Updated with respect to Note 15
on 21 October 2015

Connect Group PLC
('Connect Group' or 'the Group')

Preliminary Results Announcement for the year ended 31 August 2015

Transformational year establishes foundations for growth

Connect Group, a leading specialist distributor operating in four divisions: News & Media, Books, Education & Care and Parcel Freight, is pleased to announce its preliminary results for the year ended 31 August 2015.

Adjusted results (1)	**FY2015**	FY2014	Change
Revenue	£1,875.1m	£1,808.5m	+3.7%
Profit before tax	£56.5m	£50.0m	+13.0%
Earnings per share	19.7p	19.6p (5)	+0.5%
Statutory results			
Revenue	£1,875.1m	£1,808.5m	+3.7%
Profit before tax	£29.0m	£43.1m	-32.8%
Earnings per share	9.3p	16.8p	-44.6%
Dividend per share	9.2p	8.8p (5)	+4.5%
Free cash flow (2)	£39.8m	£37.2m	+7.0%
Net debt (4)	£153.4m	£93.0m	

HIGHLIGHTS:

Strong performance with Adjusted profit ahead of expectations
- Revenue of £1,875.1m up 3.7% and Adjusted profit before tax up 13.0% to £56.5m, benefitting from the post-acquisition contribution from Tuffnells
- Adjusted earnings per share of 19.7p up 0.5%, reflecting post-acquisition profits from Tuffnells and impact of rights issue shares
- Free cash flow of £39.8m, up 7.0%; Net debt £153.4m; Net debt/Adjusted EBITDA (3) 1.9x, starting paydown from peak post acquisition debt level
- Final dividend of 6.3p up 5.0%, making a full year dividend of 9.2p, up 4.5%

Transformational year for the Group
- Scale acquisition of Tuffnells completed in December 2014
  - Excellent early performance under Connect Group ownership
  - Integration and synergies on track and creating new growth opportunities
- Launch of Click & Collect delivery service: Pass My Parcel
  - Successfully accelerated rollout to over 3,000 stores
  - Agreement in principle to launch new mobile enabled returns service with new client

Foundations in place for continuing growth
- Strategy on track with clear opportunities across the Group

Mark Cashmore, Group Chief Executive, commented:

"It has been a transformational year for the Group. Profits were ahead of expectations and we have made significant progress towards our medium-term strategic goals. The foundations for further growth are well established, with a clear strategy in each division enabling us to leverage the Group's capabilities and strengths. We are better positioned than ever to continue growing the business and generating strong shareholder returns."

The Group uses certain performance measures for internal reporting purposes and employee incentive arrangements. The terms 'net debt', 'free cash flow', 'adjusted revenue', 'adjusted operating profit', 'adjusted profit before tax', 'adjusted earnings per share' 'adjusted EBITDA' and 'non-recurring and other items' are not defined terms under IFRS and may not be comparable with similar measures disclosed by other companies.

(1) The following are the key non-IFRS measures identified by the Group in the consolidated financial statements as Adjusted results:

Adjusted revenue; is defined as revenue including the revenue of businesses from the date of acquisition and excludes revenue of businesses disposed of in the prior year.

Adjusted operating profit; is defined as operating profit including the operating profit of businesses from the date of acquisition and excludes non-recurring and other items and operating profit of businesses disposed of in the prior year.

Adjusted profit before tax; is defined as adjusted operating profit less finance costs attributable to adjusted operating profit and before non-recurring and other items; including amortisation of intangibles and network and reorganisation costs.

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.

Non-recurring and other items; are material items of income or expense excluded in arriving at Adjusted operating profit to enable a more representative view of underlying performance. These include certain Mergers & Acquisitions related costs, amortisation of intangibles, integration costs, business restructuring costs and network re-organisation costs including those relating to strategy changes which are not normal operating costs of the underlying business. They are disclosed and described separately in the accounts where necessary to provide further understanding of the financial performance of the Group.

(2) Free cash flow; is defined as cash flow excluding the following: payment of the dividend, acquisitions and disposals, the proceeds on the disposal of freehold properties, payments of obligations under finance leases, the repayment of bank loans, EBT share purchase and cash flows relating to non-recurring and other items.

(3) Adjusted EBITDA; is calculated as Adjusted operating profit before depreciation and amortisation. In line with loan agreements Adjusted Bank EBITDA used for covenant calculations is calculated as Adjusted operating profit before depreciation, amortisation, non-recurring items and share based payments charge but after adjusting for the last 12 months of profits for any acquisitions or disposals made in the year.

(4) Net debt; is calculated as total debt less cash and cash equivalents. Total debt includes loans and borrowings, overdrafts and obligations under finance leases.

(5) Rebased earnings per share and rebased dividends per share adjust last year reported figures by the rights issue bonus factor adjustment of 0.9015 following the 2 for 7 rights issue in December 2014.

(6) Like for like revenues exclude the impact of gains and losses (including contracts, new business and acquisitions) reported in the current or prior year total revenues.

(7) FY2015 refers to the full year ended 31 August 2015, FY2014 refers to the full year ended 31 August 2014.

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A meeting for analysts will be held at the office of Buchanan, 107 Cheapside, London, EC2V 6DN on 14 October 2015 commencing at 9.30am. Connect Group PLC's Preliminary Results 2015 are available at www.connectgroupplc.com

An audio webcast will be available on:
http://vm.buchanan.uk.com/2015/connect141015/registration.htm

About Connect Group PLC:

Connect Group PLC is a leading specialist distributor operating in large and diverse markets. The Group has four separate divisions, connecting suppliers to customers in an efficient, knowledgeable and service oriented way:

• Connect News & Media - Encompassing: Smiths News and Dawson Media Direct. Smiths News is the UK's largest newspaper and magazine wholesaling business with an approximate 55 per cent. market share. It distributes newspapers and magazines on behalf of the majority of the major national publishers as well as a large number of regional publishers. It serves approximately 30,000 customers across England and

Wales, including large general retailers as well as smaller independent newsagents delivering approximately 35 million newspapers and 11 million magazines weekly. The News business also wholly owns Pass My Parcel, a new Click & Collect delivery service for outbound and returns parcels with Amazon as its first client; Dawson Media Direct is an international media direct business supplying newspapers, magazines, inflight entertainment technology and content to over 80 airlines in 50 countries.

- Connect Books - Combining a number of recognised brands in print and digital bookselling across four customer focused business units: Wholesale, including Bertrams Books; Libraries, including Dawson Books; Direct to Consumer, including Wordery and International, including Houtschild. The division serves over 8,200 customers in approximately 100 countries, with over 156,000 in stock titles and access to over a further seven million consumer and twenty million academic titles.

- Connect Education & Care - A leading independent supplier of consumable products through The Consortium and West Mercia Supplies. The division holds an approximate 5 per cent. market share of the estimated addressable market, comprising the consumables element of education spend. It serves over 30,000 customers with an extensive range of over 40,000 products across a branded, own-brand and value range, including exercise books, stationery, arts and craft and cleaning products through a paper based catalogue and increasing focus on e-commerce trading with schools.

- Connect Parcel Freight - Tuffnells is a leading provider of next-day B2B delivery of mixed freight/ parcel consignments, specialising in items of irregular dimension and weight ("IDW"), examples of which include bulky furnishings, building materials and automotive parts. Tuffnells offers distribution coverage throughout the UK through a network of 35 depots and operates a largely depot-to-depot operational model, providing over 10 million deliveries per annum, through a wide range of services to over 4,200 largely 'SME' customers.

Notes to Editors

This document contains certain forward-looking statements with respect to Connect Group PLC's financial condition, its results of operations and businesses, strategy, plans, objectives and performance. Words such as 'anticipates', 'expects', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. These forward-looking statements are not guarantees of Connect Group PLC's future performance and relate to events and depend on circumstances that may occur in the future and are therefore subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements, including, among others the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts or licences; fluctuations in demand and pricing in the industry; fluctuations in exchange controls; changes in government policy and taxation; industrial disputes; war and terrorism. For a more detailed description of these risks, uncertainties and other factors, please see the section titled "Risks and Uncertainties". These forward-looking statements speak only as at the date of this document. Unless otherwise required by applicable law, regulation or accounting standard, Connect Group PLC undertakes no responsibility to publicly update any of its forward-looking statements whether as a result of new information, future developments or otherwise. Nothing in this document should be construed as a profit forecast or profit estimate. This document may contain earnings enhancement statements which are not intended to be profit forecasts and so should not be interpreted to mean that earnings per share will necessarily be greater than those for the relevant preceding financial period. The financial information referenced in this document does not contain sufficient detail to allow a full understanding of the results of Connect Group PLC. For more detailed information, please see the preliminary announcement for the full-year ended 31 August 2015 which can be found on the Investor Relations section of the Connect Group PLC website – www.connectgroupplc.com. However, the contents of Connect Group PLC's website are not incorporated into and do not form part of this document.

OPERATING REVIEW

INTRODUCTION

2015 was a strong year for the Group, achieving Adjusted profit ahead of expectations and making considerable strategic progress, establishing clear growth opportunities.

Total revenue of £1,875.1m was up 3.7% and Adjusted profit before tax of £56.5m was up 13.0%. This overall performance was helped by a first-time contribution from Tuffnells (our Parcel Freight division) but was also underpinned by the performance of our other divisions. Both News & Media and Books grew Adjusted operating profit, excluding the prior year profits from World Cup sales, while making pleasing progress with organic sales initiatives. Education & Care was broadly flat for the year with a stronger second half and an encouraging peak performance in what remains a competitive market.

Free cash flow of £39.8m was up 7.0%, another good result given the Group's investments made in the year and starting a pay down of peak net debt post-acquisition. Adjusted EPS at 19.7p was slightly ahead of the prior year, reflecting post-acquisition profits from Tuffnells and impact of rights issue shares. Looking ahead, the Board is confident that Tuffnells will be earnings accretive in its first full year of trading in the Group.

The acquisition of Tuffnells for an initial consideration of £114.5m has transformed the shape and future prospects of the Group. It provides entry to a new and growing market and it enhances our position as a leading UK specialist distributor, giving national coverage and access to a wide variety of new customers and sales opportunities. The early trading performance under Connect Group ownership has been excellent.

Pass My Parcel, our Click & Collect offer, was successfully launched and, following the proof of concept trial last Autumn, the plan to accelerate expansion of stores, services and clients is well on track. We have also reached an agreement in principle to launch a new mobile enabled returns service with a new client.

The Group's divisions are in enviable market positions and are well placed to make further progress with strategic initiatives identified. Each has a clear strategy, combining our trademark of service and efficiency with a mix of market share gains, organic initiatives and leveraging of the Group's capabilities. The Board is confident of the Group's future prospects and continued cash generation and has recommended a final dividend of 6.3p, an increase of 5.0%, resulting in a full year dividend of 9.2p, an increase of 4.5%.

CONNECT NEWS & MEDIA

Total News and Media revenue of £1,504.7m was down 2.9% and Adjusted operating profit of £43.7m was down 3.3% with the News Distribution business being the main driver of performance. Excluding the prior year profits from World Cup sales, Adjusted operating profit would be up 3.3%.

The News Distribution business has made further progress in the year, with planned operational efficiencies mitigating the decline in sales and the £2m net investment in organic opportunities. Revenue was down 3.0% to £1,479.3m and on a like for like basis down 3.4%, comfortably within our medium term strategic forecast of -3% to -5% per annum. Adjusted operating profit of £41.4m was down 3.5%.

Revenues of newspapers have remained resilient, albeit with lower cover price inflation this year. The decline in overall magazine sales has continued to slow from historic trends.

With contracts securing over 85% of our current newspaper and magazine revenues through to 2019 and beyond, the Group has the foundation for further efficiencies. A small regional press gain was made in the year in Liverpool. The Metro distribution areas were also extended to cover both Liverpool and additional areas of London.

The cost efficiency programme continues to deliver sustainable savings with a further £5m achieved this year, meeting in full our £20m target over the past three years. We remain confident of delivering a further £5m per annum of cost savings in each of the next two years.

DMD, our media supply business, performed well, winning a number of new contracts and making further progress with its digital offer. Total revenue of £25.4m was up 1.0%, with Adjusted operating profit of £2.3m down 0.9%. Highlights of the year include a new contract with Virgin Atlantic, the renewal of our Eurostar contract and the launch of a Media Wall concept at Gatwick airport which has had promising initial results and is on track to distribute 20 million copies per annum directly to consumers.

News & Media - Strategy for Growth:

Organic diversification remains a key strategic priority for this division and good progress has been made in all of our targeted areas. We have extended our relationship with Amazon's logistics division, demonstrating our ability to make 'last mile' deliveries to consumers' homes. A trial service in Newcastle and Brighton launched in January and was quickly extended to Southampton. We will shortly be expanding into Newport and Newmarket.

Jack's Beans, our vended coffee offer, has made steady progress and we now have over 300 outlets across the network with almost half a million cups of coffee sold since launch. The introduction of a fixed rental charge for the vending machines has proved attractive and is supporting further expansion while limiting risk.

We remain very excited about the opportunities for Pass My Parcel which uses the existing Smiths News network to create a twice daily delivery that has the UK's fastest turn-around from 'click to collection'. The service was launched in October 2014 with Amazon as our first client. The initial low volume trial period demonstrated that the process worked efficiently and that the consumer demand was there for a fast and convenient local service. In April 2015, we announced an accelerated investment and parcel-shop roll-out. Our targets have been achieved in full with over 3,000 stores live ahead of this year's seasonal peak.

The market for Click & Collect continues to exhibit high levels of growth, forecasted at a rate of 20% per year for all Click & Collect options, including in-store, parcel-shops and lockers (Source: IMRG CollectPlus UK Click & Collect Review 2015). Barclays also recently estimated that the online consumer market will grow to 1.3 billion parcels by 2018, of which 35% will be handled through Click & Collect deliveries. Our current network of over 3,000 stores gives us coverage of an estimated two thirds of the UK's online consumer traffic. Our aim is to deliver a national footprint targeting between 5,000 and 6,000 stores.

The launch of a returns service is the next step in our strategy to grow Pass My Parcel and it is therefore pleasing that we have reached an agreement in principle with a new client. Industry experience demonstrates the importance of returns for Click & Collect volumes, indicating that up to twice the number of returns parcels are handled by Click & Collect shops for every outward delivery. We believe that the speed, efficiency, ease of use and local availability of Pass My Parcel positions the business to benefit from these current market trends.

As part of the drive to increase our service, stores and client base, we intend to make a further net £2-3m investment in Pass My Parcel in the current financial year, supporting expansion of the parcel-shop network and meeting the needs of our clients. We are committed to investing in this fast growing and innovative market, and believe it is a significant medium term profit opportunity.

CONNECT BOOKS

The Books Division has made good progress after a challenging year in 2014. Revenue of £190.1m was 1.8% lower than the prior year, however like for like revenue was up 3.1%. Adjusted operating profit was up 4.6% to £2.6m helped by better margins and a strong second half, also creating momentum into the current financial year.

The new management team, led by Justin Adams, has stabilised the business and set out a clear strategy for sustainable growth. A comprehensive review of the business has been completed and action has been taken to restructure the business into four business units, each with a distinct market focus and a strategy for growth: Wholesale, Direct to Consumer, Libraries and International. Progress has also been made in improving the productivity and service of the warehouse operation.

The wholesale sector remains our largest trade segment and recent trends have seen some recovery from independent bookshops and improving sales through online and multiple retailers. The library markets, however, continue to be challenging with tight budgets limiting growth and affecting the order levels anticipated under contract agreements.

In implementing a stronger commercial focus, we have been rigorous in achieving a more sustainable return through improved gross margin which is up 130 basis points on last year.

Wordery, one of the UK's largest online independent book shops, continues to grow with total revenue up 65% to £38.3m, an impressive performance in just three years since its launch. We have also acquired the minority 49% stake in Wordery for an initial consideration of £5.1m and future potential consideration of a further £3.3m, reflecting the importance of Wordery to the division's future plans.

Books - Strategy for Growth:

The review of the business has been comprehensive in its assessment of future opportunities and the actions required to achieve a sustainable return to growth. Plans have been put in place to address each of the four business units which will strengthen the division as a whole and improve our commercial position in each sector.

Investment in Wordery will be accelerated, improving the wordery.com website, expanding its international reach and increasing direct to consumer marketing to grow sales and brand awareness. This will improve margin and further establish Wordery as a major online book retailer.

The core wholesale offer will be refocused, with a more rigorous commercial approach fed into pricing and contract tenders. Underpinning this is a greater attention to service, targeting productivity and quality metrics that will improve customer experience and reduce overall operating costs.

Investment will be made in our academic and digital capability. The academic market remains large and there is opportunity to win further share by ensuring tenders demonstrate a more distinct offering based on the combination of printed and digital services while being priced appropriately. The launch of Dawsonera 5 (an online academic portal) in June 2015 was a significant step in addressing the needs of UK academic libraries improving the quality of the digital offer to match the service in printed books.

The International segment will see operations being integrated into a European hub in Amsterdam. There is opportunity for further growth, through a combination of cost synergies, harmonisation of operating systems and potential rationalisation of the brands which are marketed to European customers.

Underpinning these plans, the Norwich warehouse operation has been reconfigured and now operates as a third party supplier to the business units. This gives greater visibility of efficiency, service and cost to serve that can be built into pricing models which will support growth in net margin. It also means the running of the large fulfilment operation is given the focus and investment that is required to support the reconfigured sales and marketing activity.

CONNECT EDUCATION & CARE

Our Education & Care division has had a challenging year impacted by a tougher market environment, particularly in the Secondary education sector. The division has however made good progress with its strategic initiatives and delivered a solid peak trading performance. Revenue of £65.9m is up 1.7%, with core revenues up 1.8% from continued strength in Primary up 6.7% and Early Years up 15.6%.

Adjusted operating profit is broadly flat at £7.8m, with improved gross margin up 100 basis points, and increased costs in the first half which related to the introduction of the new warehouse management system. Second half performance showed encouraging progress with profit up 4.0%, particularly pleasing in the context of tougher trading conditions. We have recently renewed the largest framework agreement in Wales, covering 15 out of 22 local authorities. The Care sector was down by 3.2% over the year but with a steadily improving trend that saw a return to growth in the last quarter.

Our strategy to develop the leading e-commerce offer is taking shape; overall web traffic is up by over 20% and we now have 25% of all school orders being placed online.

Education & Care - Strategy for Growth:

Looking at our growth strategy in more detail, we believe the overall market will remain in growth at low single digit percentages. Plans to gain market share remain in place from a combination of increased share of wallet and expansion into new territories with focus on service, margin and e-commerce.

Our aim is to be the best and most responsive education supplier in the market. This means making the shopping and buying experience as easy as possible – delivering great value to customers and backing this with excellent service. This will be achieved through three main initiatives.

To attract customers through 'easy shopping' in what is otherwise a complex paper-based process. The website has been developed to better reflect customers' needs with a more consumer-facing approach rather than traditional B2B websites. A comprehensive web-based platform and integrated order process with schools' accounting software will increase customer loyalty and order frequency, while also being used for marketing to drive promotional offers. We are targetting to have 50% of all school orders placed online which, aside from the sales benefits, will create overhead reductions and drive further profit growth.

The development of our catalogue range and quality own brand offer is an important part of the value proposition, delivering value to customers and an improved margin level for the business.

The drive for sales and margin will be underpinned by 'best in class' service. Our new warehouse management system is expected to improve stock control, product availability and the achievement of 'on time and in full' delivery.

Together, these actions will enhance our leading offer in the market, attracting new business and securing greater share of spend from existing customers.

CONNECT PARCEL FREIGHT

The performance of the Parcel Freight division, established with the acquisition of Tuffnells in December 2014, has been excellent. Revenues of £114.4m and Adjusted operating profit of £9.7m reflected strong growth of 19.6% and 10.8% respectively for the first eight months of ownership compared to the comparable pre-acquisition period. This strong performance is driven by a combination of new business wins, an increase in consignments from existing customers and a rate-card increase which did not adversely impact our volumes.

Tuffnells has a clear market position with capabilities that set the business apart from other parcel carriers; in particular the ability to handle items of irregular dimension and weight and the long term partnerships with many of the small and medium sized businesses that form the majority of the customer base. These characteristics reflect a service that is primarily focused on B2B customers with premium offerings such as 9.30 am next day delivery or a guaranteed tailgate service for especially heavy items.

During the period, Tuffnells opened one new site to close the year at 35 depots. Another new site opened in September 2015 and an additional site is due to open in October 2015. During the year, we also extended and invested in five sites and extended our vehicle fleet by 102 vehicles. To support future growth, we expect to grow the number of depots from 35 to 40 over the next three years.

Supporting the improvement of the network, the Group has also committed to upgrading the facilities at all current depots. A two-year rolling programme commenced in July 2015 to review the working environment at all our depots, prioritising investments in infrastructure that will improve capacity, operational efficiency and on-site safety.

The shortage of qualified drivers is a well-documented industry issue that limits in-house capability and could be a potential constraint on the pace of growth. Following the failure of City Link in December 2014, we were able to recruit over 50 drivers, but the challenge is ongoing. In response, we have introduced a variety of incentives to attract new drivers and launched an apprentice scheme for young people. As a division of Connect Group we can provide further opportunities for those with the talent and ambition to develop their careers.

The early integration into the wider Group has gone well, with the immediate cost synergies being realised and the transition to new leadership under Chris Ward achieved by the end of August 2015. The majority of the other members of the senior team remain in their roles providing continuity and the retention of key skills and knowledge. Tuffnells is now well placed to continue to drive growth from the core business as well as looking at cross-Group opportunities.

Parcel Freight - Strategy for Growth:

Ambitious plans are in place for the Parcel Freight division. The market is in structural growth, further aided by the trend of small to medium sized enterprises seeking to outsource distribution.

Our expertise and focus on irregular by dimension and/ or weight ("IDW") freight strengthens the Tuffnells market position, which is being further improved by large players moving away from unconventional IDW freight to more regular parcel delivery.

Our aim is to manage ongoing volume growth while keeping a tight control of costs and maintaining Tuffnells' service and reputation for excellence. We currently deliver a 'next day and on time' delivery for over 96% of our consignments. Network expansion and fleet optimisation levels will be key to sustaining and improving this measure and we are investing to ensure we have the number of depots and vehicle mix and flexible routing planning to support our leading service.

As highlighted at the time of the acquisition, there are also clear opportunities to leverage Tuffnells' services across the Connect Group which we continue to explore.

BOARD SUCCESSION

As reported last year, Dennis Millard, Anthony Cann and John Worby would each have served as directors for nine years in August 2015. Accordingly, following a thorough process Gary Kennedy was duly appointed as a non-executive director and Chairman designate on 2 March 2015 and became Chairman on Dennis Millard's retirement on 1 May 2015.

The process to identify suitable candidates to succeed Anthony Cann and John Worby, who are both expected to step down from the Board during the first half of 2016 is nearing completion and appointments are expected to be made shortly.

SUMMARY AND OUTLOOK

In summary, the Group delivered a strong performance in 2015 ahead of expectations for the year. Exciting progress has been made with the Group's organic sales opportunities and the overall growth strategy is on track. Each division has a focused plan for growth underpinned by leveraging Connect Group's commercial, operational and capital management opportunities.

In News & Media, we will continue to operate a lean, efficient News distribution business, underpinned by long term contracts and generating good levels of cash generation, while building Pass My Parcel into a scale business with 5,000 – 6,000 stores, more customers and more services. In the medium term, the goal is to become a major player in the Click & Collect market, the contribution from which is expected to offset the future decline in the core News distribution revenues.

In Books, we will continue to drive profit growth in the next 12 months with a strong focus on Wordery while investing in the infrastructure of the business. As a result of these ongoing actions, we will aim to double profitability of the division in the next three years.

In Education & Care, we are developing a market leading e-commerce platform, increasing choice and margins through the 'own brand' offering and maintaining a focus on excellent service levels. The division is well placed to outperform its market with a focus on continually improving service, margin and e-commerce sales; targeting to achieve at least 50% of orders online within the next three years.

Parcel Freight will be a key driver of growth in the immediate future, with the Group providing investment to increase capacity and exploit our unique market position. We aim to continue to grow ahead of the market through optimising volume growth, keeping a tight control on costs and delivering a best in class service. Network expansion will be an important part of this growth and, as previously indicated, we are planning to reach 40 depots within the next three years.

Looking ahead, recent trading is in line with current management expectations and we remain in a good position to build on the progress made in the year under review. We will continue to invest to support long term progress and leverage the capabilities of the Connect Group network, technology and people. As a result, the Board is confident of the outlook for the current financial year and beyond.

FINANCIAL REVIEW

GROUP

Adjusted results [1] £m	**2015**	**2014**	Change
Revenue	**1,875.1**	1,808.5	3.7%
Gross profit	**236.9**	199.0	19.0%
Operating costs	**(173.1)**	(143.5)	(20.6)%
Operating profit	**63.8**	55.5	14.9%
Net finance costs	**(7.3)**	(5.5)	(31.8)%
Profit before tax	**56.5**	50.0	13.0%
Taxation	**(11.1)**	(9.3)	(20.4)%
Tax rate	***19.7%***	*18.7%*	
Profit after tax	**45.4**	40.7	11.3%

Group revenues were £1,875.1m, up 3.7% and Group Adjusted operating profit of £63.8m was up 14.9%, driven by the acquisition of Tuffnells and supported by the performance of our other divisions.

Net finance costs at £7.3m (FY2014: £5.5m) were up £1.8m in the year. Net bank interest and related charges were £5.8m (FY2014: £4.7m) as a result of higher average borrowings following the part debt funding of the Tuffnells acquisition. In addition, finance costs include a charge for fair value movements in interest rate hedges of £0.2m (FY2014: £0.4m credit).

Group Adjusted profit before tax of £56.5m was up 13.0%.

The underlying tax charge for the year of £11.1m represented an effective tax rate of 19.7%. This was up on prior year of 18.7% which included a higher level of favourable corporation tax adjustments. Future effective tax rates are expected to be broadly in line with standard UK corporation tax rates.

Adjusted profit after tax of £45.4m was up 11.3%.

EPS AND DIVIDEND

	Adjusted [1]		Statutory	
	2015	2014	**2015**	2014 [5]
Earnings attributable to ordinary shareholders (£m)	**45.5**	40.5	**21.5**	34.6
Basic weighted average number of shares (millions) [5]	**230.9**	206.4	**230.9**	206.4
Basic EPS [5]	**19.7p**	19.6p	**9.3p**	16.8p
Diluted weighted number of shares (millions) [5]	**238.5**	213.4	**238.5**	213.4
Diluted EPS [5]	**19.0p**	19.0p	**9.0p**	16.2 p
Dividend per share (paid & proposed) [5]	**9.2p**	8.8p	**9.2p**	8.8p
Dividend per share (recognised) [5]	**8.8p**	8.5p	**8.8p**	8.5p

(5) Rebased earnings per share and rebased dividends per share adjust last year reported figures by the rights issue bonus factor adjustment of 0.9015 following the 2 for 7 rights issue in December 2014.

On an Adjusted basis, earnings attributable to shareholders of £45.5m resulted in an EPS of 19.7p, an increase of 0.1p or 0.5% on prior year. The increase reflects post-acquisition profits from Tuffnells and impact of rights issue shares.

Including non-recurring and other items, statutory earnings attributable to shareholders of £21.5m resulted in an EPS of 9.3p, a decrease of 7.5p on prior year.

In December 2014, the Group successfully completed a 2 for 7 Rights Issue, issuing c.54m shares which impact both the weighted and fully diluted share numbers. The weighted average basic number of shares issued for the year was 230.9m (FY2014: 206.4m). The fully diluted number of shares was 238.5m (FY2014: 213.4m).

Fully diluted shares include 4.1m for employee incentive schemes (FY2014: 5.4m) and 3.5m shares (FY2014: 1.6m) being the weighted impact of future share schemes and shares allotted in relation to Tuffnells deferred consideration.

Including the proposed final dividend of 6.3p, the full year dividend of 9.2p is an increase of 0.4p or 4.5% on the rebased prior year figure of 8.8p.

The proposed final dividend for the year ended 31 August 2015 of 6.3p is subject to approval by shareholders at the Annual General Meeting on 4 February 2016 and has not been included as a liability in these accounts. The proposed dividend, if approved, will be paid on 12 February 2016 to shareholders on the register at close of business on 15 January 2016.

NEWS DISTRIBUTION

Adjusted figures [1] - £m	**2015**	2014	Change	LFL [6]
Revenue	**1,479.3**	1,524.8	(3.0%)	(3.4%)
Gross profit	**120.7**	125.1	(3.6%)	
Operating costs	**(79.3)**	(82.2)	3.5%	
Operating profit	**41.4**	42.9	(3.5%)	
Gross margin	**8.2%**	8.2%	-	
Cost ratio	**(5.4%)**	(5.4%)	-	
Operating margin	**2.8%**	2.8%	-	

News Distribution revenues of £1,479.3m were down 3.0%, like for like revenues were down 3.4% which remains well within our medium term forecast range of between -3.0% and -5.0%, in part due to continued resilient newspaper and magazine sales.

Gross margin was in line with the prior year.

The cost ratio was in line with prior year, as a result of total cost savings of £5m. Network savings and continued operational efficiencies combined to deliver our targeted cost savings for the year, being partly offset by our investments to grow organic opportunities, including £2m net investment in Pass My Parcel.

Adjusted operating profit of £41.4m decreased 3.5% on the prior year, which includes £2.9m of profits from World Cup sales not repeating in FY2015. Operating margin of 2.8% remained flat on prior year. After excluding the benefit of last year's World Cup, Adjusted operating profit would be up 3.5%.

MEDIA

Adjusted figures [1] - £m	**2015**	2014	Change	LFL [6]
Revenue	**25.4**	25.1	1.0%	(3.1%)
Gross profit	**12.5**	12.3	1.5%	
Operating costs	**(10.2)**	(10.0)	(2.0%)	
Operating profit	**2.3**	2.3	(0.9%)	
Gross margin	**49.2%**	49.0%	20bps	
Cost ratio	**(40.2%)**	(39.8%)	(40bps)	
Operating margin	**9.1%**	9.2%	(10bps)	

Media revenues of £25.4m were up 1.0% on the prior year, as a result of winning a number of new contracts and making further progress with its digital offer. On a like for like basis revenues were down 3.1%.

Gross margin was up 20bps to 49.2%.

Adjusted operating profit of £2.3m decreased 0.9% on the prior year and resulted in an operating margin of 9.1%, down 10bps.

BOOKS

Adjusted figures [1] - £m	**2015**	2014	Change	LFL [6]
Revenues	**190.1**	193.7	(1.8%)	3.1%
Gross profit	**36.4**	34.6	5.2%	
Operating costs	**(33.8)**	(32.1)	(5.2%)	
Operating profit	**2.6**	2.5	4.6%	
Gross margin	**19.2%**	17.9%	130bps	
Cost ratio	**(17.8%)**	(16.6%)	(120bps)	
Operating margin	**1.4%**	1.3%	10bps	

Books revenue of £190.1m was down 1.8%, like for like revenue was up 3.1% with Wordery continuing its impressive growth – sales are up from £23.2m to £38.3m, an increase of 65%. The Wholesale sector remains our largest trade segment and recent trends have seen a good recovery from independent booksellers, supported by improving sales through online retailers and key chains. Library markets continue to be challenging with tight budgets limiting growth and affecting the order levels anticipated under contract agreements.

Gross margin was up 130bps due to a focus on exiting or renegotiating low margin contracts. The cost ratio declined 120bps on the prior year, as we continued to invest to grow the business and protect service.

Adjusted operating profit of £2.6m increased 4.6% on the prior year and resulted in an operating margin of 1.4% up 10bps on last year.

EDUCATION & CARE

Adjusted figures [1] - £m	**2015**	2014	Change	LFL [6]
Revenue	**65.9**	64.9	1.7%	1.7%
Gross profit	**28.0**	26.9	4.1%	
Operating costs	**(20.2)**	(19.1)	(5.9%)	
Operating profit	**7.8**	7.8	(0.2%)	
Gross margin	**42.5%**	41.5%	100bps	
Cost ratio	**(30.7%)**	(29.5%)	(120bps)	
Operating margin	**11.8%**	12.0%	(20bps)	

Education & Care revenues of £65.9m were up 1.7% on the prior year and up 1.7% on a like for like basis. Core revenues in Education, Care and Early Years increased 1.8% on a like for like basis, as a result of increased spend with existing customers and winning new contracts, with particular strength in Primary and Early Years.

Gross margin was up 100bps as a result of a focus on profitable sales in core markets, buying synergies and a stronger own brand mix. The cost ratio declined 120bps as a result of increased costs in the first half which related to the implementation of the new warehouse management system.

Adjusted operating profit of £7.8m remained broadly flat on the prior year down 0.2% and resulted in an operating margin of 11.8%, down 20bps.

PARCEL FREIGHT

Adjusted figures [1] - £m	**2015**	2014	Change	LFL
Revenue	**114.4**	-		
Gross profit	**40.3**	-		
Operating costs	**(30.6)**	-		
Operating profit	**9.7**	-		
Gross margin	**35.2%**	-		
Cost ratio	**26.8%**	-		
Operating margin	**8.5%**	-		

Tuffnells Parcels Express, the Group's Parcel Freight division, was acquired on 19 December 2014 and these results represent the 36 week post acquisition period to 31 August 2015.

Parcel Freight revenues of £114.4m were up 19.6% on the same pre-acquisition period last year. Progress came from a combination of new business, an increase in consignments from existing customers, and pricing increases.

Adjusted operating profit of £9.7m increased 10.8% on the same pre-acquisition period last year and resulted in an operating margin of 8.5%.

The twelve month annualised figures to 31 August 2015 would be revenue of £162.6m and Adjusted operating profit of £14.3m.

NON-RECURRING AND OTHER ITEMS [(1)]

£m	2015	2014
Network and re-organisation costs	**(4.4)**	(3.0)
Acquisition and disposal costs	**(15.1)**	(0.9)
(Charge)/release of property provisions	**(0.1)**	0.5
Impairment	**-**	(0.5)
Amortisation of acquired intangibles	**(7.9)**	(3.0)
Total before finance costs and taxation	**(27.5)**	(6.9)
Finance costs	**-**	-
Total before taxation	**(27.5)**	(6.9)
Taxation	**3.5**	1.0
Total after taxation	**(24.0)**	(5.9)

Non-recurring and other items were £27.5m before tax and £24.0m after tax which was £18.1m higher than the prior year, principally arising from acquisition costs and the associated increase in amortisation of acquired intangibles from the Tuffnells acquisition in December 2014.

Network and reorganisation costs of £4.4m are predominantly rationalisation costs to drive efficiency savings in Smiths News. They also include costs to support the strategic review and reorganisation of the Books division and one off costs for the implementation of the warehouse management system in Education & Care.

Acquisition related costs include £3.5m for deal expenses and cost of integration plus £11.6m of deferred consideration for the acquisition of Tuffnells in December 2014. A further £3.1m of equity raise expenses were charged direct to reserves.

A charge of £0.1m was made in relation to vacant property arising from network reorganisation. In the prior year the Group released £0.5m relating to the historical property reversionary lease provisions following the settlement of two historical claims.

Amortisation of acquired intangibles of £7.9m has been incurred relating to acquisitions amortised over their expected economic lives for which there is no ongoing cash impact. The amortisation charge has increased compared to the prior year due to the acquisition of Tuffnells. The net book value of acquired intangibles of £65.4m will be amortised over future years.

Non-recurring and other items are largely non-cash items. The cash impact for the period was £8.2m (FY2014: £4.4m).

FREE CASH FLOW (2)

£m	**2015**	2014
Adjusted profit before interest and tax	**63.8**	55.5
Depreciation & amortisation	**10.8**	8.0
Adjusted EBITDA	**74.6**	63.5
Working capital movements	**(8.0)**	1.2
Capital expenditure	**(9.2)**	(10.3)
Net interest paid	**(5.8)**	(6.1)
Taxation	**(8.7)**	(9.8)
Pension funding	**(5.4)**	(4.6)
Other	**2.3**	3.3
Free cash flow	**39.8**	37.2

The Group continued to generate strong free cash flow, delivering £39.8m in FY2015, an increase of £2.6m or 7.0% on prior year.

Increased Adjusted EBITDA is partially offset by a working capital outflow of £8.0m, with last year's working capital supported by World Cup receipts.

Capital expenditure was £9.2m including investment in organic initiatives Pass My Parcel and Jack's Beans, as well as the Warehouse Management system in Education & Care and digital platform investments in Books.

Net interest paid was lower year on year as a result of refinancing fees taken in FY2014. Taxation paid was lower, in line with the declining statutory tax charge.

Cash contributions into pension funds increased year on year mainly as a result of the defined benefit scheme for Tuffnells.

NET DEBT (4)

£m	2015	2014
Opening net debt	(93.0)	(98.5)
Free cash flow	39.8	37.2
Dividend paid	(21.4)	(17.7)
Non-recurring items	(8.2)	(4.4)
Acquisitions and investment in subsidiaries	(119.1)	(0.3)
Net acquisition financing	52.1	-
Other	(3.6)	(9.3)
Closing net debt	(153.4)	(93.0)

As at 31 August 2015 net debt was £153.4m (FY2014: £93.0m) including acquisition outflows of £119.1m and proceeds from the issue of shares of £52.1m. Net debt is a combination of £164.3m of gross debt and £10.9m of cash held in local entities to finance local operations.

As at 31 August 2015 Net Debt/Adjusted Bank EBITDA ratio was 1.9x up from the prior year end (FY2014: 1.4x), but already showing a pay down from the point of Tuffnells completion when debt peaked at £159m and 2.0x Net Debt/Adjusted Bank EBITDA.

The Group borrowings are cyclical during the financial year resulting in average borrowings £40m higher than the closing position and maximum borrowings of £196.4m.

The Group completed a refinancing through a syndicate of five banks in January 2014. The facility was extended in November 2014 to £250m of committed facilities to support the acquisition of Tuffnells. The facility provides funding for over three years to November 2018 and comprises a term loan, with limited amortisation, and a revolving credit facility with margin and covenants favourable to the previous facility.

We continue to remain comfortably within our banking covenants with Net debt/Adjusted Bank EBITDA of 1.9x as at 31 August 2015 versus a covenant test of 2.75x. We also remain comfortably within our other covenants of fixed charge cover, interest cover, and guarantor cover.

PENSION

The Group operates four defined benefit schemes, all closed to new entrants and two closed to future accrual.

The Smiths News section of the WH Smith pension trust has assets of £536.8m and an actuarial deficit of £23.0m as at June 2013. As at 31 August 2015 the IAS 19 surplus of £135.6m (FY2014: £75.7m) was not recognised in the accounts as the amount available on a reduction of future contributions is £nil. The Group recognises the present value of the actuarial deficit agreed schedule of future contributions as a pension liability of £13.8m on the balance sheet (FY2014: £17.3m). A March 2015 actuarial valuation has commenced.

The Consortium defined benefit schemes together have combined assets of £15.9m and a combined actuarial deficit of £1.5m as at December 2013. As at 31 August 2015 the IAS 19 deficit was £3.6m.

The Tuffnells defined benefit scheme, which is open to future accrual, has assets of £10.6m and an actuarial deficit of £2.5m as at April 2013. As at 31 August 2015 the IAS 19 deficit was £0.7m.

As at 31 August 2015, the Group’s total net pension liability recognised on the balance sheet was £18.1m (FY2014: £21.0m). The total cash contribution of defined benefit schemes and expenses in the cash flow statement for FY2015 was £5.4m (FY2014: £4.6m).

FUTURE ASSUMPTIONS

Looking forward, key inputs for future modelling include;

Tuffnells, the Parcel Freight division, achieved revenue of £114.4m and Adjusted operating profit of £9.7m for the 36 weeks to 31 August 2015. On a last twelve month basis, this would equate to £162.6m and £14.3m respectively.

Pass My Parcel will continue to roll out to more parcel shops, with more services and more clients in FY2016 and the expected impact on Smiths News profit is a net cost of £2-3m, compared to the net cost of £2m incurred in the year to 31 August 2015.

Employee related costs include an estimate of National Living Wage increases and auto enrolment pension costs, both of which are due to rise over the next couple of years. We expect the cost increase in FY2016 to be approximately £1m for employees over 25 years of age and currently paid under £7.20 per hour. However, as wages rise towards £9.00 per hour, employer pension contributions increase and the potential knock-on to other staff whose wage differential will be eroded is included, we could experience a gross increase of £3m per annum over the medium term before future mitigating actions. At operating profit level, mitigating actions include accelerating cost efficiencies to drive staff productivity and some pricing flexibility outside of Smiths News long term contracts. At profit after tax level, two already announced future reductions in the corporate tax rate will further mitigate the impact on earnings.

Capital investment for FY2016 and FY2017 is likely to be approximately £20m per annum as we continue to invest, largely in Pass My Parcel and Tuffnells capacity increases to support our longer term growth opportunities.

Continued focus on cash and capital management is expected to drive free cash inflow of approximately £45m in FY2016, after increased capital expenditure. Total net debt is expected to fall by £10m in FY2016 after continued shareholder returns, with a target of £100m net debt by August 2018.

The full year impact of the December 2014 rights issue will continue to flow through the weighted share number in FY2016, with the estimated number for basic average weighted shares being 245m.

GOING CONCERN

Despite the uncertain economic environment the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing the condensed financial statements.

RISKS AND UNCERTAINTIES

The Group has robust risk management processes in place including the identification and review of its principal risks, an annual risk appetite assessment and robust monitoring and reporting of its internal control environment.

The Director's assessment of the Group's principal risks are aligned to the strategic business planning process, the outputs from the annual risk appetite exercise and the business/ divisions internal risk committees. Risks are mapped for impact and likelihood, ownership assigned, and reviewed quarterly by the Group Executive and Audit Committee including the appropriateness of mitigating actions.

The Group's principal risks are detailed below.

Principal Risks	**Potential Impact**	**Mitigating actions and assurance**
Structural market changes are deeper/ quicker than predicted, including print migration to digital.	Sales decline in newspaper and magazines are worse than expected (3%-5% range) and/ or the Books market is impacted, each resulting in lower profit and negative market sentiment related to printed media.	A consistent pattern and clear view of market volumes ensures more accurate forecasting and combines with an expectation of continued declines for newspapers and magazines. Management continues to identify efficiencies to compensate for market declines. Connect Parcel Freight is a significant contributor toward the Group, mitigating market declines for newspapers and magazines. The Group's organic strategy including Pass my Parcel and Jack's Beans, seeks to further protect the Group from over exposure to individual market risks.
Uncertainty of Government policy could adversely impact current business performance.	Reductions in discretionary spending may impact sales of newspapers, magazines, parcels and books with reductions in Government spending potentially reducing consumables budgets in schools.	Annual budgets and quarterly forecasts set realistic expectations internally and externally allowing for or changing objectives to meet short and medium-term financial targets. Management has a track record of delivering revenues and efficiencies to compensate for market impacts.
Major supplier or customer loss or consolidation impacts the trading relationship.	Impact on supply of product or route to market may erode margin and/ or increase cost to serve.	In Connect News & Media, publishers typically award 5 year contracts supporting the market structure. Connect Books, Connect Education & Care and Connect Parcel Freight operate in very fragmented markets with fewer significant suppliers or customers. Strong relationships across the supply chain help the Group to understand and demonstrate its strengths for the benefit of its suppliers and customers.
Competitive environment becomes more challenging.	Challenges to sales growth and margin performance remain a key risk / focus. Current performance and strategic actions have placed the Group in a strong position to meet these challenges although impact remains the same.	Market scale and expertise provides the ability to offer value and service to customers. Connect Books, Connect Education & Care and Connect Parcel Freight monitor and track propositions to ensure competitive positioning, able to adjust pricing throughout the period if required.
Failure to prevent cyber-attacks that cause disruption or loss of systems and/ or commercially/ employee sensitive data.	Customer service and/ or satisfaction could be adversely impacted leading to compensation, increased costs for rectification and/or increased future investment requirements. Continued risk of penalty through breach of regulation such as the Data Protection Act.	External specialist advice supports a strong central governance framework including responsibilities for reviewing the Group's exposure, measuring effectiveness of existing controls and recommending new controls if required. Controls further enhanced through implementing a robust Security Governance Framework, establishing a Vulnerability Management solution and strengthening of the Security Architecture and process landscape.

Failure to deliver business plan and financial returns on recent acquisitions.	Sales and profit expected from acquisitions may not be met and/ or reputation of the Group and support for future acquisitions are challenged. Cultural change for acquisitions results in reduced performance and financial returns.	Financial and operational metrics are considered along with risk assessments and impact on management before decisions are made. Performance to plans are reviewed monthly with post investment analysis producing a more thorough review of each acquisition within 12 months after completion. Detailed integration process, governance and support framework ensures effective and timely adoption of standards and process into recent acquisitions.
Legislative changes or interpretation impacting the engagement of employees and delivery contractors resulting in an increase in the number of employees and costs.	Increased number of employees or cost per employee increases the cost base and potentially creates greater redundancy costs from future efficiency programmes.	Contractors have clearly articulated agreements defining tasks they are contracted to provide to News with annually set commercial terms. Minimum number of employees are directly impacted by living wage, however knock-on impact across grades will be monitored. Regular checks are carried out by Internal Audit across the News network ensures understanding and compliance.
Failure by DMD to prevent breach of airside security causes disruption or loss.	Costs could increase through additional security requirements and/ or penalties with severe reputational damage potentially causing the loss of contracts for our media business.	External security advice supports internal staff to review DMD's exposure, measure effectiveness of controls and recommend new controls if required. In addition, insurance is taken out to cover the Group from major risks.
Increasing reliance on centralised system solutions, complex operations and networks are not supported by sufficiently robust Business Continuity Planning & Disaster Recovery solutions to prevent disruption outside of expected tolerances.	Trading capability, customer experience and sales/ margin performance impacted through inability to operate due to systems outages or location access.	Investment is made by the organisation to provide Disaster Recovery capability across the Group for all essential systems. External expertise is used to provide guidance and a Disaster Recovery facility. In addition, a programme led centrally ensures Business Continuity Planning procedures and standards are embedded across the business divisions.
Loss of key executives and subsequent loss of knowledge and skills in established and recently acquired businesses impacts current and future business performance.	Loss of key skills and leadership impacts the capability of the Group to deliver its strategic goals.	Performance and capability management processes in place, reviewed by the Remuneration Committee and Group Executive Committee. Succession planning for critical roles and development plans for key individuals reviewed by the Nominations Committee. Integration plans in place to support key executives within Connect Parcel Freight.
3 year strategic business plan and scale of business change at risk from constraints on capacity of divisional premises and equipment/ systems to meet growth plans, leading to increased investment costs and reduced profitability.	Inability of warehousing/ operational/ IT and support systems to meet growth expectations of the Group, creates poor customer experience, increased investment costs and reduced profitability.	FY2015 Business Planning process has considered this risk and has ensured appropriate investment is budgeted to ensure growth targets are achieved, including a capital expenditure budget of circa £20m.
Effort and/ or specialist skills required to complete organisational change are missing from new structures/teams, thus increasing demand on existing management skills and impacting current business performance.	Management's focus on current business operations and performance is distracted by organisational change and new initiatives. Management become overstretched and demotivated by demands of the Group and exit, taking valuable skills and knowledge with them.	Key imperatives identified for organisational and cultural change, leading to investment in resources and skills that are required to deliver the successful integration/ development of new businesses and business critical initiatives, including investment in expert skills in change management and project management.

RESPONSIBILITY STATEMENT

The responsibility statement below has been prepared in connection with the Group's full annual report for the year ending 31 August 2015. Certain parts thereof are not included within this announcement.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

The responsibility statement was approved by the board of directors on 14 October 2015 and is signed on its behalf by:

Mark Cashmore
Group Chief Executive

Nick Gresham
Chief Financial Officer

Connect Group PLC
Group Income Statement for the year ended 31 August 2015

£m				2015			2014
	Note	Adjusted [1]	Non-recurring and other items	**Total**	Adjusted [1]	Non-recurring and other items	**Total**
Continuing operations							
Revenue	2	1,875.1	-	**1,875.1**	1,808.5	-	**1,808.5**
Operating profit	2,3	**63.8**	**(27.5)**	**36.3**	**55.5**	**(6.9)**	**48.6**
Investment revenue	6	-	-	**-**	0.4	-	**0.4**
Finance costs	6	(7.3)	-	**(7.3)**	(5.9)	-	**(5.9)**
Profit before tax		**56.5**	**(27.5)**	**29.0**	**50.0**	**(6.9)**	**43.1**
Income tax expense	7	(11.1)	3.5	**(7.6)**	(9.3)	1.0	**(8.3)**
Profit for the year		**45.4**	**(24.0)**	**21.4**	**40.7**	**(5.9)**	**34.8**
Profit attributable to equity shareholders		**45.5**	**(24.0)**	**21.5**	**40.5**	**(5.9)**	**34.6**
(Loss)/ Profit attributable to non-controlling interest		**(0.1)**	**-**	**(0.1)**	**0.2**	**-**	**0.2**
		45.4	**(24.0)**	**21.4**	**40.7**	**(5.9)**	**34.8**

Earnings per share							
Basic	9	19.7p		9.3p	19.6p		16.8p
Diluted	9	19.0p		9.0p	19.0p		16.2p
Equity dividends per share (paid and proposed)	8			9.2p			8.8p

Connect Group PLC
Group Statement of Comprehensive Income for the year ended 31 August 2015

£m	Note	2015	2014
Items that will not be reclassified to the Group Income Statement			
Actuarial gain on defined benefit pension scheme	5	53.5	14.8
Impact of IFRIC 14 on defined benefit pension scheme	5	(52.8)	(16.2)
Tax relating to components of other comprehensive income that will not be reclassified	7	(0.1)	0.1
		0.6	**(1.3)**
Items that may be reclassified to the Group Income Statement			
(Loss)/ gain on cash flow hedges		(0.6)	0.6
Currency translation differences		(0.1)	(0.2)
Tax relating to components of other comprehensive income that may be reclassified	7	-	(0.1)
		(0.7)	0.3
Other comprehensive income for the year		**(0.1)**	**(1.0)**
Profit for the year		21.4	34.8
Total comprehensive income for the year		**21.3**	**33.8**
Total comprehensive income attributable to equity shareholders		21.4	33.6
Total comprehensive income attributable to non-controlling interest		(0.1)	0.2

Connect Group PLC
Group Balance Sheet at 31 August 2015

£m	Note	2015	2014
Non-current assets			
Intangible assets	10	174.8	65.7
Property, plant and equipment		44.6	29.0
Interest in jointly controlled entities		4.5	4.3
Derivative financial instruments		-	0.6
Retirement benefit assets	5	0.4	0.3
Deferred tax assets		7.5	7.2
		231.8	**107.1**
Current assets			
Inventories		42.0	45.3
Trade and other receivables		147.3	128.1
Cash and cash equivalents	13	10.9	20.4
		200.2	**193.8**
Total assets		**432.0**	**300.9**
Current liabilities			
Trade and other payables		(203.5)	(192.3)
Current tax liabilities		(5.4)	(6.1)
Bank loans and other borrowings	13	(56.5)	(60.9)
Obligations under finance leases		(2.9)	(0.9)
Retirement benefit obligations	5	(3.3)	(4.1)
Provisions	14	(10.4)	(3.4)
		(282.0)	**(267.7)**
Non-current liabilities			
Retirement benefit obligations	5	(15.2)	(17.2)
Bank loans and other borrowings	13	(98.4)	(48.4)
Obligations under finance leases		(6.5)	(3.2)
Derivative financial instruments		(0.2)	-
Other non-current liabilities		(1.0)	(1.4)
Deferred tax liabilities		(13.5)	(3.2)
Non-current provisions	14	(6.0)	(1.9)
		(140.8)	**(75.3)**
Total liabilities		**(422.8)**	**(343.0)**
Total net assets/ (liabilities)		**9.2**	**(42.1)**

Connect Group PLC
Group Balance Sheet at 31 August 2015 (continued)

£m	Note	2015	2014
Equity			
Called up share capital	17(a)	12.2	9.5
Share premium account	17(c)	55.2	5.3
Demerger reserve	18(a)	(280.1)	(280.1)
Own shares reserve	18(b)	(4.1)	(5.2)
Hedging & translation reserve	18(c)	(0.5)	(0.3)
Retained earnings		226.5	228.5
Total shareholders' equity		**9.2**	**(42.3)**
Non-controlling interests in equity		-	0.2
Total equity		**9.2**	**(42.1)**

The accounts were approved by the Board of Directors and authorised for issue on 14 October 2015 and were signed on its behalf by:

Registered number - 05195191

Mark Cashmore
Group Chief Executive

Nick Gresham
Chief Financial Officer

Connect Group PLC
Group Statement of Changes in Equity for the year ended 31 August 2015

£m	Share capital	Share Premium account	Demerger reserve	Own shares reserve	Hedging & translation reserve	Retained earnings	Non-controlling interests in equity	Total
Balance at 31 August 2013	**9.2**	**1.2**	**(280.1)**	**(1.5)**	**(0.6)**	**214.9**	**-**	**(56.9)**
Profit for the year	-	-	-	-	-	34.6	0.2	**34.8**
Gain on cash flow hedges	-	-	-	-	0.6	-	-	**0.6**
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	14.8	-	**14.8**
Impact of IFRIC 14 on defined benefit pension scheme	-	-	-	-	-	(16.2)	-	**(16.2)**
Currency translation differences	-	-	-	-	(0.2)	-	-	**(0.2)**
Tax relating to components of other comprehensive income	-	-	-	-	(0.1)	0.1	-	**-**
Total comprehensive income for the year	-	-	-	-	0.3	33.3	0.2	**33.8**
Issue of share capital	0.3	4.1	-	-	-	-	-	**4.4**
Purchase of own shares	-	-	-	(6.3)	-	-	-	**(6.3)**
Dividends paid	-	-	-	-	-	(17.7)	-	**(17.7)**
Employee share schemes	-	-	-	2.6	-	(2.6)	-	**-**
Recognition of share based payments	-	-	-	-	-	0.6	-	**0.6**
Balance at 31 August 2014	**9.5**	**5.3**	**(280.1)**	**(5.2)**	**(0.3)**	**228.5**	**0.2**	**(42.1)**
Profit/ (loss) for the year	-	-	-	-	-	21.5	(0.1)	**21.4**
Loss on cash flow hedges	-	-	-	-	(0.6)	-	-	**(0.6)**
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	53.5	-	**53.5**
Impact of IFRIC 14 on defined benefit pension scheme	-	-	-	-	-	(52.8)	-	**(52.8)**
Currency translation differences	-	-	-	-	(0.1)	-	-	**(0.1)**
Tax relating to components of other comprehensive income	-	-	-	-	-	(0.1)	-	**(0.1)**
Total comprehensive income for the year	-	-	-	-	(0.7)	22.1	(0.1)	**21.3**
Issue of share capital	2.7	49.9	-	-	-	-	-	**52.6**
Reclassification between reserves	-	-	-	-	0.5	(0.5)	-	**-**
Purchase of own shares	-	-	-	(4.2)	-	-	-	**(4.2)**
Dividends paid	-	-	-	-	-	(21.4)	-	**(21.4)**
Employee share schemes	-	-	-	5.3	-	(5.3)	-	**-**
Adjustment arising from change in NCI	-	-	-	-	-	(5.1)	(0.1)	**(5.2)**
Recognition of share based payments net of tax	-	-	-	-	-	8.2	-	**8.2**
Balance at 31 August 2015	**12.2**	**55.2**	**(280.1)**	**(4.1)**	**(0.5)**	**226.5**	**-**	**9.2**

Connect Group PLC
Group Cash Flow Statement for the year ended 31 August 2015

£m	Note	2015	2014
Net cash inflow from operating activities	16	**46.5**	**47.4**
Investing activities			
Dividends received from associates		0.2	0.2
Acquisitions	11	(105.7)	(0.3)
Purchase of property, plant and equipment		(4.7)	(6.8)
Purchase of intangible assets		(4.5)	(3.5)
Net cash used in investing activities		**(114.7)**	**(10.4)**
Financing activities			
Interest paid		(5.8)	(6.1)
Dividend paid		(21.4)	(17.7)
Purchase of equity in subsidiary	12	(5.1)	-
Repayments of obligations under finance leases		(2.9)	(1.3)
Proceeds on issue of shares		52.6	0.7
Purchase of shares for Employee Benefit Trust		(4.2)	(6.3)
Repayments of borrowings		-	(34.0)
New bank loans raised		50.0	50.0
Decrease in borrowings		(4.4)	(11.9)
Net cash from/(used in) financing activities		**58.8**	**(26.6)**
Net (decrease)/ increase in cash and cash equivalents		**(9.4)**	**10.4**
Effect of foreign exchange rate changes		(0.1)	(0.1)
		(9.5)	**10.3**
Opening net cash and cash equivalents		20.4	10.1
Closing net cash and cash equivalents	**13**	**10.9**	**20.4**

Analysis of net debt

£m	Note	2015	2014
Cash and cash equivalents	13	10.9	20.4
Current borrowings	13	(56.5)	(60.9)
Non-current borrowings	13	(98.4)	(48.4)
Net borrowings		**(144.0)**	**(88.9)**
Finance lease liabilities		(9.4)	(4.1)
Net debt		**(153.4)**	**(93.0)**

Connect Group PLC
Notes to the accounts

1. Basis of preparation

The Results are based on the Company's financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS legislation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS.

There have been no significant changes in accounting policies from those set out in the accounting policies set out in the accounting policies section of the Connect Group PLC Annual Report and Accounts 2014. The accounting policies have been applied consistently throughout the years ended 31 August 2014 and 31 August 2015.

The following Standards with an effective date of 1 January 2014 have been adopted without any significant impact on the amounts reported in these financial statements:

IFRS 10 'Consolidated Financial Statements'
IFRS 10, IFRS 12 and IAS 27 (amended) 'Investment Entities'
IFRS 11 'Joint Arrangements'
IAS 12 (amended) 'Deferred Tax: Recovery of Underlying Assets'
IAS 27 (revised) 'Separate Financial Statements'
IAS 28 (revised) 'Investments in Associates and Joint Ventures'
IAS 32 (amended) 'Offsetting Financial Assets and Financial Liabilities'
IAS 39 (amended) 'Novation of Derivatives and Continuation of Hedge Accounting'.

The financial information set out in these results does not constitute the Group's statutory accounts for the years ended 31 August 2015 and 31 August 2014 but is derived from those accounts. Statutory accounts for Connect Group PLC for the year ended 31 August 2014 have been delivered to the Registrar of Companies and those for the year ended 31 August 2015 will be delivered following the Company's Annual General Meeting. The auditor's reports on the 2014 and the 2015 accounts were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Company intends to publish the Annual Report and Accounts that comply with IFRSs. The Annual Report and Accounts will be available for shareholders in December 2015 at www.connectgroupplc.com.

These results were approved by the Board of Directors on 14 October 2015.

Connect Group PLC
Notes to the accounts

2. Segmental analysis

In accordance with IFRS 8 'Operating Segments', Group management has identified its operating segments. The performance of these operating segments is reviewed, on a monthly basis, by the Board. The Board monitors the tangible, intangible and financial assets attributable to each segment to determine the allocation of resources and the performance of each segment.

These operating segments are:

Connect News & Media: News Distribution (also referred to as Smiths News)		The UK market leading distributor of newspapers and magazines to 30,000 retailers across England and Wales from 42 distribution centres.
Connect News & Media: Media (also referred to as DMD)		A supplier of newspaper and magazines to airlines and a provider of inflight services.
Connect Books (also referred to as Bertrams, Dawson Books and Wordery)		A leading UK distributor of physical and digital books to high street and on-line retailers, public libraries, academic institutions and direct to consumers with a strong international presence, supplying 100 countries.
Connect Education and Care (also referred to as The Consortium)		A leading distributor of education and care consumable products servicing 30,000 customers across the UK.
Connect Parcel Freight (also referred to as Tuffnells)		A leading provider of next day B2B delivery of mixed parcel freight consignments.

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue	
£m	**2015**	2014
Connect News & Media: News Distribution	**1,479.3**	1,524.8
Connect News & Media: Media	**25.4**	25.1
Connect Books	**190.1**	193.7
Connect Education and Care	**65.9**	64.9
Connect Parcel Freight	**114.4**	-
Total Group	**1,875.1**	1,808.5

The accounting policies of the reportable segments are the same as the Group's accounting policies.

2. Segmental analysis (continued)

	2015			2014		
£m	**Adjusted operating profit**	**Non-recurring and other items**	**Operating profit**	**Adjusted operating profit**	**Non-recurring and other items**	**Statutory operating profit**
Connect News & Media: News Distribution	**41.4**	**(18.2)**	**23.2**	42.9	(2.1)	40.8
Connect News & Media: Media	**2.3**	**(0.4)**	**1.9**	2.3	(0.3)	2.0
Connect Books	**2.6**	**(2.2)**	**0.4**	2.5	(2.5)	-
Connect Education and Care	**7.8**	**(2.1)**	**5.7**	7.8	(2.0)	5.8
Connect Parcel Freight	**9.7**	**(4.6)**	**5.1**	-	-	-
Total group	**63.8**	**(27.5)**	**36.3**	55.5	(6.9)	48.6
Net finance expense			**(7.3)**			(5.5)
Profit before taxation			**29.0**			43.1

Information about major customers

Included in revenues arising from newspaper and magazine wholesaling are revenues of approximately £155.1m (2014: £162.1m) which arose from sales to the Group's largest customer. No other single customer contributed 8% or more of the Group's revenue in either 2015 or 2014.

Segment assets and liabilities

	Assets		Liabilities		Net assets/(liabilities)	
£m	**2015**	2014	**2015**	2014	**2015**	2014
Connect News & Media: News	**93.1**	144.5	**(293.0)**	(261.1)	**(199.9)**	(116.6)
Connect News & Media: Media	**18.9**	18.8	**(7.2)**	(7.2)	**11.7**	11.6
Connect Books	**79.9**	79.8	**(63.2)**	(56.9)	**16.7**	22.9
Connect Education and Care	**63.6**	57.8	**(18.9)**	(17.8)	**44.7**	40.0
Connect Parcel Freight	**176.5**	-	**(40.5)**	-	**136.0**	-
Consolidated assets/ (liabilities)	**432.0**	300.9	**(422.8)**	(343.0)	**9.2**	(42.1)

2. Segmental analysis (continued)

Segment depreciation, amortisation and non-current asset additions

	Depreciation		**Amortisation**		**Additions to non-current assets**	
£m	**2015**	2014	**2015**	2014	**2015**	2014
Connect News & Media: News	**(4.2)**	(4.0)	**(1.8)**	(1.4)	**8.0**	7.7
Connect News & Media: Media	**(0.1)**	(0.1)	**(0.4)**	(0.3)	**0.2**	-
Connect Books	**(0.7)**	(0.6)	**(2.5)**	(2.4)	**1.9**	2.5
Connect Education and Care	**(0.5)**	(0.5)	**(2.0)**	(1.7)	**1.8**	1.2
Connect Parcel Freight	**(1.8)**	-	**(4.7)**	-	**131.8**	-
Consolidated total	**(7.3)**	(5.2)	**(11.4)**	(5.8)	**143.7**	11.4

Additions to non-current assets include intangible assets and property, plant and equipment. The intangible assets (£110.2m) and fair value of the property, plant and equipment (£18.6m) acquired on the acquisition of Tuffnells are included within Connect Parcel Freight.

Geographical analysis

£m	**Revenue by destination**		**Non-current assets by location of operation**	
	2015	2014	**2015**	2014
United Kingdom	**1,791.9**	1,729.9	**223.7**	98.6
Europe	**48.8**	51.2	**0.2**	0.2
Rest of World	**34.4**	27.4	**-**	-
Consolidated total	**1,875.1**	1,808.5	**223.9**	98.8

Non-current assets in the table above exclude retirement benefit assets, deferred tax assets and derivative financial instruments

3. Operating profit

The Group's results are analysed as follows:

£m	Note	2015 Adjusted	2015 Non-recurring and other items	2015 Total	2014 Adjusted	2014 Non-recurring and other items	2014 Total
Revenue		**1,875.1**	**-**	**1,875.1**	1,808.5	-	1,808.5
Cost of inventories recognised as an expense		**(1,562.1)**	**-**	**(1,562.1)**	(1,607.7)	-	(1,607.7)
Write down of inventories recognised as an expense		**(0.1)**	**-**	**(0.1)**	(0.6)	-	(0.6)
Other cost of sales		**(76.0)**	**-**	**(76.0)**	(1.2)	-	(1.2)
Cost of sales		**(1,638.2)**	**-**	**(1,638.2)**	(1,609.5)	-	(1,609.5)
Gross profit		**236.9**	**-**	**236.9**	199.0	-	199.0
Distribution costs		**(92.3)**	**-**	**(92.3)**	(73.9)	-	(73.9)
Administrative expenses		**(76.3)**	**(12.9)**	**(89.2)**	(65.6)	(3.4)	(69.0)
Share-based payment expense		**(1.3)**	**(6.7)**	**(8.0)**	(1.5)	-	(1.5)
Amortisation of intangibles	10	**(3.5)**	**(7.9)**	**(11.4)**	(2.8)	(3.0)	(5.8)
Impairment	10	**-**	**-**	**-**	-	(0.5)	(0.5)
Administrative expenses		**(81.1)**	**(27.5)**	**(108.6)**	(69.9)	(6.9)	(76.8)
Share of profits from jointly controlled entities		**0.3**	**-**	**0.3**	0.3	-	0.3
Operating profit		**63.8**	**(27.5)**	**36.3**	55.5	(6.9)	48.6

The operating profit is stated after charging/ (crediting):

£m	Note	2015	2014
Depreciation on property, plant & equipment		**7.3**	5.2
Amortisation of intangible assets	10	**11.4**	5.8
Operating lease charges			
• occupied land and buildings		**9.3**	8.5
• equipment and vehicles		**12.1**	0.8
Operating lease rental income – land and buildings		**(0.1)**	(0.1)
Loss on disposal of fixed assets		**0.2**	-
Staff costs		**136.5**	93.4

3. Operating profit (continued)

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

£m	2015	2014
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.2**	0.1
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**0.2**	0.2
Total audit fees	**0.4**	0.3
Other services	**0.2**	0.1
Total non-audit fees	**0.2**	0.1
Total fees	**0.6**	0.4

In the current year the Group incurred £0.2m of non-audit fees with Deloitte relating to acquisition/ transaction support, remuneration advice and other advisory services. In the prior year the Group incurred £0.1m of non-audit fees with Deloitte relating to remuneration advice and other advisory services.

4. Non-recurring and other items

£m		2015	2014
Network re-organisation costs	**(a)**	**(4.4)**	(3.0)
Acquisition and disposal costs	**(b)**	**(15.1)**	(0.9)
(Charge)/release of property provisions	**(c)**	**(0.1)**	0.5
Impairment	**(d)**	**-**	(0.5)
Amortisation of acquired intangibles	**(e)**	**(7.9)**	(3.0)
Total before taxation		**(27.5)**	(6.9)
Income tax expense		**3.5**	1.0
Total after taxation		**(24.0)**	(5.9)

The Group incurred a total of £24.0m (2014: £5.9m) in non-recurring and other items, after tax.

This comprises:

(a) Network re-organisation costs

Network and reorganisation costs of £4.4m are predominantly rationalisation costs to drive efficiency savings in Smiths News. They also include costs to support the strategic review and reorganisation of the Books division and one off costs for the implementation of the warehouse management system in Education & Care.

(b) Acquisition and disposal costs

Acquisition related costs for the Tuffnells acquisition include £3.5m for deal expenses and cost of integration plus £11.6m of deferred contingent consideration which is payable conditional on the financial performance and on continued employment of former owners. A further £3.1m of equity raise expenses were charged direct to reserves. Details of the acquisition are included in note 11. In the prior year acquisition and disposal costs of £0.9m relate primarily to reviewing and targeting future acquisitions, together with the final apportionment of deferred consideration from the acquisition of The Consortium in April 2012 and costs associated with the acquisition of Martin Lavell in September 2013.

(c) (Charge)/ release of property provisions

A charge of £0.1m was made in relation to vacant property arising from network reorganisation. In the prior year the Group released £0.5m relating to the historical property reversionary lease provisions following the settlement of two historical claims.

(d) Impairment

No impairment was recognised during the year. During the year to 31 August 2014 the carrying value of acquired intangibles from the acquisition of Blackwell customer relationships in the Books division was reviewed and as a result of lower than anticipated sales conversion an amount of £0.5m was written off.

(e) Amortisation of acquired intangibles

Amortisation of acquired intangibles of £7.9m (FY2014: £3.0m) has been incurred relating to acquisitions amortised over their expected economic lives for which there is no ongoing cash impact. The amortisation charge has increased compared to the prior year due to the acquisition of Tuffnells. The net book value of acquired intangibles of £65.4m will be amortised over future years.

5. Retirement benefit obligation

Defined benefit pension schemes

The Group now operates four defined benefit schemes, of which the WH Smith Pension Trust (the 'Pension Trust') represents 93% of the total obligation at 31 August 2015. As part of the acquisition of the Consortium, the Group acquired the assets and liabilities in respect of two other defined benefit schemes (the 'Consortium CARE' and 'Platinum' schemes). The Group acquired the assets and liabilities of Tuffnells Parcels Express Pension Scheme on its acquisition of The Big Green Parcel Holding Company Limited on 19 December 2014.

The Group's defined benefit pension plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Benefits are paid to members from trustee-administered funds. The trustees are responsible for ensuring that the plan is sufficiently funded to meet current and future benefit payments. If investment experience is worse than expected, the Group's obligations are increased.

The trustees must agree a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment performance. In order to assess the level of contributions required, triennial valuations are carried out with plan's obligations measured using prudent assumptions (relative to those used to measure accounting liabilities). The trustees' other duties include managing the investment of plan assets, administration of plan benefits and exercising of discretionary powers.

The amounts recognised in the balance sheet are as follows:

£m	WH Smith Pension Trust	Consortium CARE	Platinum	Tuffnells Parcels Express	**2015**	WH Smith Pension Trust	Consortium CARE	Platinum	2014
Present value of defined benefit obligation	(401.2)	(18.7)	(0.8)	(11.3)	(432.0)	(431.6)	(18.4)	(0.6)	(450.6)
Fair value of assets	536.8	14.7	1.2	10.6	563.3	507.3	14.4	0.9	522.6
Net surplus/ (loss)	**135.6**	**(4.0)**	**0.4**	**(0.7)**	**131.3**	**75.7**	**(4.0)**	**0.3**	**72.0**
Amounts not recognised due to asset limit	(135.6)	-	-	-	(135.6)	(75.7)	-	-	(75.7)
	-	**(4.0)**	**0.4**	**(0.7)**	**(4.3)**	**-**	**(4.0)**	**0.3**	**(3.7)**
Additional liability recognised due to minimum funding requirements	(13.8)	-	-	-	(13.8)	(17.3)	-	-	(17.3)
Pension liability	**(13.8)**	**(4.0)**		**(0.7)**	**(18.5)**	**(17.3)**	**(4.0)**	**-**	**(21.3)**
Pension asset	**-**	**-**	**0.4**	**-**	**0.4**	**-**	**-**	**0.3**	**0.3**

The primary defined benefit pension scheme (the Smiths News Section of the WH Smith Pension Trust) has an IAS19 surplus of £135.6m at 31 August 2015 (2014:£75.7m surplus) which the Group does not recognise in the accounts as the investment policy being used means that the amount available on a reduction of future contributions is expected to be £nil (2014: £nil). The valuation of the defined benefit schemes for the IAS 19 disclosures have been carried out by independent qualified actuaries based on updating the most recent funding valuations of the respective schemes, adjusted as appropriate for membership experience and changes in the actuarial assumptions.

The actuarial valuation for funding purposes produces a scheme deficit due to different assumptions and calculation methodologies used compared to those under IAS 19, most notably the use of a discount rate that reflects the actual investment strategy, rather than corporate bond yields as required under IAS 19.

5. Retirement benefit obligation (continued)

WH Smith Pension Trust

The process to complete the triennial valuation as at 31 March 2015 is underway and is scheduled to be reported during 2016. The actuarial valuation of the Smiths News section of the WH Smith Pension Trust, at June 2013 was a deficit of £23.0m. A cash contribution of £4.1m was made during the year to reduce the funding shortfall.

Future cash contributions by the Group to the pension trustees and investment manager total £4.1m per annum through to March 2019. The Group recognises the present value of these agreed contributions as a pension liability of £13.8m (2014: £17.3m).

Other defined benefit schemes

For the Consortium CARE and Platinum schemes, the Group contributed £0.6m in 2015. The funding valuation of the Consortium CARE scheme as at 31 December 2013 was a deficit of £1.5m. The Platinum scheme's 31 December 2013 funding valuation showed no deficit. The triennial actuarial valuation of the Tuffnells Parcels Express scheme as at 1 April 2013 was an agreed liability of £2.5m (1 April 2010: £0.15m). Guaranteed Minimum Pension ("GMP") equalisation is expected to lead to an increase in scheme liabilities at some future date on the Consortium Care and the Tuffnells Parcels Express scheme.

The weighted average duration of the schemes is 17 years for the Pension Trust, 20 years for the Consortium Care scheme, 29 years for the Platinum scheme and 21 years for the Tuffnells Parcels Express scheme.

The principal long-term assumptions used to calculate scheme liabilities on all Group schemes are:

% p.a.	**2015**		2014	
Discount rate	3.80		3.85	
Inflation assumptions – CPI	2.25		2.25	
Inflation assumptions – RPI	3.25		3.25	
Demographic assumptions for WH Smith pension trust:				
Life expectancy at age 65	Male	Female	Male	Female
Member currently aged 65	21.7	23.7	21.7	23.9
Member currently aged 45	23.0	25.2	23.1	25.4

5. Retirement benefit obligation (continued)

A summary of the movements in the net balance sheet asset/ (liability) and amounts recognised in the Group Income Statement and Other Comprehensive Income are as follows:

£m	Fair value of scheme assets	Defined benefit obligation	Impact of IFRIC 14 on defined benefit pension schemes	Total
At 31 August 2013	**469.6**	**(419.2)**	**(73.5)**	**(23.1)**
Current service cost	(1.3)	1.2	-	(0.1)
Net interest cost	20.6	(18.2)	(3.3)	(0.9)
Total amount recognised in income statement	**19.3**	**(17.0)**	**(3.3)**	**(1.0)**
Actual less expected return on scheme assets	44.6	-	-	44.6
Actuarial losses arising from experience	-	0.8	-	0.8
Actuarial loss arising from changes in financial assumptions	-	(33.3)	-	(33.3)
Actuarial loss arising from changes in demographic assumptions	-	2.6	-	2.6
Change in surplus not recognised	-	-	(16.2)	(16.2)
Amount recognised in other comprehensive income	**44.6**	**(29.9)**	**(16.2)**	**(1.5)**
Employer contributions	4.6	-	-	4.6
Benefit payments	(15.4)	15.4	-	-
Amounts included in cash flow statement	**(10.8)**	**15.4**	**-**	**4.6**
At 31 August 2014	**522.7**	**(450.7)**	**(93.0)**	**(21.0)**
Current service cost	(0.5)	-		(0.5)
Net interest cost	20.0	(17.2)	(3.6)	(0.8)
Total amount recognised in income statement	**19.5**	**(17.2)**	**(3.6)**	**(1.3)**
Actual less expected return on scheme assets	28.7	-	-	28.7
Actuarial gains arising from experience	-	25.1	-	25.1
Actuarial loss arising from changes in financial assumptions	-	(2.2)	-	(2.2)
Actuarial gains arising from changes in demographic assumptions	-	1.9	-	1.9
Change in surplus not recognised	-	-	(52.8)	(52.8)
Amount recognised in other comprehensive income	**28.7**	**24.8**	**(52.8)**	**0.7**
Employer contributions	5.3	0.1	-	5.4
Employee contributions	0.1	(0.1)	-	-
Benefit payments	(23.6)	23.6	-	-
Amounts included in cash flow statement	**(18.2)**	**23.6**	**-**	**5.4**
Acquisition of subsidiary	**10.6**	**(12.5)**		**(1.9)**
At 31 August 2015	**563.3**	**(432.0)**	**(149.4)**	**(18.1)**
Included within Non-current assets				**0.4**
Included within Current liabilities				**(3.3)**
Included within Non-current liabilities				**(15.2)**

The charge for the current service cost is included within administrative expenses. 'Net interest costs' are calculated by applying a discount rate to the net defined benefit asset or liability scheme assets and are included within finance income and expense.

5. Retirement benefit obligation (continued)

An analysis of the assets at the balance sheet date is detailed below:

£m		**2015**	2014
Swap financing portfolio [(1)]	Unquoted	431.9	477.0
Interest rate and inflation swaps	Unquoted	79.5	6.2
Loan fund [(2)]	Unquoted	25.4	24.2
Equities (CARE, Tuffnells)	Unquoted	21.0	10.4
Bonds (CARE, Platinum)	Unquoted	5.0	4.7
Cash (CARE,Platinum, Tuffnells)		0.5	0.2
		563.3	**522.7**

[(1)] Investments with the aim of generating a return above LIBOR to finance the interest and inflation swaps in the Pension Trust. At 31 August 2015 this comprised £179m total return swap and £252m in a fund comprising a range of assets from government bonds, hedge funds and equities that targets a return above LIBOR.
[(2)] The loan fund looks to generate a return over a portfolio of loans.

The assets held in the swap financing portfolio provide a swap-based hedge against the change in value of a proportion of the Trust’s liabilities for changes in long-term interest rates and inflation expectations.

The actual return on scheme assets during 2015 was a gain of £48.7m (2014: a gain of £65.2m).

The value of the assets held by the trust in Connect Group PLC issued financial instruments is £nil (2014: £nil).

Sensitivity of results to changes in the main assumptions:

Assumption	**Change in assumption**	**Impact on IAS 19 liabilities**
Discount rate	+/- 0.5%	-£34.8m/ +£39.1m
Rate of inflation	+/- 0.5%	+£36.3m/ -£33.3m
Life expectancy	+/- 1 year	+£15.2m/ -£15.2m

The sensitivity analysis for each significant actuarial assumption has been determined based on reasonably possible changes to the assumptions at the end of the reporting period. It is based on a change in the key assumption while holding all other assumptions constant. The effect of a change in more than one assumption will be different to the sum of the individual changes. When calculating the sensitivities, the same methodology used to calculate the liability recognised in the balance sheet has been applied. The methodology and types of assumptions used in preparing the sensitivity analysis is consistent with the previous period.

The history of experience adjustments is as follows:

£m	2015	2014	2013	2012	2011
Present value of defined benefit obligation	(432.0)	(450.7)	(419.2)	(395.3)	(348.3)
Fair value of assets	563.3	522.7	469.6	433.1	375.1
Impact of IFRIC 14 on defined benefit pension schemes	(149.4)	(93.0)	(73.5)	(73.8)	(63.1)
Net deficit in the schemes	**(18.1)**	**(21.0)**	**(23.1)**	**(36.0)**	**(36.3)**
Experience adjustments on scheme liabilities	25.1	0.8	(1.4)	(1.0)	(4.1)
Experience adjustments on scheme assets	28.7	44.6	27.9	34.0	(45.8)

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income since the adoption of IFRS is a loss of £20.7m (2014: a loss of £21.4m).

Defined contribution schemes

The Group operates a number of defined contribution schemes. For the year ended 31 August 2015, participating employer contributions totalled £3.0m (2014: £2.8m) which is included in the Income Statement.

6. Investment revenue and finance costs

£m	Note	2015	2014
Net change in fair value of derivative assets		-	0.4
Investment revenue		**-**	**0.4**
Interest on bank overdrafts and loans		(5.8)	(4.7)
Net interest expense on defined benefit obligation	5	(0.8)	(0.9)
Interest payable on finance leases		(0.4)	(0.2)
Net change in fair value of derivative assets		(0.2)	-
Unwinding of discount on provisions – trading		(0.1)	(0.1)
Finance costs		**(7.3)**	**(5.9)**
Net finance costs		**(7.3)**	**(5.5)**

7. Income tax expense

£m		2015			2014	
	Adjusted	Non-recurring and other items	**Total**	Adjusted	Non-recurring and other items	Total
Current tax	12.4	(2.3)	10.1	12.3	(1.0)	11.3
Adjustment in respect of prior year UK corporation tax	(1.1)	(0.9)	(2.0)	(2.4)	-	(2.4)
Total current tax charge	**11.3**	**(3.2)**	**8.1**	**9.9**	**(1.0)**	**8.9**
Deferred tax – current year	(0.2)	(0.3)	(0.5)	(0.4)	-	(0.4)
Deferred tax – prior year	-	-	-	(0.2)	-	(0.2)
Total tax on profit	**11.1**	**(3.5)**	**7.6**	**9.3**	**(1.0)**	**8.3**
Effective tax rate	*19.7%*		*26.3%*	*18.7%*		*19.4%*

The effective adjusted income tax rate for the year was 19.7% (2014: 18.7%). After adjusting for the impact of non-recurring and other items of £3.5m (2014: £1.0m), the effective statutory income tax rate was 26.3% (2014: 19.4%).

The tax rates used in the 2015 and 2014 reconciliations of the tax charge are the main rates of UK corporation tax, those being 20.6% (2014: 22.2%).

Reconciliation of the tax charge

£m	**2015**	2014
Profit before tax	**29.0**	**43.1**
Tax on profit at the standard rate of UK corporation tax 20.6% (2014: 22.2%)	5.9	9.5
Permanent differences	3.5	1.3
Share schemes	-	(0.2)
Adjustment in respect of prior year UK corporation tax	(2.0)	(2.6)
Impact of overseas tax rates	0.2	0.3
Total tax charge	**7.6**	**8.3**

Tax charges to other comprehensive income and directly in equity

£m	**2015**	2014
Current tax relating to the defined benefit pension scheme	(0.8)	(0.7)
Current tax relating to share based payments	(0.6)	(0.5)
Deferred tax relating to derivative financial instruments	-	0.1
Deferred tax relating to share based payments	0.6	(0.5)
Deferred tax relating to retirement benefit obligations	0.9	0.6
Tax charges to other comprehensive income and directly in equity	**0.1**	**(1.0)**

8. Dividends

Amounts paid & proposed as distributions to equity shareholders in the years:

Paid & proposed dividends for the year	**2015**	2014	**2015**	2014
	Per share	Per share [5]	**£m**	£m
Interim dividend – paid	**2.9p**	2.8p	**7.0**	5.8
Final dividend – proposed	**6.3p**	6.0p	**15.4**	12.3
	9.2p	8.8p	**22.4**	18.1
Recognised dividends for the year				
Final dividend – prior year	**6.0p**	5.7p	**14.4**	11.9
Interim dividend – current year	**2.9p**	2.8p	**7.0**	5.8
	8.9p	8.5p	**21.4**	17.7

[5] Rebased dividend per share adjusts last year's reported figures by the rights issue bonus factor adjustment of 0.9015 following the 2 for 7 rights issue in December 2014

The proposed final dividend for the year ended 31 August 2015 of 6.3p is subject to approval by shareholders at the Annual General Meeting on 4 February 2016 and in line with IAS 10 – 'Events after the reporting period', this dividend has not been included as a liability in these accounts. The proposed dividend, if approved, will be paid on 12 February 2016 to shareholders on the register at close of business on 15 January 2016.

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9. Earnings per share

	2015			2014		
	£m		Pence	£m		Pence
	Earnings	Weighted average number of shares million	per share	Earnings	Weighted average number of shares million	Rebased [1] per share
Weighted average number of shares in issue		233.9			208.0	
Shares held by the ESOP (weighted)		(3.0)			(1.6)	
Basic earnings per share (EPS)						
Adjusted earnings attributable to ordinary shareholders	**45.5**	**230.9**	**19.7p**	40.5	206.4	19.6p
Non-recurring and other items	(24.0)			(5.9)		
Earnings attributable to ordinary shareholders	**21.5**	**230.9**	**9.3p**	34.6	206.4	16.8p
Diluted earnings per share (EPS)						
Effect of dilutive share options		7.6			7.0	
Diluted adjusted EPS	**45.5**	**238.5**	**19.0p**	40.5	213.4	19.0p
Diluted EPS	**21.5**	**238.5**	**9.0p**	34.6	213.4	16.2p

[1] Rebased Earnings per share and rebased Dividends per share adjust last year reported figures by the rights issue bonus factor adjustment of 0.9015 following the 2 for 7 rights issue in December 2014

Dilutive shares increased the basic number of shares at 31 August 2015 by 7.6m to 238.5m (31 August 2014: 213.4m).

The calculation of diluted EPS reflects the potential dilutive effect of employee incentive schemes of 4.1m dilutive shares (31 August 2014: 5.4m) and a weighted 3.5m shares being the time apportioned share capital relating to the deferred consideration for the acquisition of The Big Green Parcel Holding Company Limited.

10. Intangible assets

£m	Goodwill	Acquired Intangibles: Customer relationships	Acquired Intangibles: Trade name	Acquired Intangibles: Software	Internally generated development costs	Computer software costs	Total
Cost:							
At 1 September 2014	**44.2**	**22.0**	**3.0**	**0.7**	**6.0**	**6.8**	**82.7**
Additions	-	-	-	-	1.6	3.6	5.2
Acquisition of subsidiary	52.1	26.8	30.5	0.8	-	-	110.2
Transfers between asset classes	-	-	-	-	2.3	5.1	7.4
Disposals	-	-	-	-	(0.8)	(1.7)	(2.5)
At 31 August 2015	**96.3**	**48.8**	**33.5**	**1.5**	**9.1**	**13.8**	**203.0**
Accumulated amortisation:							
At 1 September 2014	-	8.5	1.4	0.6	3.9	2.6	17.0
Amortisation charge	-	5.1	2.6	0.2	1.6	1.9	11.4
Transfers between asset classes	-	-	-	-	0.7	1.6	2.3
Disposal	-	-	-	-	(0.8)	(1.7)	(2.5)
At 31 August 2015	**-**	**13.6**	**4.0**	**0.8**	**5.4**	**4.4**	**28.2**
Net book value at 31 August 2015	**96.3**	**35.2**	**29.5**	**0.7**	**3.7**	**9.4**	**174.8**
Cost:							
At 1 September 2013	44.2	21.7	3.0	0.7	5.6	25.3	100.5
Additions	-	0.3	-	-	1.6	1.9	3.8
Disposals	-	-	-	-	(1.2)	(20.4)	(21.6)
At 31 August 2014	**44.2**	**22.0**	**3.0**	**0.7**	**6.0**	**6.8**	**82.7**
Accumulated amortisation:							
At 1 September 2013	-	5.6	0.9	0.5	3.5	21.8	32.3
Amortisation charge	-	2.4	0.5	0.1	1.6	1.2	5.8
Impairment	-	0.5	-	-	-	-	0.5
Disposals	-	-	-	-	(1.2)	(20.4)	(21.6)
At 31 August 2014	**-**	**8.5**	**1.4**	**0.6**	**3.9**	**2.6**	**17.0**
Net book value at 31 August 2014	**44.2**	**13.5**	**1.6**	**0.1**	**2.1**	**4.2**	**65.7**

During the year to 31 August 2015, goodwill and intangibles totalling £110.2m arose on the Group's acquisition of Tuffnells on 19 December 2014. Further details are disclosed in note 11. The Group leases software under various finance lease arrangements. The net book value of finance leases contained within the software balance above is £0.7m (2014: £0.9m).

In prior year the Group acquired the trade and assets of Martin Lavell giving rise to the recognition of an intangible asset of £0.3m for customer relationships.

10. Intangible assets (continued)

Goodwill and Intangibles by CGU

Goodwill of £4.1m and acquired intangibles totalling £5.1m arose from the acquisition of the business and assets of Bertrams on 20 March 2009 have been allocated to the Connect Books combined cash generating unit (CGU).

The acquisition of Dawson Holdings PLC on 23 August 2011, resulted in goodwill of £18.1m and acquired intangibles of £7.8m. These have been allocated to the two remaining individual CGU's identified at the time of the acquisition; Dawson Books and Media Direct.

On the acquisition of Hedgelane Limited on 23 April 2012, the Group recognised goodwill of £20.9m and acquired intangibles of £10.4m which have been allocated to the Education and Care CGU.

The acquisition of 100% of the issued share capital of Houtschild Internationale Boekhandel B.V. on 13 June 2012 produced a further £0.3m of goodwill.

The acquisition of Erasmus on 17 January 2013 generated £0.8m of goodwill and £0.3m of acquired intangible assets.

The acquisition of certain Blackwell contracts on 20 May 2013 generated £2.0m of acquired intangibles.

The acquisition of trade and assets of Martin Lavell acquired on 1 September 2013 generated acquired intangibles of £0.3m.

The acquisition of Tuffnells on 19 December 2014 generated £52.1m of goodwill and £58.1m of intangible assets. Further details are disclosed in note 11. None of the goodwill arising on the acquisition in the year is expected to be deductible for tax purposes.

Goodwill is not amortised, but tested annually for impairment or more frequently if there are indications that goodwill might be impaired with the recoverable amount being determined from value in use calculations. The recoverable amounts of the combined cash generating units are determined from the value in use calculations. The Group prepares cash flow forecasts derived from the most recent budgets and forecasts for the following 3 years as approved by the Board and extrapolates these cash flows on an estimated growth rate of 1% into perpetuity. The rate used to discount the forecast cash flows range from 12.1% to 12.5%, being the Group's risk adjusted pre-tax WACC, specific for each cash generating unit. Pre-tax discount rates are derived from the Group's post-tax WACC of 8% risk adjusted by 2%. The calculation of value in use is sensitive to the discount rate and growth rates used. Given the improved outlook in the performance of Connect Books, higher growth rates included in the assumptions for this division increase the value in use. Management believes that no reasonable potential change in the above key assumptions would cause the carrying value to exceed its recoverable amount.

	Goodwill			Acquired Intangibles			Total		
£m	**2015**	2014	**On acquisition**	**2015**	2014	**On acquisition**	**2015**	2014	**On acquisition**
Connect Books	17.6	17.6	17.6	4.2	5.6	12.7	21.8	23.2	30.3
Connect Media	5.7	5.7	5.7	1.2	1.6	2.6	6.9	7.3	8.3
Connect News	-	-	-	0.2	0.2	0.3	0.2	0.2	0.3
Connect Education and Care	20.9	20.9	20.9	6.2	7.8	10.4	27.1	28.7	31.3
Connect Parcel Freight	52.1	-	52.1	53.6	-	58.1	105.7	-	110.2
	96.3	44.2	96.3	65.4	15.2	84.1	161.7	59.4	180.4

The individual material intangible assets relate to the customer relationships and brand acquired on the acquisition of Tuffnells. The carrying value of these assets at 31 August 2015 is £24.5m and £28.5m respectively with a remaining amortisation period of 7 and 9.5 years respectively.

11. Acquisitions

The acquisition of Tuffnells made during the period contributed £114.4m to the Group's revenue and £9.7m to the Group's operating profit before acquired intangible amortisation and acquisition related costs.

The estimated contributions of the acquired business to the results of the Group, as if the acquisition had been made at the beginning of the period, are as follows:

	£m
Revenue	159.8
Operating profit before intangible amortisation and acquisition related costs	14.4

The net cash outflow in respect of the acquisition of the Big Green Parcel Holding Company Limited (Tuffnells) in the year comprised:

	£m
Cash consideration	(114.0)
Cash acquired	8.3
Net cash outflow relating to acquisition	**(105.7)**
Acquisition related costs (recorded in non-recurring and other items)	(3.2)
Total cash outflow in respect of acquisitions	**(108.9)**

Acquisitions are accounted for under the acquisition method of accounting. The Group undertakes a process to identify the fair values of the assets acquired and the liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. Until this assessment is complete, the allocation period remains open up to twelve months from the acquisition date.

On 19 December 2014, Smiths News Holdings Limited acquired 100% of the issued share capital of The Big Green Parcel Holding Company Limited (Tuffnells) for a cash consideration of £114.0m and deferred contingent consideration of up to £15.3m, payable over 3 years following the acquisition contingent on both profit targets and the continued employment of certain former owners. The acquisition has been accounted for in accordance with IFRS 3 Business Combinations. The Big Green Parcel Holding Company Limited's main trading subsidiary is Tuffnells Parcels Express Limited. Tuffnells Parcels Express Limited is a leading UK provider of next-day B2B delivery of mixed freight and parcel consignments, specialising in items of irregular dimension and weight, examples of which include bulky furnishings, building materials and automotive parts.

The initial cash cost of the acquisition was £114.0m, financed by a combination of increased debt facilities and a c.£55m Rights Issue. The initial cash cost of £114.0m plus £0.5m of deferred consideration is consideration as defined by IFRS 3 and has been allocated against the identified net assets with the balance recorded as goodwill.

IFRS 3 requires that any payments that are contingent on future employment be charged to the income statement. The total £15.3m of deferred consideration includes £14.8m that is contingent on both profit targets and the continued employment of the former owners of The Big Green Parcel Holding Company Limited. This comprises:

11. Acquisitions (continued)

- Up to £4.8m of deferred share capital and £3.8m in cash being the fair value of deferred contingent consideration payable conditional on the financial performance and on continued employment in the 12 month period from 1 September 2014 to 31 August 2015;
- Up to a further £2.0m of deferred share capital and £1.1m of cash payable conditional on the financial performance and continued employment in the 12 month period from 1 September 2015 to 31 August 2016; and
- Up to a further £2.0m of deferred share capital and £1.1m of cash payable conditional on the financial performance and continued employment in the 12 month period from 1 September 2016 to 31 August 2017.

The remaining £0.5m deferred consideration is contingent solely upon future profit targets across the 36 month period from 1 September 2014 to 31 August 2017 and is included on the Director's best estimate of the likely overall payment. The provisional effect of the acquisition on the Group's assets and liabilities is as follows:

Allocation of purchase price

£m	Acquired balance sheet	Fair value adjustments	Fair value
Fixed assets	21.7	(3.1)	18.6
Stock	0.6	-	0.6
Trade and other receivables	13.1	(0.1)	13.0
Acquired intangible assets	-	58.1	58.1
Deferred tax	0.9	(9.9)	(9.0)
Other liabilities	(4.6)	(4.2)	(8.8)
Trade and other payables	(14.4)	(2.1)	(16.5)
Net debt	8.3	-	8.3
Pensions	(1.9)	-	(1.9)
Net assets			62.4
Cash consideration			114.0
Contingent purchase consideration			0.5
Total Consideration			114.5
Goodwill arising on acquisition			52.1

The fair value of receivables acquired (shown above) approximate to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £26.8m, the value of the 'Big Green Parcel Machine' trade name of £30.5m and other intangibles of £0.8m with residual goodwill arising of £52.1m. The goodwill represents:

- The value of the acquired workforce
- Potential to leverage the expertise and achieve synergies with other Connect Group distribution businesses

The potential undiscounted amount of all future payments that Connect Group plc could be required to make under the contingent consideration arrangement, which has been measured based on current expectations of future performance is £15.3m and the fair value is £15.3m.

In the prior year the Group acquired the trade and assets from Martin Lavell Ltd on 1 September 2013, a significant distributor in the Business-to-Business sector of newspaper and magazine supplies in London, for a consideration of £0.3m. The acquisition gave rise to the recognition of a £0.3m intangible asset for customer relationships.

12. Acquisition of non-controlling interests

On 27 August 2015, the Group purchased the remaining 49% of shares in Magpie Investments Limited for an initial cash consideration of £5.1m with a deferred consideration of £3.3m which is contingent on both profit targets and continued employment of the former owners. This deferred contingent consideration will be charged to the income statement over a five year period to August 2020.

13. Cash and borrowings

Cash and borrowings by currency (Sterling equivalent) are as follows:

£m	Sterling	Euro	US Dollar	Other	Total 2015	2014
Cash and cash equivalents	6.2	3.2	0.9	0.6	10.9	20.4
Term loan – disclosed within current liabilities	-	-	-	-	-	-
Term loan – disclosed within non-current liabilities	(98.4)	-	-	-	(98.4)	(48.4)
Revolving credit facility	(55.0)	(1.5)	-	-	(56.5)	(60.9)
Total borrowings	(153.4)	(1.5)	-	-	(154.9)	(109.3)
Net borrowings	**(147.2)**	**1.7**	**0.9**	**0.6**	**(144.0)**	**(88.9)**
Total borrowings						
Amount due for settlement within 12 months	(55.0)	(1.5)	-	-	(56.5)	(60.9)
Amount due for settlement after 12 months	(98.4)	-	-	-	(98.4)	(48.4)
	(153.4)	**(1.5)**	**-**	**-**	**(154.9)**	**(109.3)**

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

At 31 August 2015, the Group had £95.1m (2014: £90.7m) of undrawn committed borrowing facilities in respect of which all conditions precedents had been met. Interest payable under the current facility is calculated as the cost of one month LIBOR plus an interest margin of between 1.35% and 2.35% dependent on the net debt/ adjusted EBITDA covenant ratio.

As at 31 August 2015, the Group had £250m committed bank facilities in place (2014: £200m). The facility was extended in November 2014 to £250m to support the acquisition of Tuffnells.

Bank facilities now comprise:

- a £100m syndicated term loan with £10m repayable in February 2017, August 2017, February 2018 and August 2018 with the balance repayable in November 2018;
- a £150m syndicated revolving credit facility which expires in November 2018;

14. Provisions

£m	Reorganisation provisions	Insurance provision	Deferred contingent consideration	Property provisions	Total
Gross provision:					
At 1 September 2014	**0.7**	**1.4**	**-**	**3.6**	**5.7**
Additions	2.3	0.1	5.2	1.0	8.6
Acquisition of business	-	1.3	-	4.1	5.4
Released	(0.2)	-	-	(0.2)	(0.4)
Utilised in year	(1.8)	-	-	(0.6)	(2.4)
At 31 August 2015	**1.0**	**2.8**	**5.2**	**7.9**	**16.9**
Discount:					
At 1 September 2014	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Additions	-	-	-	-	-
Acquisition of business	-	-	-	(0.1)	(0.1)
Unwinding of discount utilisation	-	-	-	-	-
At 31 August 2015	**-**	**-**	**-**	**(0.5)**	**(0.5)**
Net book value at 31 August 2015	**1.0**	**2.8**	**5.2**	**7.4**	**16.4**
Gross provision:					
At 1 September 2013	**1.4**	**1.4**	**1.9**	**6.4**	**11.1**
Additions	0.7	0.2	0.2	1.3	2.4
Released	(0.1)	-	-	(1.5)	(1.6)
Utilised in year	(1.3)	(0.2)	(2.1)	(2.6)	(6.2)
At 31 August 2014	**0.7**	**1.4**	**-**	**3.6**	**5.7**
Discount:					
At 1 September 2013	**-**	**-**	**-**	**(0.8)**	**(0.8)**
Additions	-	-	-	(0.1)	(0.1)
Disposals	-	-	-	0.4	0.4
Unwinding of discount utilisation	-	-	-	0.1	0.1
At 31 August 2014	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Net book value at 31 August 2014	**0.7**	**1.4**	**-**	**3.2**	**5.3**

£m	**2015**	2014
Included within current liabilities	**10.4**	3.4
Included within non-current liabilities	**6.0**	1.9
Total	**16.4**	**5.3**

14. Provisions (continued)

Reorganisation provisions include amounts for programmes which consist primarily redundancy costs, that have been announced prior to the year end and are all expected to be utilised during the following financial year.

Insurance provisions represent the expected future costs of employer's liability, public liability and motor accident claims.

The property provision represents the estimated future cost of the Group's onerous and reversionary leases in non-trading properties based on known and estimated rental sub-leases. This provision has been discounted at a risk adjusted rate and this discount will be unwound over the life of the leases. The provision is expected to be utilised over the period to 2024, when all of the leases provisions will have expired. Deferred contingent consideration relates to amounts provided in relation to the acquisition of The Big Green Parcel Holding Company Limited (Tuffnells) on 19 December 2014, the cost being contingent upon achievement of profit targets and the future employment of the former owners of the business.

15. Operating lease commitments

The group as lessee:

Minimum lease payments under non-cancellable operating leases are as follows:

	2015			2014		
£m	Land & buildings	Equipment & vehicles	**Total**	Land & buildings	Equipment & vehicles	**Total**
Within one year	10.2	12.4	22.6	7.7	2.1	9.8
In the second to fifth years inclusive	30.3	19.9	50.2	25.6	1.5	27.1
In more than five years	23.3	-	23.3	24.3	-	24.3
	63.8	**32.3**	**96.1**	**57.6**	**3.6**	**61.2**

The Group leases various distribution properties and plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Preliminary results released 14 October 2015 originally stated minimum operating lease commitments as £68.3m. This figure was revised upwards on 21 October 2015 to £96.1m as shown above to include certain additional lease commitments in respect of the recently acquired Tuffnell's business.

The group as lessor:

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

£m	2015	2014
Within one year	0.1	0.1
In the second to fifth years inclusive	0.1	0.2
	0.2	**0.3**

Property rental income earned during the year was £0.1m (2014: £0.1m).

16. Net cash inflow from operating activities

£m	2015	2014
Operating profit	36.3	48.6
Losses on disposal of assets	0.2	-
Share of profits of jointly controlled entities	(0.3)	(0.3)
Adjustment for pension funding	(5.4)	(4.6)
Depreciation of property, plant and equipment	7.3	5.2
Amortisation and impairment of intangible assets	11.4	6.3
Share based payments	8.0	1.1
Decrease/(increase) in inventories	3.8	(1.7)
Increase in receivables	(7.5)	(2.4)
(Increase)/decrease in payables	(4.4)	7.3
Income tax paid	(8.7)	(9.8)
Increase/(decrease) in provisions	5.8	(2.3)
Net cash inflow from operating activities	**46.5**	**47.4**

17. Share Capital

(a) Share capital

£m	2015	2014
Authorised:		
300.0m ordinary shares of 5p each	15.0	15.0
Issued and fully paid:		
At 1 September	9.5	9.2
Shares issued during the year	2.7	0.3
244.1m ordinary shares of 5p each (2014:189.3m)	12.2	9.5

(b) Movement in share capital

Number (m)	Ordinary shares of 5p each
31 August 2014	189.3
Shares issued during the year	54.8
At 31 August 2015	244.1

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.

During the year to 31 August 2015, 54,855,669 ordinary 5p shares were issued for a consideration of £55,765,415 resulting in a share premium of £49,889,432 after accounting for equity issue related costs of £3.1m. 54,137,236 shares were allotted as a result of the rights issue in December 2014.

During the year to 31 August 2014, 4,959,905 ordinary 5p shares were issued for a consideration of £4,373,469, resulting in a share premium of £4,125,474. Of these 4,530,012 related to the deferred share capital payable to the former owners of Hedgelane Limited following its acquisition in April 2012, the remainder were issued to satisfy share scheme exercises.

(c) Share premium

£m	2015	2014
Balance at 1 September	5.3	1.2
Premium arising on issue of equity shares	49.9	4.1
Balance at 31 August	**55.2**	**5.3**

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18. Reserves

(a) Demerger reserve

£m	2015	2014
At 1 September	(280.1)	(280.1)
At 31 August	**(280.1)**	**(280.1)**

This relates to reserves created following the capital re-organisation 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 (formerly referred to as ESOP reserve)

£m	2015	2014
Balance at 1 September	(5.2)	(1.5)
Acquired in the period	(4.2)	(6.3)
Disposed of on exercise of options	5.3	2.6
Balance at 31 August	**(4.1)**	**(5.2)**

The reserve represents the cost of shares in Connect Group PLC purchased in the market and held by the Smiths News Employee Benefit Trust to satisfy awards and options granted under the Group's Executive Share Schemes. The number of ordinary shares held by the Trust at 31 August 2015 was 2,807,124 (2014: 2,203,191).

(c) Hedging & translation reserve

£m	2015	2014
Balance at 1 September	(0.3)	(0.6)
Net movement in cash flow hedges (net of tax)	(0.6)	0.5
Amounts previously recognised in the consolidated statement of comprehensive income	0.5	-
Exchange differences on translating net assets of foreign operations	(0.1)	(0.2)
Balance at 31 August	**(0.5)**	**(0.3)**

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in the profit or loss only when the hedged transaction ceases to be effective.

19. Related party transactions

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

Transactions with the Group's pension schemes are disclosed in note 5.

Trading transactions

	Sales to related parties		Amounts owed by related parties	
£m	**2015**	**2014**	**2015**	**2014**
Jointly controlled entities	3.2	3.2	0.6	0.6

Sales to related parties are for management fees, payment is due on the last day of the month following the date of invoice.

Non-trading transactions

	Loans to related parties	
£m	**2015**	**2014**
Jointly controlled entities	0.3	0.4

The loans to related parties have no set date for repayment and accrue interest at LIBOR +2%.

Aggregate remuneration of key management personnel

The remuneration of the Directors and the executive management 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	2015	2014
Short-term employee benefits	4.1	3.0
Post-employment benefits	-	-
Share based payments	0.8	0.8
	4.9	**3.8**