and the Company had £7.0m of cash on hand, giving headroom of £27.5m.

3i) Bank facility

The Group's banking facility was refinanced during the year which at the balance sheet date comprises an RCF of £40.0m and an uncommitted accordion facility of £10.0m. The RCF is available less committed letters of credit amounting to £1.5m (see Note 17). The agreement is with HSBC and Santander.

The facility's current margin is 2.45% per annum over SONIA and has a final maturity date of 2 May 2027 with the option of two one-year extension with lender consent on the first and second anniversaries.

3ii) Reverse stress testing

The directors have prepared their base case forecast which represents their best estimate of cash flows over the going concern period which is up to 1 March 2026, and in accordance with FRC guidance have prepared a reverse stress test that identifies either a lack of liquidity or breach of the Bank Net Debt: Bank EBITDA ratio that at peak debt would create a scenario which could lead to the facility being exhausted or becoming repayable on demand, respectively.

A point of insufficient liquidity would occur in November 2025 if Bank EBITDA was 60% below the Board approved three-year plan. The directors consider the likelihood of this level of downturn to be remote based on:

- current trading which is in line with expectations;
- year-on-year declines in revenues would have to be significantly greater than historical trends;
- 91% of contracts secured with publishers to 2029 (including Heads of Terms); and
- the Company continues to trade with adequate profit to service its debt covenants.

3iii) Mitigating actions

In the event the break environment scenario went from being remote to possible then management would seek to take mitigating actions to maintain liquidity and compliance with the bank facility covenants. The options within the control of management would be to:

- Optimise liquidity by working capital management of the peak-to-trough intra-month movement. Utilising existing vendor management finance arrangements with retailers and optimising contractual payment cycles to suppliers which would improve liquidity headroom;
- Not pay planned dividend payments;
- Delay non-essential capex projects;
- Cancel discretionary annual bonus payments;
- Increase the principal facility amount by exercising the £10 accordion option in the RCF Facility; and
- Identify other overhead and depot savings.

More extreme mitigating actions would also be available if the scenario arose

More extreme mitigating actions would also be available if the scenario arose.

The Company has vendor finance arrangements in place where it has the ability to request early payment of invoices at a small discount, the payments are non-recourse and the invoices are considered settled from both sides once payment is received. The Company has not made use of this facility in the current or prior periods, nor since the balance sheet date.

3iv) Assessment

Having considered the above and the funding requirements of the Group and Company, the directors are confident that headroom under the bank facility remains adequate, future covenant tests can be met and there is a reasonable expectation that the business can meet its liabilities as they fall due for a period of greater than 12 months (being an assessment period of 16 months) from the date of approval of the Group Financial Statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements and no material uncertainty has been identified.

(4) Alternate performance measures

In reporting financial information, the Group presents alternative performance measures (APMs), which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs (listed in the Glossary), are not considered to be a substitute for, or superior to, IFRS measures but provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Executive Team.

The APMs do not have standardised meaning prescribed by IFRS and therefore may not be directly comparable to similar measures presented by other companies.

(5) Estimates and judgements

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Key accounting judgements

The significant judgements made in the accounts are:

Revenue recognition

The Group recognises the wholesale sales price for its sales of newspapers and magazines. The Group is considered to be the principal based on the following indicators of control over its inventory: discretion to establish prices; it holds some of the risk of obsolescence once in control of the inventory on returns; and has the responsibility of fulfilling the performance obligation on delivery of inventory to its customers. If the Group were considered to be the agent, revenue and cost of sales would reduce by £937.3m (2023: £926.5m).

Determining lease terms

In determining lease terms, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of distribution centres and equipment, the following factors are the most relevant:

- the Company continually considers the optimal network structure in its judgement over lease terms;
- if there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate); and
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption

required to replace the leased asset. Most extension options in vehicle leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Adjusting items

Adjusting items of income or expense are excluded in arriving at adjusted operating profit to present a further measure of the Group's performance. Each adjusting item is considered to be significant in nature and/or quantum, non-recurring in nature and/or considered to be unrelated to the Group's ordinary activities or consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Team.

The classification of adjusting items requires significant management judgement after considering the nature and intentions of a transaction. Adjusted measures are defined with other APMs in the Glossary.

Based on the nature of the transactions, adjusting items after tax was a credit of £0.8m (2023: charge of £0.5m) and a breakdown is included within Note 3.

Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.

Impairment of investments in joint ventures

Investments in joint ventures are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined using value in use calculations. The value in use method requires the Company to determine appropriate assumptions in relation to the cash flow projections over the three-year plan period (which is a key source of estimation uncertainty), the terminal growth rate to be applied beyond this three-year period and the risk-adjusted post-tax discount rate used to discount the assumed cash flows to present value. The assumption that cash flows continue into perpetuity is a source of significant estimation uncertainty.

During the period, the Group calculated a value-in-use of £5.5m based on the future cash flows of the Rascal business, which were discounted at a rate of 13.2% and a terminal growth rate applied of 0%. As a result, the remaining previous cumulative impairment of £0.3m was reversed, increasing the investment's carrying value to £4.6m (2023: £4.3m). Refer to note 11 for further details.

Property provision

The Group holds a property provision which estimates the future liabilities to restore leased premises to an agreed standard at the date the lease is terminated. The provision is calculated based on key assumptions including the length of time properties will be occupied, the discount rate applied, and the future costs of restoration and the condition of the property at the assumed exit date.

The property provision represents the estimated future cost of the Group's potential dilapidation costs on properties across the Group adjusted for inflation. These provisions have been discounted to present value and this discount will be unwound over the life of the leases.

A change in any of these assumptions could materially impact the provision balance. Refer to Note 19 for further details on the sensitivity of the assumptions used to calculate the property provision. The property provision's carrying value at the year end was £5.2m (2023: £4.9m).

Net impairment loss on trade receivables

During the period ended 27 August 2022 McColls Retail Group had gone into administration and an impairment loss provision of £4.4m was recognised. During the current period the administrators provided an update which included a reduced expected timeline to settlement of 4-12 months (2023: 9-12 months) with an increase to the range of possible recovery of 30-50% (2023: 20-50%).

Given the historic low level of credit losses incurred in the ordinary course of business, there is limited information to determine an expected recovery of the McColls receivable. Management has therefore determined that a best estimate is that 30% (2023: 20%) of the outstanding balance of £5.5m remains recoverable from McColls Retail Group as at the administration date of 9 May 2022.

At 31 August 2024 the Group holds an expected credit loss provision of £3.8m (2023: £4.4m) representing 70% (2023: 80%) of the total receivables balance of £5.5m. If the Company had considered 50% of the total balance of £5.5m to be recoverable in line with the upper range of the administrator's estimate, the provision recognised would have been £2.8m.

The impairment reversal of £0.6m (2023: nil) has been presented in adjusting items, consistent with the impairment loss of £4.4m recognised during the period ended 27 August 2022.

(6) Revenue

Sales of newspapers and magazines

Sales of newspapers and magazines are recognised when control of the products has transferred, that is, when the products are delivered to the retailer and there is no unfulfilled obligation that could affect the retailer's acceptance of the products, the risks of obsolescence and loss have been transferred to the retailer. Goods are sold to retailers on a sale or return basis with risks transferred back to the Group.

Distribution income

Distribution income is recognised when the products such as newspapers and magazines are delivered to the retailer and there are no unfulfilled obligations that could affect the retailer's acceptance of the products.

Voucher income

Voucher income represents the margin income received from managing the process of collecting voucher payments from retailers and passing them on to voucher processing centres. The Group is primarily responsible for fulfilling the service.

Sales and marketing

The Group supplies marketing services to both retailers and suppliers. This includes services such as shelf stacking, stock checking and merchandising. The Group is primarily responsible for fulfilling the services.

Sale of waste

Income from the sale of recyclable waste represents the amount received per tonne of newspapers and magazines returns sold on for recycling. The Group has primary responsibility for fulfilling the service.

Returns reserve

Newspapers and magazines sales are made on a sale or return basis, therefore the Group is required to estimate a value relating to expected returns from retailers. Likewise, as the publishers are required to provide the Group with credit for any purchase returns, so a purchase returns reserve is also required. The key estimates used in calculating the period end reserve are rates of returns (based on historical tends), average shelf life of the product types and average price of each product type. These estimates are similarly applied to calculate the credit for purchase returns.

Revenue for goods supplied with a right of return is stated net of the value of any returns. Newspapers and magazines are often sold with retrospective volume discounts based on aggregate net sales. Revenue from these sales is recognised based on the sold with retrospective volume discounts based on aggregate net sales. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discount and returns, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A returns reserve accrual and discount accrual (included in trade and other payables) is recognised for expected volume discounts and refunds payable to customers in relation to sales made until the end of the reporting period. A right to the returned goods (included in other debtors) is recognised for the products expected to be returned.

No element of financing is deemed present because the sales are made with short credit terms, which is consistent with market practice.

A receivable is recognised when the goods are delivered, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(7) Cost of sales and gross profit

The Group considers cost of sales to equate to cost of inventories recognised as an expense and distribution costs as these are considered to represent for the Group direct costs of making a sale.

The Group considers gross profit to equal revenue less cost of sales.

(8) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity. Current tax is the expected tax payable based on the taxable profit for the year, using tax rates enacted, or substantively enacted, at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

(9) Segmental reporting

The Board is responsible for allocating resources and assessing the performance of the business and is therefore identified as the chief operating decision maker.

The Group has determined that it has one reportable segment identified as Smiths News, a UK market-leading distributor of newspapers, magazines and ancillary services to retailers across the UK. The performance of Smiths News is reviewed, on a monthly basis, by the Board, making decisions based on the Group as whole.

Included in revenues arising from Smiths News are revenues of approximately £100.5m (2023: £99.5m) which arose from sales to the Group's largest customer. Three other customers contributed 13.9% (2023: 13.1%) or more of the Group's revenue in 2024.

No segmental analysis is required on geographical lines as substantially all of the Group's activities are in the United Kingdom. As a result, no segmental disclosure is provided.

(10) Dividends

Interim and final dividends are recorded in the financial statements in the period in which they are declared.

(11) Capitalisation of internally generated development costs

Expenditure on developed software is capitalised when the Group is able to demonstrate all of the following:

- the technical feasibility of the resulting asset;
- the ability (and intention) to complete the development and use it;

- how the asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the ability to measure reliably the expenditure attributable to the asset during its development.

Software costs are also capitalised if they can be hosted on another server, are portable and the Group has sole rights to the software. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Software costs provided on a licence agreement (software-as-a-service) are expensed as incurred.

(12) Joint ventures

The Group Financial Statements include the Group's share of the total recognised gains and losses in its joint ventures on an equity accounted basis.

Investments in joint ventures are carried in the balance sheet at cost adjusted by post-acquisition changes in the Group's share of the net assets of the joint ventures, less any impairment losses. The carrying values of investments in joint ventures include acquired goodwill. Losses in joint ventures that are in excess of the Group's interest in the joint venture are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(13) Business combinations - goodwill and intangibles

The Group uses the acquisition method of accounting to account for business combinations. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued, liabilities incurred or assumed at the date of exchange. Acquisition-related costs are recognised in profit or loss as incurred. Any deferred or contingent purchase consideration is recognised at fair value over the period of entitlement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured, initially, at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill arising on all acquisitions is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying value of goodwill is reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets arising under a business combination (acquired intangibles) are capitalised at fair value as determined at the date of exchange and are stated at fair value less accumulated amortisation and impairment losses. Amortisation of acquired intangibles is charged to the income statement on a straight-line basis over the estimated useful lives as follows:

Customer relationships	- 2.5 to 7.5 years
Trade name	- 5 to 10 years
Software and development costs	- 3 to 7 years

Computer software and internally generated development costs which are not integral to the related hardware are capitalised separately as an intangible asset and stated at cost less accumulated amortisation and impairment losses.

Assets held under leases (right-of-use assets) are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

All intangible assets are reviewed for impairment when there are indications that the carrying value may be higher than its recoverable value. The recoverable value used is the value in use. The value in use is determined by estimating the future cash inflows and outflows to be derived from continuous use of the asset and applying the appropriate discount rate to those future cash flows. Where the carrying value is higher than the calculated value in use, an impairment loss will be recognised.

(14) Property, plant and equipment

Property, plant and equipment assets are stated at cost less accumulated depreciation and any recognised impairment losses. No depreciation has been charged on freehold land. Other assets are depreciated, to a residual value, on a straight-line basis over their estimated useful lives, as follows:

Freehold and long-term leasehold properties	- over 20 years
Short-term leasehold properties	- shorter of the lease period and the estimated remaining economic life
Fixtures and fittings	- 3 to 15 years
Equipment	- 5 to 12 years
Computer equipment	- up to 5 years
Vehicles	- up to 5 years

Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. All property, plant and equipment is reviewed for impairment when there are indications that the carrying value may not be recoverable.

(15) Leasing

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- makes adjustments specific to the lease where applicable, for example with regards to the term and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Modifications

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

(16) Inventories

Inventories comprise goods held for resale and are stated at the lower of cost or net realisable value. Inventories are valued at cost comprising direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

(17) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises financial assets and liabilities only when the contractual rights and obligations are transferred, discharged or expire.

Financial assets comprise trade and other receivables and cash and cash equivalents. Financial liabilities comprise trade payables, financing liabilities and bank borrowings.

(18) Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through profit or loss (FVPL) or through comprehensive income (FVCI); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Trade receivables

Trade receivables are initially measured at fair value, which for trade receivables is equal to the consideration expected to be received from the satisfaction of performance obligations, plus any directly attributable transaction costs. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses including expected credit losses. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics such as the ageing of the debt and the credit risk of the customers. An historical credit loss rate is then calculated for each group and then adjusted to reflect expectations about future credit losses. The Group does not have any significant contract assets.

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 13.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other receivables

Other receivables are recognised on trade date, being the date on which the Group has the right to the asset. Other receivables are derecognised when the rights to receive cash flows from the other receivables have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures other receivables at their fair value plus, in the case of a financial asset not held at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of FVPL financial assets are expensed in profit or loss.

Subsequent measurement of other receivables depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its other receivables at amortised cost.

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in Note 2.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The Group applies the general approach to impairment under IFRS 9 based on significant increases in credit risk rather than the simplified approach for trade receivables using lifetime ECL.

(19) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(20) Treasury

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. BACS and next-day payments are recognised at the settlement date, rather than when they are initiated, to reflect the nature of these transactions. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and bank overdrafts which form part of the Group's cash management.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value (being proceeds received, net of direct issue costs), and are subsequently measured at amortised cost, using the effective interest rate method. Finance charges, including premiums payable on settlement or redemptions and direct issue costs, are accounted for on an accruals basis and taken to the income statement using the straight line method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Modification/derecognition of financial liabilities

Financial liabilities are derecognised when there is extinguishment of the original financial liability and recognition of a new financial liability. Equally, significant modification of the terms of the existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

Foreign currencies

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition of a foreign entity, are treated as assets and liabilities of the foreign entity and are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Foreign currency transactions

Transactions in foreign currencies are recorded using the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

(21) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the directors' best estimate of the expenditure required to settle the present obligation at the balance sheet date and if this amount is capable of being reliably estimated. If such an obligation is not capable of being reliably estimated, no provision is recognised and the item is disclosed as a contingent liability where material. Where the effect is material, the provision is determined by discounting the expected future cash flows.

(22) Retirement benefit costs

Defined contribution schemes

The Group operates two defined contribution schemes for the benefit of its employees. Payments to the Group's schemes are recognised as an expense in the income statement as incurred.

(23) Employee Benefit Trust

Smiths News Employee Benefit Trust

Where any Group company purchases the Company's shares, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity as 'own shares reserve' until those shares are either cancelled or reissued.

The shares held by the Smiths News Employee Benefit Trust are valued at the historical cost of the shares acquired. This value is deducted in arriving at shareholders' funds and presented as the own share reserve.

(24) Share schemes

Share-based payments

The Group operates several share-based payment schemes, being the Sharesave Scheme, the Executive Share Option Scheme, the LTIP and the Deferred Bonus Plan. Details of these are provided in the Directors' Remuneration report and in Note 25.

Equity-settled share-based schemes are measured at fair value at the date of grant. The fair value is expensed with a corresponding increase in equity on a straight-line basis over the period during which employees become unconditionally entitled to the options. The fair values are calculated using an appropriate option pricing model. The income statement charge is then adjusted to reflect expected and actual levels of vesting based on non-market performance-related criteria.

Administrative expenses and distribution and marketing expenses include the cost of the share-based payment schemes.

(25) Changes in accounting policies

During the period the Group has adopted the following accounting standards and interpretations:

- Definition of Accounting Estimates - Amendments to IAS 8;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The standards and amendments adopted had no impact on the financial statements to prior periods and are not expected to significantly affect the current or future periods. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

New standards and interpretations not yet applied

At the date of authorisation of these financial statements, the following standards and interpretations that are potentially relevant to the Group and which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the UK):

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1;
- IFRS S1 and S2; and
- IFRS 18.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Operating profit

The Group's results are analysed as follows:

£m		**2024**			2023		
	Note	**Adjusted**	**Adjusting items**	**Total**	Adjusted	Adjusting items	Total
Revenue		**1,103.7**	**-**	**1,103.7**	1,091.9	-	1,091.9
Cost of inventories recognised as an expense		**(937.3)**	**-**	**(937.3)**	(926.5)	-	(926.5)
Distribution costs		**(93.2)**	**-**	**(93.2)**	(92.9)	-	(92.9)
Cost of sales		**(1,030.5)**	**-**	**(1,030.5)**	(1,019.4)	-	(1,019.4)
Gross profit		**73.2**	**-**	**73.2**	72.5	-	72.5
Other administrative expenses		**(24.4)**	**-**	**(24.4)**	(23.4)	(0.5)	(23.9)
Share-based payment expense	25	**(0.9)**	**-**	**(0.9)**	(1.1)	-	(1.1)
Net impairment (loss)/reversal on trade receivables		**(0.1)**	**0.6**	**0.5**	(0.1)	-	(0.1)
Impairment reversal of joint venture investment		**-**	**0.3**	**0.3**	-	-	-
Share of (losses)/profits from joint ventures	11	**(0.2)**		**(0.2)**	0.1	-	0.1
EBITDA		**47.6**	**0.9**	**48.5**	48.0	(0.5)	47.5
Depreciation on property, plant and equipment	10	**(2.2)**	**-**	**(2.2)**	(2.2)	-	(2.2)
Depreciation on right-of-use assets	17	**(5.9)**	**-**	**(5.9)**	(6.4)	-	(6.4)

Amortisation of intangibles	9	**(0.4)**	**-**	**(0.4)**	(0.6)	-	(0.6)
Operating profit		**39.1**	**0.9**	**40.0**	38.8	(0.5)	38.3

Operating profit is stated after charging/(crediting):

£m	**Note**	**2024**	2023
Depreciation on property, plant and equipment	10	**2.2**	2.2
Amortisation of intangible assets	9	**0.4**	0.6
Depreciation on right-of-use assets	17	**5.9**	6.4
Short-term and low-value lease charges on equipment and vehicles		**0.5**	0.4
Lease rental income - land and buildings		**(0.4)**	(0.4)
Staff costs (excluding share-based payments)	4	**44.5**	44.1

Included in administrative expenses are amounts payable by the Company and its subsidiary undertakings in respect of audit and non-audit services which are as follows:

£m	**2024**	2023
Fees payable to the Company's auditor for the audit of the Company's annual accounts - BDO LLP	**0.2**	0.2
Fees payable to the Company's auditor for the audit of the Company's subsidiaries - BDO LLP	**0.5**	0.4
Total non-audit fees	**0.1**	0.1
Total fees	**0.8**	0.7

Details of the Company's policy on the use of auditors for non-audit services and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee report of the FY2024 Annual Report and Accounts.

3. Adjusting items

£m		**2024**	2023
Tuffnells provision credit/(charge)	**(a)**	**0.2**	(0.4)
Network and reorganisation (costs)/credits	**(b)**	**(0.1)**	0.5
Technology transformation costs	**(c)**	**(0.1)**	-
Aborted acquisition costs	**(d)**	**-**	(0.6)
Administrative expenses		**-**	(0.5)
Impairment reversal on trade receivables	**(e)**	**0.6**	-
Impairment reversal of investment in joint ventures	**(f)**	**0.3**	-
Total before tax		**0.9**	(0.5)
Taxation		**(0.1)**	-
Total after taxation		**0.8**	(0.5)

The Group recognised a total adjusting items credit before tax of £0.9m (2023: charge of £0.5m) and credit of £0.8m (2023: charge of £0.5m) after tax respectively.

Adjusting items are defined in the accounting policies in Note 1 and in the Glossary. In the directors' opinion, removing these items from the adjusted profit provides a relevant analysis of the trading results of the Group because it is consistent with how the business performance is planned by, and reported to, the Board and Executive Team. However, these additional measures are not intended to be a substitute for, or superior to, IFRS measures. They comprise:

Administrative expenses: net £nil (2023: £0.5m)

(a) Tuffnells provision: £0.2m credit (2023: £0.4m cost)
As part of the sale of Tuffnells Parcels Express Limited (Tuffnells) in May 2020, a contractual agreement was put in place in respect of the future treatment and responsibility of certain insurance claims brought or notified to insurers. This agreement extinguished the Group's exposure to new accident and insurance claims brought after the sale of Tuffnells but which related to the Group's period of ownership of Tuffnells up to May 2020. However, as a result of Tuffnells falling into administration in June 2023, the enforceability of, and subsequent recoverability under, this contractual agreement has been negatively impacted and the Group's insurers have instead looked to the Group to stand behind the excess/deductible limit of such claims and in the prior period a provision of £0.4m was recognised in addition to existing claims.

During the period, a review of provisions was held in respect of all remaining claims held following utilisations in the period and as a result, the provision was reduced by £0.2m, which represents management's best estimate of remaining claims brought. The cash impact of utilisations on claims in the period was an outflow of £0.1m (2023: £0.2m).

These provisions have been reported as adjusting items on the basis that it relates to a former discontinued operation and is therefore outside the normal course of activity.

(b) Network and reorganisation: £0.1m costs (2023: £0.5m net credit)
During the period, an additional £0.1m of costs were incurred with regards to simplifying the DMD group structure.

During the prior period, there was a reversal of accrued amounts of £0.6m relating to projects in connection with our outsourced Shared Service Centre (SSC) in India, where accrued costs relating to overheads on projects would no longer materialise. These amounts were released to the income statement when these projects concluded. This was partially offset by £0.1m of costs incurred with regards to simplifying the DMD group structure.

The cash impact of network and reorganisation was a £0.2m outflow (2023: £0.2m).

(c) Technology transformation costs: £0.1m (2023: £nil)
During the period, the Group commenced a transformation programme to enhance its technology infrastructure and enable alignment to the Group's updated vision and strategy.

Implementation costs of £0.1m have been recognised as adjusting items given that costs over the three-year programme are expected to be a significant change to the Company and largely comprise software-as-a-service arrangements. The cash impact was an outflow of £0.1m.

(d) Aborted acquisition costs: £nil (2023: £0.6m)
During the prior period the Company incurred due diligence and legal costs associated with an aborted acquisition. The cash impact of these items was an outflow of £0.6m.

(e) Impairment provision on trade receivables: £0.6m credit (2023: £nil)
On 9 May 2022 ('the administration date'), McColls Retail Group went into administration. A statement of claim form was filed with the administrators for an amount of £5.5m. The latest issued notification from the administrators on 7 June 2024 stated that unsecured creditors can be expected to receive between 30-50% (2023: 20-50%) of approved claims. Management has determined its best estimate of recovery to be 30% (2023: 20%) of the outstanding balance and therefore decreased the provision held to £3.8m (2023: £4.4m).

The Company continues to trade with McColls as acquired by Wm Morrison Supermarkets Ltd (Morrisons) under a pre-packaged insolvency agreement with the administrator. The Company's bad debt exposure relates solely to the outstanding trade receivable balance as at the administration date.

This release is reported as an adjusting item on the same basis as the impairment loss of £4.4m recognised during the prior period ended 27 August 2022.

(f) Impairment reversal of investment in joint ventures: £0.3m reversal (2023: £nil)
During the period, the Company reviewed the business plan for the Rascal Joint Venture. The potential challenges anticipated to arise in a prior period which had led to an impairment at that time continue not to have materialised; contracts remain in place and growth plans continue to progress.

As a result of this review, the remaining cumulative impairment of £0.3m (2023: £0.3m) was released, which has been presented within adjusting to align to the previous impairment charge, which was significant in both quantum and nature to the results of the Group.

4. Staff costs and employees

The aggregate remuneration of employees (including executive directors) was:

£m	Note	2024	2023
Wages and salaries		**39.4**	39.2
Social security		**3.6**	3.7
Pension costs		**1.1**	1.2
Share-based payments expense		**0.9**	1.1
Total		**45.0**	45.2

The total average number of employees (including executive directors) was:

Number	2024	2023
Operations	**1,333**	1,368
Support functions	**98**	140
Total	**1,431**	1,508

Defined contribution pension schemes

The Group operates two defined contribution pension schemes. For the 53 weeks ended 31 August 2024, contributions from the respective employing company totalled £1.1m (2023: £1.2m) which is included in the income statement.

A defined contribution plan is a pension plan under which the Group pays contributions to an independently administered fund - such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Company and the member, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to buy at retirement. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee.

5. Net finance costs

£m	Note	2024	2023
Interest on bank overdrafts and loans		**(2.7)**	(3.9)
Amortisation of loan arrangement fees*		**(1.4)**	(1.1)
Interest payable on leases		**(2.0)**	(1.4)
Total interest cost on financial liabilities at amortised cost		**(6.1)**	(6.4)
Unwind of discount on provisions	19	**(0.2)**	(0.1)
Finance costs		**(6.3)**	(6.5)
Interest receivable on bank deposits		**0.4**	-
Net finance costs		**(5.9)**	(6.5)

*During the current period £0.8m of unamortised arrangement fees were immediately recognised on derecognition of the previous facility.

6. Income tax expense

£m	2024			2023		
	Adjusted	**Adjusting items**	**Total**	Adjusted	Adjusting items	Total
Current tax	**8.2**	**0.1**	**8.3**	6.5	-	6.5
Adjustment in respect of prior year	**-**	**-**	**-**	0.2	-	0.2
Total current tax charge	**8.2**	**0.1**	**8.3**	6.7	-	6.7
Deferred tax - current year	**0.3**	**-**	**0.3**	0.5	-	0.5
Deferred tax - prior year	**-**	**-**	**-**	(0.4)	-	(0.4)
Deferred tax - impact of rate change	**-**	**-**	**-**	(0.1)	-	(0.1)
Total tax charge	**8.5**	**0.1**	**8.6**	6.7	-	6.7
Effective tax rate	**25.6%**		**25.2%**	*20.7%*		*21.1%*

The effective adjusted income tax rate in the year was 25.6% (2023: 20.7%). After the impact of tax recognised on adjusting items of £0.1m (2023: £nil), the effective statutory income tax rate was 25.2% (2023: 21.1%).

Corporation tax is calculated at the main rate of UK corporation tax of 25% (2023: 21.5%). The UK Finance Act 2021 increased the corporate tax rate to 25% effective from 1 April 2023, which in the prior period resulted in a blended rate. The Group has assessed its deferred tax positions using a rate of 25%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the profit in the income statement as follows:

£m	**2024**	2023
Profit before tax	**34.1**	31.8
Tax on profit at the standard rate of UK corporation tax 25% (2023: 21.5%)	**8.5**	6.8
Income not subject to tax	**(0.1)**	0.1
Expenses not deductible for tax purposes	**0.3**	0.1
Adjustment in respect of prior years	**0.1**	(0.2)
Share options	**(0.2)**	-
Impact of change in UK tax rate	**-**	(0.1)
Tax charge	**8.6**	6.7

Amounts recognised directly in equity

A current tax credit of £0.1m (2023: nil) and deferred tax charge of £0.1m (2023: £0.6m) was recognised directly in equity during the period.

Impact of future tax changes

In November 2022 the UK Government confirmed its intention to implement Framework Pillar Two rules in the UK, including a Qualified Domestic Minimum Top-Up Tax rule. The subsequent Base Erosion Profit Sharing Pillar Two legislation, enacted on 11 July 2023, has introduced a multinational top-up tax, which applies where a UK parent member has interests in entities located in non-UK jurisdictions, and the Group's profits in those jurisdictions are taxed at below the minimum rate of 15%.

With revenue consistently greater than the threshold, the Group falls within the scope of this legislation. Assessment of the potential exposure to Pillar Two income taxes is based on the most recent available tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. However, as the UK rate of corporation tax is 25%, and the Group's business is primarily UK-based, initial indications are that the impact of these rules on the Group is not expected to be material. The IAS 12 exemption to recognise and disclose information about deferred tax assets and liabilities related to Pillar 2 income taxes has been applied.

7. Dividends

Amounts paid and proposed as distributions to equity shareholders in each period is set out below:

Paid and proposed dividends for the year	**2024 Per share**	2023 Per share	**2024 £m**	2023 £m
Interim dividend - paid	**1.75p**	1.40p	**4.2**	3.3
Special dividend - proposed	**2.00p**	-	**4.8**	-
Final dividend - proposed	**3.40p**	2.75p	**8.2**	6.7
	7.15p	4.15p	**17.2**	10.0
Recognised dividends for the year				
Final dividend - prior year	**2.75p**	2.75p	**6.7**	6.5
Interim dividend - current year	**1.75p**	1.40p	**4.2**	3.3
	4.50p	4.15p	**10.8**	9.8

After the balance sheet date, a final 3.40p ordinary dividend per share is proposed for the 53 weeks ended 31 August 2024 (2023: 2.75p), alongside a special dividend proposed of 2.00p per share, each of which is expected to be paid on 6 February 2025 to all shareholders who are on the share, each of which is expected to be paid on 6 February 2025 to all shareholders who are on the register of members at close of business on 10 January 2025. The ex-dividend date will be 9 January 2025.

8. Earnings per share

	2024			2023		
	£m Earnings	**Million Weighted average number of shares**	**Pence per share**	£m Earnings	Million Weighted average number of shares	Pence per share
Weighted average number of shares in issue		**247.7**			247.7	
Shares held by the EBT (weighted)		**(7.4)**			(10.4)	
Basic earnings per share (EPS)						
Adjusted earnings attributable to ordinary shareholders	**24.7**	**240.3**	**10.3**	25.6	237.3	10.8
Adjusting items	**0.8**	**-**	**-**	(0.5)	-	-
Earnings attributable to ordinary shareholders	**25.5**	**240.3**	**10.6**	25.1	237.3	10.6
Diluted earnings per share (EPS)						
Effect of dilutive share options		**10.8**			12.6	
Diluted adjusted EPS	**24.7**	**251.1**	**9.8**	25.6	249.9	10.2
Diluted EPS	**25.5**	**251.1**	**10.2**	25.1	249.9	10.0

Dilutive shares increase the basic number of shares at 31 August 2024 by 10.8m to 251.1m (26 August 2023: 12.6m to 249.9m). The calculation of diluted EPS reflects the potential dilutive effect of employee incentive schemes.

9. Intangible assets

£m	***Goodwill***	***Acquired intangibles***		***Internally generated development costs***	***Computer software costs***	***Total***
		Customer relationships	***Trade name***			
Cost:						
At 26 August 2023	5.7	2.4	0.2	1.8	2.8	12.9
Additions	**-**	**-**	**-**	**0.8**	**0.1**	**0.9**
Disposals	**-**	**(0.3)**	**-**	**-**	**(0.3)**	**(0.6)**
At 31 August 2024	**5.7**	**2.1**	**0.2**	**2.6**	**2.6**	**13.2**
Accumulated amortisation and impairment:						
At 26 August 2023	(5.7)	(2.4)	(0.2)	(0.4)	(2.3)	(11.0)
Amortisation charge	**-**	**-**	**-**	**(0.2)**	**(0.2)**	**(0.4)**
Disposals	**-**	**0.3**	**-**	**-**	**0.3**	**0.6**
At 31 August 2024	**(5.7)**	**(2.1)**	**(0.2)**	**(0.6)**	**(2.2)**	**(10.8)**
Net book value at 31 August 2024	**-**	**-**	**-**	**2.0**	**0.4**	**2.4**
Cost:						
At 27 August 2022	5.7	2.4	0.2	3.2	7.4	18.9
Additions	-	-	-	0.5	0.3	0.8
Disposals	-	-	-	(1.9)	(4.9)	(6.8)
At 26 August 2023	5.7	2.4	0.2	1.8	2.8	12.9
Accumulated amortisation and impairment:						
At 27 August 2022	(5.7)	(2.4)	(0.2)	(2.1)	(6.8)	(17.2)
Amortisation charge	-	-	-	(0.2)	(0.4)	(0.6)
Disposals	-	-	-	1.9	4.9	6.8
At 26 August 2023	(5.7)	(2.4)	(0.2)	(0.4)	(2.3)	(11.0)
Net book value at 26 August 2023	-	-	-	1.4	0.5	1.9

Impairment of goodwill

Goodwill is not amortised but has been reviewed annually for impairment. As a result of these reviews goodwill remains fully impaired at the end of 2024 and 2023.

10. Property, plant and equipment

£m	*Land and buildings*				
	Long-term leasehold improvements	**Short-term leasehold improvements**	**Fixtures and fittings**	**Equipment and vehicles**	**Total**
Cost:					
At 26 August 2023	0.2	9.2	3.5	17.0	29.9
Additions	**-**	**1.4**	**0.1**	**1.6**	**3.1**
Disposals	**(0.2)**	**(0.9)**	**(0.4)**	**(2.8)**	**(4.3)**
At 31 August 2024	**-**	**9.7**	**3.2**	**15.8**	**28.7**
Accumulated depreciation:					
At 26 August 2023	(0.2)	(6.8)	(1.7)	(12.4)	(21.1)
Depreciation charge	**-**	**(0.5)**	**(0.3)**	**(1.4)**	**(2.2)**
Disposals	**0.2**	**0.9**	**0.4**	**2.8**	**4.3**
At 31 August 2024	**-**	**(6.4)**	**(1.6)**	**(11.0)**	**(19.0)**
Net book value at 31 August 2024	**-**	**3.3**	**1.6**	**4.8**	**9.7**
Cost:					
At 27 August 2022	0.2	10.5	3.0	23.0	36.7
Additions	-	1.0	0.9	0.5	2.4
Disposals	-	(2.3)	(0.4)	(6.5)	(9.2)
At 26 August 2023	0.2	9.2	3.5	17.0	29.9
Accumulated depreciation:					
At 27 August 2022	(0.2)	(8.7)	(1.8)	(17.4)	(28.1)
Depreciation charge	-	(0.4)	(0.5)	(1.3)	(2.2)
Disposals	-	2.3	0.6	6.3	9.2
At 26 August 2023	(0.2)	(6.8)	(1.7)	(12.4)	(21.1)
Net book value at 26 August 2023	-	2.4	1.8	4.6	8.8

11. Interests in joint ventures

£m	2024	2023
At 27/28 August	**4.4**	4.2
Additions	**-**	0.3
Share of profit	**0.1**	0.1
Impairment reversal	**0.3**	-
Dividends received	**(0.2)**	(0.2)
At 31/26 August	**4.6**	4.4

The joint ventures listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Nature of investments in joint ventures

Company name/ (number)	Share class	Group %	Registered address	Measurement method
Rascal Solutions Limited 05191277	Ordinary A Shares	50%	Silbury Court, 420 Silbury Boulevard, Milton Keynes MK9 2AF	Equity method
Bluebox Systems Group Limited SC544863	Ordinary A Shares	31.8%	Estantia House, Pitreavie Drive, Pitreavie Business Park, Dunfermline, Fife KY11 8US	Equity method
Fresh On The Go Limited 08775703	Ordinary Shares	30%	61 Bridge Street, Kington, HR5 3DJ	Equity method
Lucid Digital Magazines Limited t/a LoveMedia 12738320	Ordinary Shares	50%	Rowan House Cherry Orchard North, Kembrey Park, Swindon, England, SN2 8UH	Equity method

The Group owns 50% of the ordinary shares of Rascal Solutions Limited, a company incorporated in England, which in turn owns 100% of the ordinary shares of Open-Projects Limited. The latest statutory accounts of Rascal Solutions Limited were drawn up to 31 August 2023. Rascal Solutions Limited provides retail support services and is a strategic partnership for the Group to provide additional services to its existing customers.

additional services to its existing customers.

Bluebox Systems Group Limited is the holding company of Bluebox Aviation Systems Ltd, the principal activity of which is the sale of innovative in-flight entertainment systems. This business is a strategic partnership with DMD which also provides inflight media to the aviation industry.

Fresh On The Go Limited provides retail outlets with coffee vending and other related products.

During the prior period, the Group purchased 50% of the ordinary shares in Lucid Digital Magazines Limited trading as LoveMedia, a company incorporated in England. LoveMedia provides single use downloads and subscriptions of digital newspapers and magazines to consumers.

The Group holds working capital loans of £0.3m (2023: £0.3m) to LoveMedia, which is presented within other debtors. During the current period these loans were fully impaired with losses recognised within net losses from joint ventures. There are no other commitments relating to its joint ventures.

All joint ventures are private companies and there is no quoted market price available for their shares.

Dividends of £0.2m (2023: £0.2m) were received in the period from joint ventures.

Rascal Solutions Limited investment

During the period Rascal Solutions Limited (Rascal) recorded a profit of £0.3m (2023: £0.5m). The Group holds £4.6m (2023: £4.2m) on the balance sheet comprising a £2.2m (2023: £1.8m) share of net assets and £2.4m (2023: £2.4m) of goodwill. Goodwill represents the difference between the fair value of the share of the net assets acquired and the amount paid, and forms part of the investment in the joint venture.

During the period, the Company reviewed the business plan for the Rascal Joint Venture considering the cumulative previous impairment recognised of £0.3m (2023: £0.3m).

The current period impairment review was performed, resulting in a value in use of £5.5m being calculated based on future cash flows of the Rascal business. These cash flows were discounted at a post-tax discount rate of 13.2% and a pre-tax discount rate of 17.6% (2023: 13.6% post-tax discount rate and pre-tax discount rate of 18.1%) and a terminal growth rate applied of 0% (2023: 0%). As a result, the remaining impairment of £0.3m was reversed and the investment is now held at cost plus its accumulated share of net assets.

12. Inventories

£m	2024	2023
Goods held for resale	**22.0**	17.5
Raw materials and consumables	**0.1**	0.2
Total	**22.1**	17.7

13. Trade and other receivables

£m	2024	2023
Trade receivables	**76.4**	73.5
Provision for individually assessed expected credit losses (1)	**(3.8)**	(4.4)
Provision for collectively assessed expected credit losses	**(0.1)**	(0.1)
	72.5	69.0
Other debtors	**26.4**	29.4
Prepayments	**1.8**	1.1

Accrued income	**1.4**	1.6
Trade and other receivables	**102.1**	101.1

(1) Net impairment loss on trade receivables - McColls Retail Group

During the period ended 27 August 2022, the Company received notice that McColls Retail Group had gone into administration. A statement of claim was filed with the administrators for an amount of £5.5m. The latest notification issued from the administrators on 7 June 2024 stated that unsecured creditors can be expected to receive between 30-50% (2023: 20-50%) of approved claims. Management has maintained a best estimate that only 30% (2023: 20%) of the outstanding balance is recoverable. The Company has therefore reduced the provision to £3.8m (2023: £4.4m), representing 70% (2023: 80%) of the total balance of £5.5m (2023: £5.5m). For more information see Note 4.

The expected credit loss provision of £3.8m (2023: £4.4m) has been allocated to 'over 90 days overdue' (2023: over 90 days overdue), matching the ageing profile of the £5.5m total receivable due.

If the Company had considered 50% (2023: 50%) of the total balance of £5.5m to be recoverable in line with the upper range of the administrator's estimate, the provision recognised would have been £2.7m (2023: £2.7m), allocated to 'over 90 days overdue' (2023: over 90 days overdue).

On 31 October 2024, £1.6m was received from the administrators as an interim dividend on the statement of claim filed.

Trade receivables

The average credit period taken on sale is 32 days (2023: 27 days). Trade receivables are generally non-interest bearing.

The following table provides information about the Group's exposure to credit risk and expected credit losses held against customer balances:

£m	**2024**				2023			
	Gross carrying amount	**Individually assessed ECL**	**Collectively assessed ECL**	**Net carrying amount**	Gross carrying amount	Individually assessed ECL	Collectively assessed ECL	Net carrying amount
Current (not overdue)	**70.4**	**-**	**(0.1)**	**70.3**	67.8	-	(0.1)	67.7
30-60 days overdue	**0.1**	**-**	**-**	**0.1**	-	-	-	-
61-90 days overdue	**0.1**	**-**	**-**	**0.1**	-	-	-	-
Over 90 days overdue	**5.8**	**(3.8)**	**-**	**2.0**	5.7	(4.4)	-	1.3
Total	**76.4**	**(3.8)**	**(0.1)**	**72.5**	73.5	(4.4)	(0.1)	69.0

The following table provides information about the Group's loss rates applied against customer balances:

%	**2024**	2023
Current (not overdue)	**<0.1**	<0.1
30-60 days overdue	**<0.1**	<0.1
61-90 days overdue	**<0.1**	<0.1
Over 90 days overdue	**70.0**	80.0

Of the trade receivables balance at the end of the year:

- two customers (2023: three) had individual balances that represented more than 10% of the total trade receivables balance. The total of these was £20.9m (2023: £30.3m); and the total trade receivables balance. The total of these was £20.9m (2023: £30.3m), and

- a further three customers (2023: two) had individual balances that represented more than 5% of the total trade receivables balance. The total of these was £16.9m (2023: £9.0m).

The movement in provision for expected credit losses for the period is detailed below:

£m	Note	2024	2023
At 27/28 August		**4.5**	4.5
Expected credit losses recognised		**0.1**	0.1
Reversal of individually assessed credit losses	**3**	**(0.6)**	-
Amounts written off as uncollectible		**(0.1)**	(0.1)
At 31/26 August		**3.9**	4.5

The directors consider that the carrying amount of trade and other receivables approximates their fair value which is considered to be a level 2 methodology of valuing them. The inputs used to measure fair value are categorised into different levels of the fair value hierarchy (levels 1 to 3). The fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

Default occurs when the debt becomes overdue by 90 days.

The Group performed sensitivity analysis on the expected credit loss (excluding losses in respect of McColls Retail Group) and should the default rate change from expected:

- An increase in default rate by 2% would increase the expected credit loss by £1.4m.
- A decrease in default rate by 2% would result in no credit losses.
- An increase in default rate by 5% would increase the expected credit loss by £3.4m.
- A decrease in default rate would result in no credit losses.

Other debtors and prepayments

The largest items included within this balance are returns reserve asset of £16.9m (2023: £16.8m) (refer to Note 1, section 6) and £8.0m (2023: £9.8m) of publisher debtors.

14. Trade and other payables

£m	2024	2023
Trade payables	**(88.4)**	(101.0)
Other creditors	**(32.6)**	(34.0)
Accruals	**(7.4)**	(6.4)
Deferred income	**(0.1)**	(0.1)
	(128.5)	(141.5)

Included within other creditors is a balance of £19.8m (2023: £19.7m) relating to the returns reserve accrual - (refer to Note 1, section 6.)

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 33 days (2023: 32 days). No interest is charged on trade payables. The directors consider that the carrying amount of trade and other payables approximates to their fair value using a level 2 valuation.

15. Cash and borrowings

Cash and borrowings by currency (sterling equivalent) were as follows:

£m	Sterling	Euro	US Dollar	Other	Total 2024	2023
Cash and cash equivalents	**6.4**	**0.3**	**0.2**	**0.1**	**7.0**	37.3

Revolving credit facility	**(18.0)**	**-**	**-**	**-**	**(18.0)**	-
Term loan - current liabilities	**-**	**-**	**-**	**-**	**-**	(10.0)
Term loan - non-current liabilities	**-**	**-**	**-**	**-**	**-**	(31.5)
Unamortised arrangement fees - presented in non-current liabilities	**0.4**	**-**	**-**	**-**	**0.4**	1.3
Total borrowings	**(17.6)**	**-**	**-**	**-**	**(17.6)**	(40.2)
Net borrowings	**(11.2)**	**0.3**	**0.2**	**0.1**	**(10.6)**	(2.9)
Total borrowings						
Due for settlement within 12 months	**-**	**-**	**-**	**-**	**-**	(10.0)
Due for settlement after 12 months	**(17.6)**	**-**	**-**	**-**	**(17.6)**	(30.2)
Total	**(17.6)**	**-**	**-**	**-**	**(17.6)**	(40.2)

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

In May 2024, an agreement was signed to extend and amend the existing financing arrangements. The original facility, which was due to expire in August 2025, has been extended to a final maturity date of 2 May 2027. The facility comprised an initial £40.0m amortising Revolving Credit Facility (RCF) with a £10.0m accordion option. The agreement is with HSBC and Santander.

At the year end the RCF was £18.0m. The total available amount is £40.0m for the life of the facility. As part of the terms of the financing, the Company and its principal trading subsidiaries have agreed to provide security over their assets to the lenders. The current rate on the facility is 2.45% per annum over SONIA (in respect of the RCF).

At 31 August 2024, the Company had £22.0m (2023: £22.5m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. This is partially reduced by letters of credit of £1.5m (2023: £1.5m); further details are included in Note 20.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

£m	**Note**	**27 August 2023**	**Financing cash flows**	**New leases**	**Other changes**	**31 August 2024**
Revolving credit facility	16	-	**18.0**	**-**	**(0.4)**	**17.6**
Term loan	16	40.2	**(41.5)**	**-**	**1.3**	**-**
Leases		23.2	**(7.9)**	**11.2**	**4.4**	**30.9**
Total		63.4	**(31.4)**	**11.2**	**5.3**	**48.5**

£m	Note	28 August 2022	Financing cash flows	New leases	Other changes	26 August 2023
Term loan	16	47.1	(11.9)	-	5.0	40.2
Leases		27.6	(7.5)	1.7	1.4	23.2
Total		74.7	(19.4)	1.7	6.4	63.4

Other changes include rent increases, interest accruals and the amortisation of loan fees.

Analysis of net debt

£m	*Note*	**2024**	2023
Cash and cash equivalents	16	**7.0**	37.3
Current borrowings	16	**-**	(10.0)
Non-current borrowings	16	**(17.6)**	(30.2)
Net borrowings		**(10.6)**	(2.9)
Lease liabilities	17	**(30.9)**	(23.2)
Net debt		**(41.5)**	(26.1)

16. Financial instruments

Treasury policy

The Group operates a centralised treasury function to manage the Group's funding requirements and financial risks in line with the Board-approved treasury policies and procedures and their delegated authorities. The role of Treasury is to ensure that appropriate financing is available for running the businesses of the Group on a day-to-day basis, whilst minimising interest cost. No transactions of a speculative nature are undertaken. Dealings are restricted to those banks with suitable credit ratings and counterparty risk and credit exposure is monitored frequently.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents as disclosed in Note 15 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Group statement of changes in equity.

The only externally imposed capital requirements for the Group are Bank Net Debt to Bank EBITDA and interest cover under the terms of the banking facilities. The Group has fully complied during both the current year and the prior year. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders and/or issue new shares. In the prior period there was a cap on dividends of £10.0m under the banking facility; subject to all the covenants. As part of the refinancing in May 2024, this restriction was removed.

The Board regularly reviews the capital structure. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. We expect free cash from operations to be sufficient to manage net debt while also maintaining an attractive total shareholder return. The Group is targeting a reduced Bank Net Debt: Bank EBITDA ratio of 0.5x during 2025, achieved through managing free cash from operations. The Group's facilities include a 'frozen GAAP' clause in relation to IAS 17 and Bank Net Debt: Bank EBITDA is stated on this basis.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by monitoring forecast and actual cash flows. The facilities that the Group has at its disposal to further reduce liquidity risk are described below.

As at 31 August 2024, the Group had £40m of committed bank facilities in place (2023: £64.0m). Bank facilities comprised a £40.0m revolving credit facility (RCF), which expires on 2 May 2027.

The facility described above is subject to the following covenants which are subject to a 'frozen GAAP' clause:

- Leverage cover - the Bank Net Debt: Bank EBITDA ratio which must remain below 2.5x, increasing from 1.5x on 2 May 2024. At 31 August 2024 the ratio was 0.3x (2023: 0.1x);
- Interest cover - the consolidated net interest: Bank EBITDA ratio which must remain above 4x. As at 31 August 2024 the ratio was 17.9x (2023: 10.5x); and
- Guarantor cover - the annual turnover, gross assets and pre-tax profits of the guarantors under the banking facilities contribute, at any time, 90% or more of the annual consolidated turnover, gross assets and pre-tax profits of the Group for each of its financial years. The guarantors, which are all 100% owned or wholly owned subsidiaries of Smiths News plc, comprise Smiths News plc, Smiths News Holdings Limited, and Smiths News Trading Limited. The fixed charge cover requirement was removed on 2 May 2024.

At 31 August 2024, the Group had available £20.5m (2023: £21.0m) of undrawn committed borrowing facilities comprising the £22.0m (2023: £22.5m) RCF above less letters of credit of £1.5m (2023: £1.5m); and a £10m Accordion facility, option further details are included in Note 22. There were no breaches of loan agreements during either the current or prior years.

As the Group is cash generative its liquidity risk is considered low. The Group's cash generation allows it to meet all loan commitments as they fall due as well as sustain a negative working capital position.

The Group invests significant resources in the forecasting and management of its cash flows. This is critical given a routine cash cycle at Smiths News that results in significant predictable swings within each month; the Group's average gross borrowing for the past year was £26.7m (2023: £45.4m). The Group has available funding via the undrawn RCF and a £10m accordion facility option.

The following is an analysis of the undiscounted contractual cash flows payable under non-derivative financial liabilities. The undiscounted cash flows will differ from both the carrying value and fair value. Floating rate interest is estimated using the prevailing rate at the balance sheet date.

£m	**Due within 1 year**	**Due between 1 and 2 years**	**Due between 2 and 3 years**	**Greater than 3 years**	**Total**
At 31 August 2024					
Bank and other borrowings	**(18.0)**	**-**	**-**	**-**	**(18.0)**
Trade and other payables	**(128.5)**	**-**	**-**	**-**	**(128.5)**
Leases	**(7.6)**	**(6.8)**	**(6.0)**	**(19.8)**	**(40.2)**
Total	**(154.1)**	**(6.8)**	**(6.0)**	**(19.8)**	**(186.7)**
At 26 August 2023					
Bank and other borrowings	(10.0)	(10.0)	(21.5)	-	(41.5)
Trade and other payables	(141.5)	-	-	-	(141.5)
Leases	(6.1)	(5.1)	(4.4)	(12.0)	(27.6)
Total	(157.6)	(15.1)	(25.9)	(12.0)	(210.6)

Counterparty risk

Dealings are restricted to those banks with suitable credit ratings and counterparty risk and credit exposure is monitored.

Foreign currency risk

- The majority of the Group's transactions are carried out in the functional currencies of its operations, and so transactional exposure is limited.
- The majority of the Group's net liabilities are held in Sterling, with £0.6m (2023: £0.6m) of net assets held in overseas currencies. Translation exposure arises on the re-translation of overseas subsidiaries' profits and net assets into Sterling for financial reporting purposes and is not seen as significant.
- Note 15 denotes borrowings by currency, with no material currency exposures to disclose.

Interest rate risk

The Group monitors its exposure to interest rate in light of the Group's debt exposure, consideration of the macroeconomic environment and sensitivity to potential interest rate rises. The Group avoids the use of derivatives or other financial instruments in circumstances when the outcome would effectively be largely dependent upon speculation on future rate movements.

Interest rate sensitivity analysis

Based on the assumption that the liabilities outstanding at the balance sheet date were outstanding for the whole year, if interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit and equity for the 53 weeks ending 31 August 2024 would decrease/increase by £0.1m (2023: £0.2m).

Credit risk

The Group considers its exposure to credit risk to be as follows:

£m	**2024**	2023
Bank deposits	**7.0**	37.3
Trade and other receivables	**98.9**	98.4

	105.9	135.7

Further detail on the Group's policy relating to trade receivables and other receivables can be found in Note 13.

17. Leases

The balance sheet shows the following right-of-use assets in relation to leases:

£m	**Equipment and vehicles**	**Land and buildings**	**Total**
Cost:			
At 27 August 2023	2.0	38.4	40.4
Additions	**0.3**	**13.3**	**13.6**
Disposals	**(0.8)**	**(2.5)**	**(3.3)**
At 31 August 2024	**1.5**	**49.2**	**50.7**
Accumulated depreciation:			
At 27 August 2023	(1.4)	(17.2)	(18.6)
Depreciation charge	**(0.3)**	**(5.6)**	**(5.9)**
Disposals	**0.8**	**2.5**	**3.3**
At 31 August 2024	**(0.9)**	**(20.3)**	**(21.2)**
Net book value at 31 August 2024	**0.6**	**28.9**	**29.5**
Cost:			
At 28 August 2022	1.7	42.1	43.8
Additions	0.3	1.4	1.7
Disposals	-	(5.1)	(5.1)
At 26 August 2023	2.0	38.4	40.4
Accumulated depreciation:			
At 28 August 2022	(1.0)	(16.5)	(17.5)
Depreciation charge	(0.4)	(6.0)	(6.4)
Disposals	-	5.3	5.3
At 26 August 2023	(1.4)	(17.2)	(18.6)
Net book value at 26 August 2023	0.6	21.2	21.8

Amounts recognised in respect of leases

£m	**2024**	2023
Interest expense (included in finance cost)	**2.0**	1.4
Expense relating to low-value leases (included in cost of sales and administrative expenses)	**0.5**	0.4
Property rental income	**(0.4)**	(0.4)
Total cash outflow from leases	**7.9**	6.5

Maturity analysis of lease liabilities

£m	**2024**	2023
Current	**(5.5)**	(4.9)
Non-current	**(25.4)**	(18.3)
Total	**(30.9)**	(23.2)

Amounts recognised as lessor:

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

£m	**2024**	2023
Within one year	**0.3**	0.2
In the second to fifth years inclusive	**0.6**	0.6
	0.9	0.8

18. Deferred tax

Deferred tax assets are attributable to the following:

£m	Fixed assets	Share-based payments	Other temporary differences	Total
At 27 August 2023	0.4	1.0	0.3	1.7
(Charge)/credit to income	**(0.4)**	**-**	**0.1**	**(0.3)**
Charge to equity	**-**	**(0.1)**	**-**	**(0.1)**
At 31 August 2024	**-**	**0.9**	**0.4**	**1.3**
At 28 August 2022	0.6	0.5	-	1.1
(Charge)/credit to income	(0.2)	(0.1)	0.3	-
Credit to equity	-	0.6	-	0.6
At 26 August 2023	0.4	1.0	0.3	1.7

The deferred tax assets have been deemed recoverable as the Group forecasts that it will continue to make profits against which the assets can be utilised for tax purposes. There were no deferred tax liabilities recognised in either reporting period.

The Group has capital losses carried forward of £20.2m (2023: £20.2m). Deferred tax assets of £5.1m (2023: £5.1m) have not been recognised in respect of the capital losses carried forward due to the uncertainty of their utilisation.

The deferred tax asset at the period end has been calculated based on the rate of 25% substantively enacted at the balance sheet date on the basis that the temporary differences are expected to unwind when that rate applies.

19. Provisions

£m	Re-organisation provisions	Insurance and legal provisions	Property provisions	Total
At 27 August 2023	(1.0)	(0.8)	(4.9)	(6.7)
Charged to income statement	**(0.1)**	**(0.1)**	**(0.6)**	**(0.8)**
Credited to income statement	**-**	**0.3**	**0.2**	**0.5**
Utilised in period	**0.9**	**0.1**	**0.3**	**1.3**
Unwinding of discount utilisation	**-**	**-**	**(0.2)**	**(0.2)**
At 31 August 2024	**(0.2)**	**(0.5)**	**(5.2)**	**(5.9)**

£m	2024
Included within current liabilities	**(1.3)**
Included within non-current liabilities	**(4.6)**
Total	**(5.9)**

Included within non-current liabilities is £4.6m (2023: £4.2m) relating to property provisions.

Reorganisation provisions of £0.2m (2023: £1.0m) relate to the restructure of the DMD business, the Smiths News network and the Group's support functions.

Insurance and legal provisions represent the expected future costs of employer's liability, public liability, motor accident claims and legal claims; included within the total balance is £0.5m (2023: £0.8m) relating to claims from the Tuffnells business prior to disposal.

The property provision represents the estimated future cost of dilapidation costs across the Group. These provisions have been discounted to present value and this discount will be unwound over the life of the leases. The provisions cover the period to 2034 with all of the liability falling within ten years.

The Group has performed sensitivity analysis on the property provision using the possible scenarios below:

If the discount rate changes by +/- 0.5%, the property provision would change by +/- £0.1m (2023: +/- £0.1m).

If the repair cost per square foot changes by +/-£1.00p, the property provision would change by +/-£0.3m (2023: +/- £0.4m).

20. Contingent assets, liabilities and capital commitments

Bank and other guarantees

As at 31 August 2024, the Group had approved letters of credit of £1.5m (2023: £1.5m) to the insurers of the Group for the motor insurance and employer liability insurance policies. The letters of credit cover the employer deductible element of the insurance policy for insurance claims.

Administration of Tuffnells Parcels Express Limited (Tuffnells)

As reported in Note 3, following the administration of Tuffnells in the prior period, additional provision is being held in light of the probable outcome of certain insurance claims reverting to the Group which were previously being handled by Tuffnells.

The Board has considered the administration and other associated processes in respect of Tuffnells and notes that the Company has received a request for information from the Pensions Regulator (tPR) in respect of an ongoing formal investigation relating to the Tuffnells defined benefit pension scheme. The correspondence received states that tPR requires the Company to provide documentation to tPR in its capacity of being the former parent company of Tuffnells. The Company has confirmed that it will assist tPR with its enquiries in relation to this investigation. The Board has considered the details of the information request from tPR and has concluded that no provision is required at this stage. The Board reached this conclusion based on the early stages of the investigation and there being no certainty as to how tPR may use the information requested or whether a future obligation will arise.

Indemnity coverage

On winding up of the News Section of the WH Smith Pension Trust defined benefit pension scheme in December 2021, the Company has agreed run-off indemnity coverage for any member claims that were uninsured liabilities capped at £6.5m over the following 60 years. The Group is not aware of any claims brought during either the current or prior reporting period.

Receipt of refund from overpayment of tax

On 16 October 2024 the Company received a sum of £1.5m from the WH Smith Pension Trust in respect of the refund of an overpayment of tax made by the Pension Trustee in 2022. This overpayment was in respect of the wind up of the News Section of the WH Smith Pension Trust defined benefit pension scheme in December 2021 and was recently identified following advice from third parties and confirmed with HM Revenue & Customs.

Reversionary leases

Other potential liabilities that could crystallise are in respect of previous assignments of leases where the liability could revert to the Group if the lessee defaulted. Pursuant to the terms of the Demerger Agreement from WH Smith PLC in 2006, any such contingent liability in respect of assignment prior to demerger, which becomes an actual liability, will be apportioned between Smiths News plc and WH Smith PLC in the ratio 35:65 (provided that the actual liability of Smiths News plc in any 12-month period does not exceed £5m). The Company's share of these leases has an estimated future cumulative gross rental commitment at 31 August 2024 of £0.4m (2023: £0.5m).

Capital commitments

Contracts placed for future capital expenditure approved by the directors but not provided for amount to £2.2m (2023: £nil).

21. Net cash inflow from operating activities

£m	Note	2024	2023
Operating profit	3	**40.0**	38.3
Impairment reversal of investment in joint venture	11	**(0.3)**	-
Share of loss/(profit) of joint ventures	11	**0.2**	(0.1)
Depreciation of property, plant and equipment	10	**2.2**	2.2
Depreciation of right-of-use assets	17	**5.9**	6.4
Amortisation of intangible assets	9	**0.4**	0.6
Share-based payments		**0.9**	1.1
Increase in inventories		**(4.4)**	(2.1)
Decrease in receivables		**(1.0)**	(5.5)
(Decrease)/increase in payables		**(12.2)**	1.9
(Decrease)/increase in provisions		**(0.8)**	0.2
Income tax paid		**(8.5)**	(6.6)
Net cash inflow from operating activities		**22.4**	36.4

Net cash flow from operating activities is stated after the following adjusting items:	3		
Network and reorganisation costs		**(0.2)**	(0.2)
Tuffnells provision utilisation		**(0.1)**	(0.2)
Technology transformation costs		**(0.1)**	-
Aborted acquisition costs		**-**	(0.6)
Total adjusting items cash flow		**(0.4)**	(1.0)

22. Share capital

(a) Share capital

£m	2024	2023
Issued, authorised and fully paid:		
247.7m ordinary shares of 5p each (2023: 247.7m)	**12.4**	12.4

(b) Movement in share capital

Number (m)	Ordinary shares of 5p each
At 26 August 2023 and at 31 August 2024	247.7

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company. The Company has one class of ordinary shares, which carry no right to fixed income.

No shares were issued during the current or prior periods.

(c) Share premium

£m	2024	2023
At 26 August 2023 and at 31 August 2024	**60.5**	60.5

23. Reserves

(a) Demerger reserve

£m	2024	2023
At 26 August 2023 and at 31 August 2024	**(280.1)**	(280.1)

This relates to reserves created following the capital reorganisation undertaken as part of the demerger of WH Smith PLC in 2006. The balance represented the difference between the share capital and reserves of the Group restated on a pro-forma basis as at 31 August 2004 and the previously reported share capital.

(b) Own shares reserve

£m	2024	2023
Balance at 27/28 August	(4.4)	(4.6)
Acquired in the period	**(3.3)**	(1.7)
Disposed of on exercise of options	**4.0**	1.9
Balance at 31/26 August	**(3.7)**	(4.4)

The reserve represents the cost of shares in Smiths News plc purchased in the market and held by the Smiths News Employee Benefit Trust (EBT) to satisfy awards and options granted under the Group's Executive Share Schemes (see Note 25). The number of ordinary shares held by the EBT as at 31 August 2024 was 8,031,253 (2023: 10,613,896). In accordance with IAS 32, these shares are deducted from shareholders' funds. Under the terms of the EBT, the Trustee has waived all dividends on the shares it holds.

(c) Translation reserve

£m	2024	2023
At 27 August 2023 / 28 August 2022	0.4	0.4
Retranslation of reserves (subsidiaries)	**(0.2)**	-
At 31 August 2024 / 26 August 2023	**0.2**	0.4

24. Retained earnings

	£m
Balance at 27 August 2022	179.4
Amounts recognised in total comprehensive income	25.1
Dividends paid	(9.8)
Disposed of on exercise of options	(1.9)
Equity-settled share-based payments, net of tax	1.5
Deferred tax recognised in equity	0.6
Balance at 26 August 2023	194.9
Amounts recognised in total comprehensive income	**25.6**
Dividends paid	**(10.8)**
Disposed of on exercise of options	**(3.2)**
Equity-settled share-based payments, net of tax	**0.9**
Current tax recognised in equity	**0.1**
Deferred tax recognised in equity	**(0.1)**
Balance at 31 August 2024	**207.4**

25. Share-based payments

The Group recognised a total charge of £0.9m (2023: £1.1m) related to equity-settled share-based payment transactions. The average share price throughout the year was 51.5p (2023: 44.6p).

The Group operates the following share incentive schemes:

Sharesave Scheme	Under the terms of the Group Sharesave Scheme, the Board may grant options to purchase ordinary shares in the Company to eligible employees who enter into an HM Revenue & Customs approved Save-As-You-Earn (SAYE) savings contract for a term of three years. Options are granted at up to a 20% discount to the market price of the shares on the

	day preceding the date of offer and are normally exercisable for a period of six months after completion of the SAYE contract.
Executive Share Option Scheme (ESOS)	Under the terms of the Group Executive Share Option Scheme, the Board may grant options to purchase ordinary shares in the Company to executives up to an annual limit of 200% of base salary. The exercise of options is conditional on the achievement of adjusted profit after a three-year period, which is determined by the Remuneration Committee at the time of grant. Provided that the target is met, options are normally exercisable until the day preceding the tenth anniversary of the date of grant.
LTIP	Under the terms of the Group LTIP, executive directors and key senior executives may be awarded each year conditional entitlements to ordinary shares in the Company (which may be in the form of nil cost options or conditional awards) or, in order to retain flexibility and at the Company's discretion, a cash sum linked to the value of a notional award of shares up to a value of 200% of base salary. The vesting of awards is subject to the satisfaction of a three-year performance condition, which is determined by the Remuneration Committee at the time of grant. Subject to the satisfaction of the performance condition, awards are normally exercisable until the tenth anniversary of the date of grant.
Deferred Bonus Plan (DBP)	Under the terms of the Group Deferred Bonus Plan, each year executive directors and key senior executives may be granted share awards (in the form of nil cost options) dependent on the achievement of the Annual Bonus Plan performance targets. Awards are immediately exercisable but a two-year hold-back period applies, during which the share certificate for such shares is held by the Company. Separately, key senior executives may also be granted share awards (in the form of nil cost options) under the DBP plan in respect of a (discounted) restricted share award (dependent on continued employment with the Company).

Details of the options/awards are as follows:

	Sharesave		**ESOS**		**LTIP**		**DBP**	
Number of options/ awards	**No of shares**	**Weighted average exercise price (p)**	**No of shares**	**Weighted average exercise price (p)**	**No of shares**	**Weighted average exercise price (p)**	**No of shares**	**Weighted average exercise price (p)**
At 27 Aug 2022	7,579,083	25.27	1,056,744	126.1	10,893,872	-	1,499,148	-
Granted	1,316,234	55.40	-	-	2,695,499	-	1,337,604	-
Exercised	(264,430)	-	-	-	(2,791,373)	-	(1,614,771)	-
Expired /Forfeited	(670,274)	30.01	(256,294)	137.8	(1,429,910)	-	-	-
At 26 Aug 2023	7,960,613	30.38	800,450	125.3	9,368,088	-	1,221,981	-
Granted	1,603,582	60.80	-	-	2,994,040	-	1,389,805	-
Exercised	(4,415,748)	-	-	-	(3,167,125)	-	(1,424,789)	-
Expired /Forfeited	(302,050)	42.83	(340,412)	189.5	(201,737)	-	(18)	-
At 31 Aug 2024	4,846,397		460,038		8,993,266	-	1,186,979	-
Exercisable at 31 Aug 2024	-	-	460,038	153.9	-	-	-	-
Exercisable at 26 Aug 2023	-	-	800,450	125.3	-	-	-	-

The weighted average remaining contractual life in years of options/awards is as follows:

	Sharesave	**ESOS**	**LTIP**	**DBP**
Outstanding at 31 August 2024	**1.0**	**0.3**	**1.2**	**1.6**
Outstanding at 26 August 2023	1.4	5.2	1.2	1.5

Details of the options/awards granted or commencing during the period were as follows:

	Sharesave	**ESOS**	**LTIP**	**DBP**

During 2024:				
Effective date of grant or commencement date	Jul 2024	-	Dec 2023	Dec 2023
Average fair value at date of grant or scheme commencement - pence	16.4	-	32.6	47.6
During 2023:				
Effective date of grant or commencement date	Jul 2023	-	Jan 2023	Jan 2023
Average fair value at date of grant or scheme commencement - pence	21.5	-	34.9	50.6

The options outstanding at 31 August 2024 had exercise prices ranging from nil to 48.9p (2023: nil to 139.5p). The weighted average share price on the date of exercise was 45.4p (2023: 47.8p).

The Sharesave options granted during each period have been valued using the Black-Scholes model. The LTIP performance measures include a 60% (2023: 70%) total shareholder return (TSR) metric which is valued by reference to the share price at date of grant less an adjustment for the TSR portion of the award. The DBP schemes are valued by reference to the share price at the date of grant.

The inputs to the Black-Scholes model are as follows:

	Sharesave	**LTIP**	**DBP**
2024 options/awards:			
Share price at grant date - pence	60.8	48	48
TSR adjustment - pence	-	(25)	-
Exercise price - pence	48.9	-	-
Expected volatility - per cent	69.5	-	-
Expected life - years	3	-	-
Risk free rate - per cent	3.9	-	-
Expected dividend yield - per cent	7.48	-	-
Weighted average fair value - pence	16	33	48
2023 options/awards:			
Share price at grant date - pence	55.4	51	51
TSR adjustment - pence	-	(23)	-
Exercise price - pence	44.3	-	-
Expected volatility - per cent	121.5	-	-
Expected life - years	3	-	-
Risk free rate - per cent	4.7	-	-
Expected dividend yield - per cent	8.83	-	-
Weighted average fair value - pence	22	28	51

26. Post balance sheet events

The directors have considered the period between the balance sheet date and the date when the accounts are authorised for issue for evidence of conditions that existed at the balance sheet date, either adjusting or non-adjusting post balance sheet events, and have concluded that, other than those events disclosed in Note 13 and Note 20, there are no other events in the current period.

27. Related-party transactions

Transactions between businesses within the Group which are related parties have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

	Sales to related parties	
£m	**2024**	2023

Joint ventures	**0.4**	0.4

Sales to related parties are for management fees and payment is due on the last day of the month following the date of invoice. There were no amounts owed by related parties in either period.

Non-trading transactions

	Loans to related parties	
£m	**2024**	2023
Joint ventures	**-**	0.3

Directors' remuneration

£m	**2024**	2023
Salaries	**0.8**	0.8
Bonus	**0.6**	0.5
Non-executive director fees	**0.4**	0.4
	1.8	1.7

Information concerning directors' remuneration, interest in shares and share options is included in the Directors' Remuneration report.

There are two (2023: two) directors to whom retirement benefits are accruing in respect of qualifying services under money purchase schemes.

Directors made gains on share options of £nil (2023: £nil).

Key management personnel (including directors)

The remuneration of the directors and the Executive Team, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

£m	**2024**	2023
Short-term employee benefits	**3.0**	2.9
Share-based payments	**0.8**	1.0
	3.8	3.9

28. Subsidiary and associated undertakings

The table below summarises the interests of the Group as at 31 August 2024:

Company name/ (number)	**Share class**	**Group %**	**Company name/ (number)**	**Share class**	**Group %**
United Kingdom					
Rowan House, Cherry Orchard North, Kembrey Park, Swindon SN2 8UH					
Connect Limited 02008952	Ordinary Shares	100%	Martin Lavell Limited 02654521 (*)	Ordinary Shares	100%
Connect Logistics Limited 09172965	Ordinary Shares	100%	Pass My Parcel Limited 09172022	Ordinary Shares	100%
Connect News & Media Limited 08572634	Ordinary Shares	100%	Phantom Media Limited 03805661 (*)	Ordinary Shares	100%
Connect Parcel Freight Limited 09295023	Ordinary Shares	100%	Smiths News Holdings Limited 04236079	Ordinary Shares	100%
Connect Parcels Limited 09172850	Ordinary Shares	100%	Smiths News Instore Limited 03364589	Ordinary Shares	100%
Connect Services Limited 08522170	Ordinary Shares	100%	Smiths News Investments Limited (*) 06831284	Ordinary Shares	100%
Connect Specialist Distribution Group Limited 08458801	Ordinary Shares	100%	Smiths News Distribution Limited 08506961	Ordinary Shares	100%
Connect2U Limited 03920619	Ordinary Shares	100%	Smiths News Trading Limited 00237811	Ordinary Shares	100%

Dawson Media Services Limited 06882722	Ordinary Shares	100%	Dawson Limited 03433262	Ordinary Shares	100%
Dawson Guarantee Company Limited 06882393	Ordinary Shares	100%	Dawson Media Direct Limited (*) 06882366	Ordinary Shares	100%
Dawson Holdings Ltd (*) 00034273	Ordinary Shares	100%			
Germany					
Dawson Media Direct GmbH HRB 96649	Ordinary Shares	100%	Johannstr. 39 40476 Dusseldorf, Germany		
Hong Kong					
Dawson Media Direct China Limited 1167911	Ordinary Shares	100%	Flat/Rm 5008 50/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong		
Thailand					
Dawson Media Direct Company Limited 105558138385	Ordinary Shares	48.9%	87 M Thai Tower, All Seasons Place, 23rd Floor, Wittayu Road, Lumpini Sub-District, Pathumwan District, Bangkok, Thailand		

**Audit exemption statement*

For the 53 weeks ended 31 August 2024, the companies as indicated in the table by '(*)' above were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. As such, Smiths News plc has provided a guarantee against all debts and liabilities in these subsidiaries as at 31 August 2024. The members of these companies have not required them to obtain an audit of their financial statements for the 53 weeks ended 31 August 2024.

Glossary - Alternative performance measures

Introduction

In the reporting of financial information, the directors have adopted various alternative performance measures (APMs).

These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Purpose

The directors believe that these APMs assist in providing additional useful measures of the Group's performance. They provide readers with additional information on the performance of the business across periods which is consistent with how the business performance is planned by, and reported to, the Board and the Executive Team.

Consequently, APMs are used by the directors and management for performance analysis, planning, reporting and incentive-setting purposes.

The key APMs that the Group has focused on and changes to APMs within the period can be found in Note 1.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note/page reference for reconciliation	Definition and purpose
Income statement				
Adjusting items	No direct equivalent	N/A	Note 3	Adjusting items of income or expenses are excluded in arriving at adjusted operating profit to present a further measure of the Group's performance. Each Adjusting items is considered to be significant in nature and/or

				quantum, non-recurring in nature and/or unrelated to the Group's ordinary activities or consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Team.
Adjusted operating profit	Operating profit*	Adjusting items	Income statement/ Note 3	Adjusted operating profit is defined as operating profit excluding the impact of adjusting items (defined above). This is the headline measure of the Group's performance and is a key management incentive metric.
Adjusted profit before tax	Profit before tax (PBT)	Adjusting items	Income statement/ Note 3	Adjusted profit before tax is defined as profit before tax excluding the impact of adjusting items (defined above).
Adjusted profit after tax	Profit after tax (PAT)	Adjusting items	Income statement/ Note 3	Adjusted profit after tax is defined as profit after tax from continuing operations, excluding the impact of adjusting items (defined above).
Adjusted EBITDA	Operating profit*	Depreciation and amortisation Adjusting items		This measure is based on business unit operating profit from continuing operations. It excludes depreciation, amortisation and adjusting items.
Bank EBITDA	Operating profit*	Depreciation and amortisation Adjusting items Operating lease charges		This measure is based on business unit operating profit from continuing operations. It excludes depreciation, amortisation, adjusting items and adds back operating lease charges under accounting standards applicable in 2019 and share-based payments expense. This measure is used to calculate compliance with banking covenants.
Adjusted earnings per share	Earnings per share	Adjusting items	Note 8	Adjusted earnings per share is defined as Adjusted PBT, less taxation attributable to Adjusted PBT and including any adjustment for minority interest to result in adjusted PAT attributable to shareholders; divided by the basic weighted average number of shares in issue.

Cash flow statement				
Free cash flow	Net movement in cash and cash equivalents	Dividends, acquisitions and disposals, repayment of bank loans, EBT share purchases		Free cash flow is defined as the movement in cash and cash equivalent plus the following: payment of dividends, the impact of acquisitions and disposals, the repayment of bank loan principal amounts, and outflows for purchases of own shares (EBT share purchases). This measure reflects the cash available to the Group, which can be used for investments, dividends and the reduction of debt.
Free cash flow (excluding adjusting items)	Net movement in cash and cash equivalents	Dividends, acquisitions and disposals, repayment of bank loans, EBT share purchases, pension deficit repair payments adjusting items		Free cash flow (excluding adjusting items) is free cash flow adding back adjusting cash costs.
Balance sheet				
Bank Net Debt	Borrowings less cash		Cash flow statement	Bank net debt is calculated as total debt less cash and cash equivalents. Total debt includes loans and borrowings excluding unamortised arrangement fees, overdrafts and obligations under finance leases under accounting standards applicable in 2019.
Net debt	Borrowings less cash		Cash flow statement	Net debt is calculated as total debt less cash and cash equivalents. Total debt includes loans and borrowings, overdrafts and obligations under leases.

*Operating profit is presented on the Group income statement. It is not defined per IFRS, however, is a generally accepted profit measure.

Reconciliation of free cash flow to net movement in cash and cash equivalents

A reconciliation between free cash flow and the net increase in cash and cash equivalents is shown below:

£m	2024	2023
Net (decrease)/increase in cash and cash equivalents	**(30.3)**	2.0
Net decrease in borrowings	**23.5**	8.0
Movement in borrowings and cash	**(6.8)**	10.0
Dividend paid	**10.8**	9.8
Investment in joint venture	**-**	0.3
Outflow for EBT shares	**3.3**	1.7
Total free cash flow	**7.3**	21.8

Reconciliation of bank net debt to reporting net debt

£m	2024	2023
Bank net debt	**(11.0)**	(4.2)
Unamortised arrangement fees (Note 15)	**0.4**	1.3
IFRS 16 lease liabilities (Note 17)	**(30.9)**	(23.2)
Net debt (Note 15)	**(41.5)**	(26.1)

Reconciliation of adjusted operating profit to Bank EBITDA

£m	2024	2023
Operating profit	**40.0**	38.3
Adjusting items	**(0.9)**	0.5
Adjusted operating profit	**39.1**	38.8
Depreciation	**2.2**	2.2
Amortisation	**0.4**	0.6
Right of use asset depreciation	**5.9**	6.4
Adjusted EBITDA	**47.6**	48.0
Operating lease charges	**(8.3)**	(8.1)
Exclude: Share based payments expense	**0.9**	1.1
Bank EBITDA	**40.2**	41.0

END