Smiths News PLC
Preliminary Results Announcement for the year ended 31 August 2013

Smiths News PLC (or "the Group"), the largest UK newspaper and magazine wholesaler, a leading UK book supplier and a leading distributor of consumable products to the education market, is pleased to announce preliminary results for the year ended 31 August 2013.

Underlying results	**FY 2013**	FY 2012	Change
Revenue	**£1,810.8m**	£1,803.9m	+0.4%
Underlying (1) profit before tax	**£53.0m**	£47.5m	+11.6%
Underlying (2) earnings per share	**22.4p**	19.9p	+12.6%
Statutory results			
Revenue	**£1,810.8m**	£1,803.9m	+0.4%
Statutory Profit before tax	**£41.9m**	£36.6m	+14.2%
Statutory earnings per share	**17.1p**	15.2p	+12.5%
Dividend per share	**9.3p**	8.6p	+8.1%
Free cash flow (3)	**£32.6m**	£27.2m	+19.8%
Net Debt (6)	**£98.5m**	£100.5m	-2.0%

2013 HIGHLIGHTS:

- Strong financial performance:
  - Revenue growth despite challenging market conditions
  - Underlying PBT £53.0m, up 11.6%
  - Free cash flow £32.6m, up 19.8%
- Strategic targets progressing:
  - Smiths News: 53% of revenues secured, £800m per annum, £6.2bn total to 2019 and beyond
  - Bertrams: diversifying sales mix, international sales +30.2%, digital sales +38.0%, Wordery annualised sales of £15m
  - The Consortium: delivering above expected acquisition returns, pro forma(7) profits +15.3%, new management team in place
  - Group: 29% of profits outside of newspaper and magazine wholesaling, on track to achieve 50% by 2016
- Strong shareholder returns:
  - Underlying EPS of 22.4p, up 12.6%
  - Final dividend of 6.3p, making a full year dividend of 9.3p, up 8.1%

Mark Cashmore, Group Chief Executive commented:

"We continue to make good progress against our medium term strategic objectives. We have grown Group revenue and increased profits in all four of our divisions with 29% of profit now coming from outside newspaper and magazine wholesaling, up from 24% in 2012.

Looking ahead, we remain focussed on achieving 50% of profits outside of newspapers and magazines by 2016 and believe our ability to generate significant free cash will support a progressive dividend policy."

The following definitions have been applied consistently throughout this preliminary results announcement:

(1) Underlying 2013 and 2012 results exclude non-recurring and other items, which are described further on page 11.

(2) Underlying earnings per share for 2013 and 2012 are calculated using underlying profit before tax and the Group underlying effective tax rate of 22.8% for FY2013 and 24.0% for FY2012.

(3) Free cash flow is cash flow excluding the following; payment of dividends, acquisition costs, repayments of obligations under finance leases, repayment of bank loans, EBT share purchase and cash flows relating to non-recurring and other items.

(4) Smiths News is also referred to as the Newspaper and Magazine wholesaling segment. Bertrams including Dawson Books is also referred to as the Book wholesaling segment. Dawson Media Direct (DMD) is also referred to as the Media segment. The Consortium or Hedgelane Limited is referred to as The Education and Care segment.

(5) 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 sales.

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

(7) Pro forma is the contribution of acquired businesses to the results of the Group as if the acquisitions had been made at the beginning of the period.

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A meeting for analysts will be held at the office of Buchanan, 107 Cheapside, London, EC2V 6DN on Wednesday 16 October commencing at 9.30am.

Smiths News PLC's Preliminary Results 2013 are available at www.smithsnews.co.uk

The Group will issue its Interim Management Statement on 15 January 2014 and hold its Annual General Meeting on 23 January 2014.

About Smiths News PLC:

Smiths News PLC comprises Smiths News, the UK's leading wholesaler of newspapers and magazines, Bertram Books, a leading UK book wholesaler and The Consortium, a leading independent distributor of consumable products to the education and care markets.

Smiths News distributes newspapers and magazines on behalf of all the major national publishers as well as a large number of regional publishers. The business serves approximately 30,000 customers across England and Wales, supplying large general retailers as well as smaller independent newsagents. Smiths News has an approximate 55% share of the newspaper and magazine wholesaling market in the UK. In addition to its distribution activities, Smiths News collects and processes returns, supplies sales information to publishers and provides a range of services for its retail customers.

Bertram Books supplies books to a mix of independent booksellers, on-line and multiple retailers, and libraries. Bertrams is a leading supplier of consumer and academic books in the UK and a growing player in international, digital and direct to consumer markets.

The Consortium supplies consumable products to approximately 30,000 customers across the education and care markets. The Consortium is a leading UK distributor with an approximate 5% share in a growing and fragmented market.

Notes to Editors

This announcement contains certain forward-looking statements with respect to Smiths News 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 Smiths News 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 taxations; industrial disputes; war and terrorism. For a more detailed description of these risks, uncertainties and other factors, please see "Risks and Uncertainties". These forward-looking statements speak only as at the date of this announcement. Unless otherwise required by applicable law, regulation or accounting standard, Smiths News PLC undertakes no responsibility to publicly update any of its forward-looking statements whether as a result of new information, future developments or otherwise.

OPERATING REVIEW

INTRODUCTION

We are pleased to announce good progress on our strategic objectives supported by another strong financial performance which was in line with market expectations. Group performance benefited from both organic growth and the full year impact of acquisitions. Underlying profit before tax was £53.0m, an increase of 11.6% on the previous year, from revenues of £1,810.8m, up 0.4%.

We grew profit in all four divisions and generated 29% of profits outside of newspaper and magazine wholesaling compared with 24% for FY2012.

Smiths News has now secured £800m (53%) of annual revenues through to FY2019 and beyond. This provides visibility over a combined contract value of £6.2bn based on future estimated volumes. The division also achieved £8.7m of efficiency savings more than offsetting revenue declines and resulting in 2.5% profit growth to £40.0m.

Bertrams has made good progress, diversifying revenues and growing profit by 6.1% to £7.2m. International revenues were up 30.2% and academic eBook revenues were up 38.0%. Internet sales have also grown ahead of the market and the launch of Bertrams online direct to consumer proposition, Wordery, generated £15m of annualised revenues.

The Consortium has delivered above expected acquisition returns with profits of £7.4m compared with £3.6m last year. On a full year pro forma basis, profits grew strongly by 15.3% to £7.4m. Our succession plan is complete with the new management team in place. Progress continues to be made delivering organic share of wallet growth in our core target markets of education, care and early years which have all achieved like for like growth in the year. Care revenues have been particularly strong growing 10.4%.

The Media division delivered profit growth of 11.1% to £2.0m and a significant contract win with United Airlines.

The Group generated strong free cash flow of £32.6m, up 19.8% and reduced debt by £2.0m to £98.5m. Annual cash contributions to the primary defined benefit pension scheme were agreed in July 2013 and will result in a cash contribution reduction from £5.8m to £4.1m per annum through to March 2019.

In light of these results and the Boards continued confidence in the Groups medium term prospects we are increasing the full year dividend by 8.1% to 9.3p.

GROUP STRATEGY

The Group is a leading supply chain, trading and distribution specialist operating in its chosen market sectors. The Group has a balanced portfolio of four divisions and a target to achieve 50% of profits from outside of newspapers and magazine wholesaling activities by 2016.

Smiths News has now secured 53% of its revenues through to 2019 and beyond through recent contract renewals. This secures our 55% market share at broadly comparable contractual terms providing surety to the network plan which underpins our efficiency programmes. The Smiths News Executive team is also actively exploring opportunities that capitalise on both our significant UK network and retail relationships to create new organic revenues.

Bertrams now has a diverse business and its broad sales mix is an ongoing strength. It now supplies the public and private sectors, high street and internet fulfilment, UK and international, print and digital, B2B and now direct to consumer via Wordery. Bertrams strategy is concentrated on the growing markets of internet, digital and international to grow ahead of the market.

The Consortium operates in large and growing markets where the growth characteristics of pupil numbers in schools and the elderly in residential care remain robust. It is well placed to capitalise on the tangible share of wallet opportunity in both the education and care markets and is therefore investing in a sales led, multi-channel strategy which includes an improved web offering, CRM system and growing the sales team. Operating in fragmented markets, the opportunity also exists to grow through selected acquisitions.

The Groups progress on diversification is now well advanced towards our strategic aim of 50% of profits outside of newspaper and magazine wholesaling by 2016.

SMITHS NEWS

Smiths News has performed well this year against its strategic priorities. Underlying operating profit was £40.0m (FY2012: £39.0m) an increase of 2.5%.

Overall Smiths News sales are down 2.6% year on year versus a like for like sales decline of 4.6% which remains within our -3.0% to -5.0% forecast range. This is a strong performance against challenging market conditions supported by c.£45m of annualised revenue gains and regional press wins.

Newspaper sales were down 2.7% on a like for like basis. Dailies have performed strongly, down 2.0% like for like and up 2.0% year on year including contract wins. The Sunday market has been more challenging and has been impacted by competitive pricing on the Sun on Sunday which we expect to improve as we see cover price inflation across this market.

The magazine market continues to be impacted by wider economic pressures with sales down 9.2% on a like for like basis. In addition, the market has experienced significant price discounting in the TV Listings segment. Excluding the impact of TV listings, magazine like for like sales were down 8.6%, in line with FY2012.

In the last 18 months Smiths News has secured 53% or £800m of annual revenues to 2019 and beyond. This is a total of £6.2bn of contracted revenue visibility. Contracts have been renewed with Associated News, News International, Marketforce, COMAG and The Telegraph. This progress protects our business for a further five years by securing our 55% market share at broadly comparable contractual terms and also supports the strong ongoing cash generation of the Business.

FY2014 has already started positively with a £7m annualised regional press gain at the Liverpool Echo. In September 2013 we acquired the trade and contracts of Martin Lavell Limited, a London based B2B newspaper and magazine distributor with annualised revenues of £3m where we see a growing opportunity in the B2B market.

The 2.5% growth in operating profit was underpinned by sustainable operational efficiencies. £8.7m of savings were delivered in the year through process optimisation, capitalising on efficiencies and network rationalisation. We remain firmly on track to deliver our three year cost saving target of £20m by 2015.

BERTRAMS

Bertrams delivered revenues of £187.9m up 7.8% benefitting from recent acquisitions. On a like for like basis sales were down 0.6%. Underlying operating profit was £7.2m, up 6.1%.

The Group’s continued investments has ensured Bertrams is now a leading multi-channel supplier to a diverse range of sectors including UK trade, public and academic libraries, international markets, digital content to academic customers and trading direct to consumer.

Bertrams continues to outperform the UK market with UK wholesale revenues up 2.2% on a like for like basis compared to the total UK consumer books market which was down 6.0% in the same period. This performance has been driven by strong internet sales where Bertrams has a sizeable market presence.

In October 2012, Bertrams entered the direct to consumer market through its new joint venture Wordery. This business has generated £15m of annualised revenues in its first full year of trading and has quickly established itself as a leading marketplace trader of books on Amazon and eBay. In September 2013, Wordery launched its own transactional website on track and in time for the Christmas peak trading period. Wordery is a great example of applying our skills and assets to new markets in order to generate revenue growth with 30% of total Bertrams sales now being derived from the internet.

International sales were up 30.2% year on year and now account for 26% of Bertrams revenues. £27m of annualised revenues have been acquired in the last 18 months from Houtschild, Erasmus and selected Blackwell’s contracts. These acquisitions have consolidated our position in Western Europe where we are now the leading book supplier to academic institutions. On a like for like basis, international revenues were broadly flat at -0.9% with some revenues being substituted by digital sales where we are seeing significant growth.

UK Library sales were down 9.8%. Public libraries continue to experience significant budgetary pressure. On the academic side, performance was partly impacted by universities holding back on orders until the result of the Joint National Tender was announced in July where we had success in all 5 key categories. Sales to academic customers post year end have returned to year on year growth.

Academic eBooks continue to demonstrate exceptional growth up 38.0% on a like for like basis. This market is an important area of investment and growth for Bertrams particularly in Europe where the academic eBook market is less developed than in the UK. Over the next 3 years we will invest a total of £5m in our digital platform. Our skills and experience in the UK market will be used to capitalise on the growing European eBook opportunity by providing both English language and local language content.

THE CONSORTIUM

The Consortium generated revenues of £63.8m (FY2012 – 4 months: £26.5m) and profits of £7.4m (FY2012 – 4 months: £3.6m). On a full year pro forma(7) basis revenues were down 0.3% year on year and up 2.6% on a like for like basis. Underlying profit was £7.4m, up 15.3% on a pro forma basis. We are pleased with the performance of the Consortium in our first full year of ownership which has exceeded our investment expectations.

We remain focused on gaining share of wallet with existing and new customers in our core target markets of Education, Care and Early Years where on a combined basis like for like sales have grown 3.1%. This year we have implemented a CRM system which actively targets customers, launched an improved transactional website and invested in a new telesales operation to run targeted sales campaigns. Our focus is on driving both sales and margin and we have increased our gross margin by 200 bps in the year.

In Education, our sales are up 2.4% on a like for like basis and we are winning contracts, most notably a position on the Scottish Framework Agreement which has helped to increase our geographic reach. Care has performed strongly up 10.4% on a like for like basis through both growth with existing customers and new contracts.

Our succession plan is complete and the new management team are in place. They are focused both on the continued integration of West Mercia Supplies into the Consortium as well as driving top line growth, both organically and through acquisitions.

MEDIA

The Media division generated revenues of £29.9m, down 7.8% year on year and up 1.9% on a like for like basis with an underlying operating profit of £2.0m, up 11.1%.

In February 2013, Dawson Media Direct (‘DMD’) won a 3 year exclusive overseas global contract with United Airlines supplying 1.8m newspapers and magazines to 50 routes.

DMD’s In-flight Entertainment joint venture is now supplying over 8,000 iPads to airlines worldwide, a 45% increase on prior year, with 5 new airline relationships including entry into the US market through a contract win with Hawaiian Airlines.

On 30 April 2013, the Group disposed of the Media divisions’ fulfilment business, Marketlink Marketing Communications Limited (‘MMC’). The Group has chosen to divest MMC as it is not core to our stated strategy of being a leading player in chosen specialist distribution markets. In FY2013, MMC contributed revenues of £3.9m and operating profit of £0.1m.

OUTLOOK

The Group has started the new financial year positively and in line with our expectations.

Our medium term outlook remains strong and we are focused on growing profits, generating significant levels of free cash and maintaining a progressive dividend policy. We remain committed to our previously stated aim of 50% of Group profits generated from outside of newspaper and magazine wholesaling by 2016.

FINANCIAL REVIEW

GROUP

£m	**2013**	2012	Change
Revenue	**1,810.8**	1,803.9	0.4%
Gross profit	**202.3**	190.2	6.4%
Operating costs	**(145.8)**	(139.0)	(4.9%)
Underlying operating profit	**56.5**	51.2	10.4%
Net finance costs	**(3.5)**	(3.7)	5.4%
Underlying profit before tax	**53.0**	47.5	11.6%
Taxation	**(12.1)**	(11.4)	(6.1%)
Tax rate	***22.8%***	*24.0%*	
Underlying profit after tax	**40.9**	36.1	13.3%

Group revenues were £1,810.8m, up 0.4% and underlying Group operating profit of £56.5m was up 10.4% underpinned by revenue growth, ongoing cost efficiencies and annualisation of acquired businesses.

Net finance costs at £3.5m (FY2012: £3.7m) were down £0.2m in the year. Interest costs of £5.3m (FY2012: £4.9m) were up year on year as a result of higher average borrowings from a full year impact of the Consortium acquisition. This was partially offset by £1.8m of investment revenues (FY2012: £1.2m) the largest element of which was pension interest credit. IAS 19 (revised) requires a change in accounting policy from FY2014 onwards. The estimated non-cash position for FY2014 will be a charge of approximately £1.0m, see Note 5.

Underlying Group profit before tax of £53.0m was up 11.6%.

The tax charge for the year of £12.1m represented an effective rate of 22.8% (FY2012: 24.0%). Future tax rates are expected to follow standard UK corporation tax rates.

Underlying profit after tax of £40.9m was up 13.3%.

EPS AND DIVIDEND

	Underlying		Statutory	
	2013	2012	**2013**	2012
Profit after tax (£m)	**40.9**	36.1	**31.1**	27.5
Basic number of shares (millions)	**182.2**	181.3	**182.2**	181.3
Basic EPS	**22.4p**	19.9p	**17.1p**	15.2p
Diluted number of shares (millions)	**193.9**	187.1	**193.9**	187.1
Diluted EPS	**21.1p**	19.3p	**16.0p**	14.7p
Dividend per share	**9.3p**	8.6p	**9.3p**	8.6p

On an underlying basis, profit after tax of £40.9m resulted in an EPS of 22.4p, an increase of 2.5p or 12.6% on prior year.

Including non-recurring and other items, statutory profit after tax of £31.1m resulted in an EPS of 17.1p, an increase of 1.9p or 12.5% on prior year.

The calculation of diluted EPS includes the potential dilutive effect of employee incentive schemes of 7.2m shares (FY2012: 4.3m) and 4.5m shares being the weighted impact of the deferred share capital relating to the acquisition of The Consortium (FY2012: 1.5m) which is expected to be issued in January 2014.

Together dilutive shares increased the number of shares in FY2013 by 11.7m to 193.9m and resulted in a diluted underlying EPS of 21.1p, up 1.8p or 9.3% on prior year.

The full year dividend of 9.3p is an increase of 0.7p or 8.1% on prior year.

The proposed final dividend for the year ended 31 August 2013 of 6.3p is subject to approval by shareholders at the Annual General Meeting on 23 January 2014 and has not been included as a liability in these accounts. The proposed dividend, if approved, will be paid on 7 February 2014 to shareholders on the register at close of business on 10 January 2014.

SMITHS NEWS

£m	**2013**	2012	Change	LFL[5]
Total revenue	**1,529.3**	1,570.7	(2.6%)	(4.6%)
Gross profit	**125.5**	133.2		
Operating costs	**(85.5)**	(94.2)		
Underlying operating profit	**40.0**	39.0	2.5%	
Gross margin	**8.2%**	8.5%	(30 bps)	
Cost ratio	**(5.6%)**	(6.0%)	40 bps	
Operating margin	**2.6%**	2.5%	10 bps	

Smiths News total revenues were down 2.6% on the prior year including c.£45m of annualised revenue gains and regional press wins. Like for like revenues were down 4.6% which remains within our forecast range of between -3.0% and -5.0%.

Gross margin was down 30bps as a result of sales mix as higher margin magazines declined more than newspapers.

The cost ratio improved 40bps, as a result of total cost savings of £8.7m. Network savings and continued operational efficiencies combined to deliver our targeted cost savings for the year. We are on track to deliver our current 3 year cost efficiency programme of £20m by FY2015.

Smiths News underlying operating profit of £40.0m increased 2.5% on the prior year and resulted in an operating margin of 2.6%, up 10bps.

BERTRAMS

£m	**2013**	2012	Change	LFL[5]
Revenue	**187.9**	174.3	7.8%	(0.6%)
Gross profit	**36.9**	33.1		
Operating costs	**(29.7)**	(26.3)		
Underlying operating profit	**7.2**	6.8	6.1%	
Gross margin	**19.6%**	19.0%	60 bps	
Cost ratio	**(15.8%)**	(15.1%)	(70 bps)	
Operating margin	**3.8%**	3.9%	(10 bps)	

Bertrams total revenues were up 7.8% on the prior year to £187.9m benefitting from recent acquisitions with like for like revenues down 0.6%.

Bertrams continued to outperform the UK market with UK wholesale revenues up 2.2% like for like with growth in internet fulfilment and the launch of our Wordery direct to consumer proposition. International sales grew 30.2% year on year including acquisitions and declined 0.9% on a like for like basis. Digital continues to grow strongly at 38.0% and library sales declined 9.8% in weaker markets.

Gross margin was up 60bps to 19.6% due to mix but the cost ratio of 15.8% declined 70bps on the prior year as we continue to invest to grow the business.

Bertrams underlying operating profit of £7.2m increased 6.1% on the prior year and resulted in an operating margin of 3.8%, down 10bps.

THE CONSORTIUM

£m	**2013**	4 months 2012	12 month pro forma change[7]	12 month pro forma LFL[5]
Revenue	**63.8**	26.5	(0.3%)	2.6%
Gross profit	**26.3**	10.2		
Operating costs	**(18.9)**	(6.6)		
Underlying operating profit	**7.4**	3.6	15.3%	
Gross margin	**41.2%**	38.5%	200 bps	
Cost ratio	**(29.6%)**	(24.9%)	(40 bps)	
Operating margin	**11.6%**	13.6%	160 bps	

The Consortium total revenues of £63.8m were down 0.3% on a 12 month pro forma[7] year on year basis and up 2.6% on a pro forma like for like basis. Core sales in Education, Care and Early Years increased 3.1% like for like from growing spend with existing customers and winning new contracts.

Gross margin was up 200bps as a result of a focus on profitable sales in core markets and buying synergies. The cost ratio of 29.6% declined 40bps as we invest in front line sales and back office support to grow the business.

The Consortium underlying operating profit of £7.4m increased 15.3% on the pro forma prior year and resulted in an operating margin of 11.6%, up 160bps. The prior year 4 month post acquisition operating margin of 13.6% is favourably impacted by proportionally higher sales during the peak period with a full year pro forma[7] comparative operating margin of 10.0%.

MEDIA

£m	**2013**	2012	Change	LFL[5]
Revenue	**29.9**	32.4	(7.8%)	1.9%
Gross profit	**13.6**	13.7		
Operating costs	**(11.6)**	(11.9)		
Underlying operating profit	**2.0**	1.8	11.1%	
Gross margin	**45.5%**	42.3%	320 bps	
Cost ratio	**(38.8%)**	(36.7%)	(210 bps)	
Operating margin	**6.7%**	5.6%	110 bps	

Media total revenues of £29.9m were down 7.8% following the disposal of Marketlink Marketing Communications Limited ('MMC') which contributed £3.9m of revenue in FY2013 and £0.1m to operating profit. On a like for like basis revenues were up 1.9%.

Gross margin was up 320bps to 45.5% and the cost ratio declined 210bps both of which were impacted by the sale of MMC.

Media underlying operating profit of £2.0m increased 11.1% on the prior year and resulted in an operating margin of 6.7%, up 110bps.

NON-RECURRING AND OTHER ITEMS

£m	2013	2012
Integration costs	**(1.1)**	(2.7)
Network reorganisation costs	**(3.3)**	(2.0)
Acquisition costs	**(3.7)**	(4.6)
Amortisation of acquired intangibles	**(2.8)**	(2.1)
Other	**(0.2)**	0.5
Total before taxation	**(11.1)**	(10.9)
Taxation	**1.3**	2.3
Total after taxation	**(9.8)**	(8.6)

Non-recurring and other items are in line with expectations being £11.1m before tax and £9.8m after tax for the financial year.

Integration costs of £1.1m have been incurred including £0.6m relating to the integration of West Mercia Supplies into the Consortium and a further £0.4m has been incurred in developing the digital and international strategy in Bertrams which has been invested to roll out the digital platform into European markets.

Network reorganisation costs of £3.3m have been incurred to achieve the current network restructuring programme which is designed to deliver £20m of costs savings over 3 years to FY2015. Of the costs in the period the largest amount relates to redundancy costs of £2.7m.

Acquisition costs of £3.7m have been incurred including the Consortium acquisition deferred consideration of £3.2m which has been recognised in the P&L, the costs having been spread over the earn out periods at the expected payout levels given the Business's strong profit performance. Acquisition and new venture set up costs in respect of Erasmus, selected contracts from Blackwell Books Limited and Bertrams direct to consumer proposition were £0.5m.

Amortisation of acquired intangibles of £2.8m has been incurred relating to acquisitions amortised over their expected economic lives for which there is no associated cash impact. This leaves a further £18.4m NBV to be amortised over future years.

The cash impact of non-recurring and other items for the period was £5.9m (FY2012: £10.3m). Similar levels of network re-organisation and amortisation costs as FY2013 are expected for FY2014.

FREE CASH FLOW

£m	2013	2012
Underlying profit before interest and tax	**56.5**	51.2
Depreciation & Amortisation	**7.6**	6.9
Underlying EBITDA	**64.1**	58.1
Working capital	**(5.0)**	(9.1)
Capital expenditure	**(7.9)**	(5.1)
Net interest paid	**(4.2)**	(3.3)
Taxation	**(10.5)**	(8.0)
Pension funding	**(6.5)**	(6.8)
Other	**2.6**	1.4
Free cash flow [(3)]	**32.6**	27.2

The Group continued to generate strong free cash flow, delivering £32.6m in FY2013, an increase of £5.4m or 19.8% on prior year.

A working capital outflow of £5.0m included ongoing investments in stock to support sales initiatives, in line with expectations, and down on prior year comparisons.

Capital expenditure was £7.9m in the year, an increase of £2.8m on FY2012. The main items of expenditure were a £5.1m upgrade of IT infrastructure in Smiths News and £0.5m pack-line automation and £0.5m of digital investment in Bertrams.

Future digital investments in Bertrams are expected to increase total capital expenditure by c£1m pa for the next 3 years.

Net interest paid was £4.2m, an increase of £0.9m compared to FY2012 driven by increased borrowings across the year, which includes a full year of the Consortium acquisition debt.

Tax payments were £10.5m an increase of £2.5m compared to FY2012 reflecting the increased profitability of the Group.

Pension funding of £6.5m for the year predominantly related to the Smiths News defined benefit scheme annual pension deficit funding of £5.8m agreed at the March 2009 triennial valuation.

NET DEBT

£m	2013	2012
Opening net debt (6)	**(100.5)**	(63.3)
Free cash flow	**32.6**	27.2
Dividend paid	**(16.0)**	(14.9)
Non-recurring items	**(5.9)**	(10.3)
Acquisitions	**(5.1)**	(37.1)
Other	**(3.6)**	(2.1)
Closing net debt (6)	**(98.5)**	(100.5)

Closing net debt was £98.5m (FY2012: £100.5m).

Acquisition spend included £2.0m deferred consideration paid in cash to the Vendor relating to the acquisition of The Consortium. It also included £1.1m net cash payable on the acquisition of Erasmus and £2.0m relating to the acquisition of the Blackwells contracts plus related advisor fees.

We remained comfortably within our banking covenants with net debt : EBITDA at 1.47x versus a covenant test of 2.5x which has reduced by 12bps compared to the prior year. We also remain comfortably within our other covenants of fixed charge cover and interest cover.

BANK FACILITIES

The Group has total facilities of £174m, comprising committed bank facilities of £129m through to November 2014, £10m through to August 2014 and further committed facilities of £35m secured against Group assets through to November 2014. The Group continues to operate well within its banking covenants and maintains strong relationships with its syndicate of 5 major lenders. Refinancing discussions are underway and are planned to be finalised by February 2014.

PENSION

The primary defined benefit pension scheme (the Smiths News Section of the WH Smith Pension Trust) has an IAS19 surplus of £53.2m at 31 August 2013 (FY2012: £40.3m 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 (FY2012: £nil). The actuarial valuation produces a scheme deficit rather than a surplus due to different assumptions and calculation methodologies used compared to those under IAS19, most notably the use of a discount rate that reflects the actual investment strategy, rather than corporate bond yields as required under IAS19.

During the period the triennial actuarial valuation of the Smiths News section of the WH Smith Pension Trust, effective 31 March 2012 was agreed at £33.0m. The deficit in the scheme when last estimated at 19 June 2013 was £23.0m, reduced from £50.0m at the last valuation date of March 2009. The next valuation date for the scheme will be 31 March 2015. As a result of the reduced actuarial deficit, the Group has agreed a revised schedule of contributions of £4.1m per annum, reduced from £5.8m per annum, through to March 2019. The Group has amended its accounting for such contributions to recognise the present value of the agreed contributions as a pension liability of £20.3m (FY2012 previously reported nil, FY2012 restated £34.0m). Further details of this change, which has no impact on earnings, cash flow or covenants, are set out in Note 1.

The Group will adopt IAS19 (Revised) in its financial year ending 31 August 2014. This will involve a change in accounting policy to reflect pension interest in the income statement to be calculated on the net balance sheet position at the beginning of the period. We estimate the resulting non-cash pension charge to be approximately £1.0m in the year ending 31 August 2014. The comparatives for the year ending 31 August 2013 will be restated to also reflect a non-cash charge of £1.0m following this required change in accounting policy (compared to a £1.5m non-cash credit shown under the current policy).

GOING CONCERN

The Group meets its day to day working capital requirements through its bank facilities of up to £174m, which do not expire until 30 November 2014. The Group's forecasts, taking into account the Board's future expectations of the Group's performance, indicate that there is substantial headroom within these bank facilities and the Group will continue to operate well within the covenants attaching to those facilities.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

RISKS AND UNCERTAINTIES

The Group has a comprehensive risk management framework which has been further strengthened during the year with a consistent approach now embedded across the Group. The Board is responsible for the Group's strategy and system of controls and risk management. The Audit Committee annually reviews the effectiveness of the Group's internal controls and risk management system along with an annual review of the Board's risk appetite. Risks identified across the risk universe are consolidated, refined and calibrated to each area of the business with support from Internal Audit. Key risks are plotted on risk maps with description and owners recorded in the risk register. The Group Executive team review and monitor the Group's summarised risk map and register before final presentation to the Audit Committee. The Group's major risks are detailed below.

Risk	Potential impact	Mitigating actions and assurance
Structural market changes are deeper /quicker than predicted, including print migration to digital	Sales declines in newspaper and magazines are worse than expected - 3% to 5% range and /or Books growth impacted 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 continue to identify efficiencies to compensate for market declines. The Groups diversification strategy seeks to protect it from over exposure to individual market risks.
Failure to identify new organic opportunities or new acquisitions required to meet growth targets	Sales and profits expected from growth initiatives may not be met and /or contribution on growth initiatives impacts performance of base businesses	A strong pipeline of growth and investment opportunities are reviewed by individual business teams, Group Executive and/or PLC Board depending on their size and potential impact on the Group. Financial and operational metrics are considered along with risk assessments and impact on management before decisions are made.
Continued economic recession causes reduction in household expenditure and /or Government spending	Reductions in discretionary spending may impact sales of newspapers, magazines 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 changes the wholesale relationship	Impact on supply of product or route to market may erode margin and/or increase cost to serve	In Smiths News, 5 year contracts with publishers support the market structure. Bertrams and The Consortium both 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	Sales growth opportunities are reduced and /or margin is eroded from price discounting required to hold market share	Market scale and expertise provides the ability to offer value and service to customers. Bertrams and the Consortium monitor and track propositions to ensure competitive positioning.
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	External specialist advice supports a new internal position with the responsibility to review the Groups exposure, measure effectiveness of existing controls and recommend new controls if required.
Failure to deliver business plans and financial returns on recent acquisitions	Sales and profits expected from acquisitions may not be met and /or reputation of the business and support for future acquisitions are questioned	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.
Legislature changes or interpretation impacting the engagement of delivery contractors results in an increase in the number of employees	Increased number of employees increase the cost base and potentially create greater redundancy costs from future efficiency programmes	Contractors have clearly articulated agreements defining tasks they are contracted to provide to Smiths News. Regular checks are carried out by the Internal Audit team cross the Smiths News network to ensure understanding and compliance.
Failure to prevent breach of airside security that cause 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 DMDs exposure, measure effectiveness of controls and recommend new controls if required. In addition, insurance is taken out to cover the Group from major risks.
Financial risk and exposure through fraud, poor management controls and /or fluctuating key financial assumptions	Direct loss through fraud, or poor controls around debtors and stock could result in profits. Key financial assumptions budgeted for pension, interest and tax could move adversely reducing expected profits	Strong operational processes are supported by a Group accounting policies manual to ensure appropriate financial controls are consistently applied. In addition, insurance is taken out to cover the Group from major risks. Annual budgets and quarterly forecasts set realistic expectations internally and externally allowing for or changing objectives to meet short and medium term financial targets.

Smiths News PLC
Group Income Statement for the year ended 31 August 2013

£m		2013			2012		
	Note	Underlying*	Non-recurring and other items	**Total**	Underlying*	Non-recurring and other items	**Total**
Continuing operations							
Revenue	2	1,810.8	-	**1,810.8**	1,803.9	-	**1,803.9**
Operating profit	2,3	**56.5**	**(10.9)**	**45.6**	**51.2**	**(10.9)**	**40.3**
Investment revenues	6	1.8	-	**1.8**	1.2	-	**1.2**
Finance costs	6	(5.3)	(0.2)	**(5.5)**	(4.9)	-	**(4.9)**
Profit before tax		**53.0**	**(11.1)**	**41.9**	**47.5**	**(10.9)**	**36.6**
Income tax expense	7	(12.1)	1.3	**(10.8)**	(11.4)	2.3	**(9.1)**
Profit for the year		**40.9**	**(9.8)**	**31.1**	**36.1**	**(8.6)**	**27.5**

Earnings per share						
Basic	9	22.4p		17.1p	19.9p	15.2p
Diluted	9	21.1p		16.0p	19.3p	14.7p
Equity dividends per share	8			9.3p		8.6p

* Before non-recurring and other items

Non-recurring and other items are set out in Note 4.

Group Statement of Comprehensive Income for the year ended 31 August 2013

£m	Note	2013	2012 Restated[1]
Gain/(Loss) on cash flow hedges		1.7	(0.2)
Actuarial loss on defined benefit pension scheme	5	4.5	5.5
Impact of IFRIC 14 on defined benefit pension scheme	5	0.3	(10.7)
Tax relating to components of other comprehensive income	7	(1.9)	0.7
Other comprehensive income and expense for the year		**4.6**	**(4.7)**
Profit for the year		**31.1**	27.5
Total comprehensive income and expense for the year		**35.7**	**22.8**

Total comprehensive income and expense for the year is fully attributable to the equity holders of the parent company.

[1] – Restatement in respect of retirement benefit obligations, see Note 1.

Smiths News PLC
Group Balance Sheet at 31 August 2013

£m	Note	2013	2012 Restated[1]	2011 Restated[1]
Non-current assets				
Intangible assets	10a	68.2	67.1	36.9
Property, plant and equipment		26.6	24.5	18.7
Interest in jointly controlled entities and associates		4.1	3.9	3.9
Derivative financial instruments		0.4	-	-
Investments		-	-	0.1
Retirement benefit assets	5	0.2	-	-
Deferred tax assets		8.1	10.6	12.1
		107.6	**106.1**	**71.7**
Current assets				
Inventories		44.2	44.6	34.7
Trade and other receivables		127.1	120.3	109.7
Cash and cash equivalents	12	10.1	5.1	4.2
Assets held for sale		-	-	0.8
		181.4	**170.0**	**149.4**
Total assets		**289.0**	**276.1**	**221.1**
Current liabilities				
Trade and other payables		(188.7)	(182.0)	(180.1)
Current tax liabilities		(8.1)	(8.1)	(7.6)
Bank loans and other borrowings	12	(72.8)	(66.1)	(26.0)
Obligations under finance leases		(1.0)	(1.4)	(1.1)
Derivative financial instruments		(0.8)	(1.0)	(0.6)
Retirement benefit obligations	5	(4.1)	(5.8)	(5.8)
Provisions	13	(7.5)	(7.8)	(5.4)
		(283.0)	**(272.2)**	**(226.6)**
Non-current liabilities				
Retirement benefit obligations	5	(19.2)	(30.2)	(30.5)
Bank loans and other borrowings	12	(34.0)	(37.0)	(39.2)
Obligations under finance leases		(0.8)	(1.1)	(1.2)
Other non-current liabilities		(1.6)	(2.5)	(0.5)
Deferred tax liabilities		(4.5)	(4.7)	(4.1)
Derivative financial instruments		-	(1.3)	(1.5)
Non-current provisions	13	(2.8)	(4.7)	(4.9)
		(62.9)	**(81.5)**	**(81.9)**
Total liabilities		**(345.9)**	**(353.7)**	**(308.5)**
Total net liabilities		**(56.9)**	**(77.6)**	**(87.4)**

[1] – Restatement in respect of retirement benefit obligations, see Note 1.

Smiths News PLC
Group Balance Sheet at 31 August 2013 (continued)

£m	Note	2013	2012 Restated[1]	2011 Restated[1]
Equity				
Called up share capital	17(a)	9.2	9.2	9.2
Share premium account	17(c)	1.2	0.6	0.5
Other reserve	18(a)	(280.1)	(280.1)	(280.1)
ESOP reserve	18(b)	(1.5)	(1.7)	(2.6)
Hedging reserve	18(c)	(0.6)	(2.3)	(2.1)
Retained earnings		214.9	196.7	187.7
Total equity deficit		**(56.9)**	**(77.6)**	**(87.4)**

[1] – Restatement in respect of retirement benefit obligations, see Note 1.

Smiths News PLC
Group Statement of Changes in Equity for the year ended 31 August 2013

£m	Share Capital	Share Premium Account	Other Reserve	ESOP Reserve	Hedging Reserve	Retained Earnings	Total
Balance at 31 August 2011 - reported	**9.2**	**0.5**	**(280.1)**	**(2.6)**	**(2.1)**	**214.9**	**(60.2)**
Prior year restatement[1]	**-**	**-**	**-**	**-**	**-**	**(27.2)**	**(27.2)**
Balance at 31 August 2011 - Restated[1]	**9.2**	**0.5**	**(280.1)**	**(2.6)**	**(2.1)**	**187.7**	**(87.4)**
Profit for the period	-	-	-	-	-	27.5	**27.5**
Loss on cash flow hedges	-	-	-	-	(0.2)	-	**(0.2)**
Actuarial loss on defined benefit pension scheme	-	-	-	-	-	5.5	**5.5**
Impact of IFRIC 14 on defined benefit pension scheme	-	-	-	-	-	(10.7)	**(10.7)**
Tax relating to components of other comprehensive income	-	-	-	-	-	0.7	**0.7**
Total comprehensive income for the year – Restated[1]	-	**-**	-	-	(0.2)	23.0	**22.8**
Issue of share capital	-	0.1	-	-	-	-	**0.1**
Dividends paid	-	-	-	-	-	(14.9)	**(14.9)**
Employee share schemes	-	-	-	0.9	-	(0.9)	**-**
Recognition of share based payments	**-**	-	**-**	**-**	**-**	1.8	**1.8**
Balance at 31 August 2012 – Restated[1]	**9.2**	**0.6**	**(280.1)**	**(1.7)**	**(2.3)**	**196.7**	**(77.6)**
Profit for the period	-	-	-	-	-	31.1	**31.1**
Gain on cash flow hedges	-	-	-	-	1.7	-	**1.7**
Actuarial loss on defined benefit pension scheme	-	-	-	-	-	4.5	**4.5**
Impact of IFRIC 14 on defined benefit pension scheme	-	-	-	-	-	0.3	**0.3**
Tax relating to components of other comprehensive income	-	-	-	-	-	(1.9)	**(1.9)**
Total comprehensive income for the year	-	**-**	-	-	1.7	34.0	**35.7**
Issue of share capital	-	0.6	-	-	-	-	**0.6**
Dividends paid	-	-	-	-	-	(16.0)	**(16.0)**
Employee share schemes	-	-	-	0.2	-	(0.2)	**-**
Recognition of share based payments	**-**	-	**-**	**-**	**-**	0.4	**0.4**
Balance at 31 August 2013	**9.2**	**1.2**	**(280.1)**	**(1.5)**	**(0.6)**	**214.9**	**(56.9)**

1 – Restatement in respect of retirement benefit obligations, see Note 1.

Smiths News PLC
Group Cash Flow Statement for the year ended 31 August 2013

£m	Note	2013	2012
Net cash inflow from operating activities	15	**37.9**	**28.5**
Investing activities			
Acquisitions	11	(5.1)	(40.1)
Sale of unlisted investment		-	1.0
Purchase of property, plant and equipment		(5.0)	(4.0)
Purchase of intangible assets		(2.8)	(2.3)
Proceeds on disposal of a property		-	0.8
Net cash used in investing activities		**(12.9)**	**(44.6)**
Financing activities			
Interest paid		(4.0)	(3.3)
Dividend paid		(16.0)	(14.9)
Repayments of obligations under finance leases		(2.0)	(1.6)
Proceeds on issue of shares		0.7	0.1
Purchase of shares for Employee Benefit Trust		(2.3)	(0.8)
Decrease in long term borrowings		(3.0)	(2.2)
Increase in short term borrowings		6.7	40.1
Net cash (used in)/ from financing activities		**(19.9)**	**17.4**
Net increase in cash and cash equivalents		**5.1**	**1.3**
Effect of foreign exchange rate changes		(0.1)	(0.4)
		5.0	**0.9**
Opening net cash and cash equivalents		5.1	4.2
Closing net cash and cash equivalents	12	**10.1**	**5.1**

Analysis of net debt

£m	Note	2013	2012
Cash and cash equivalents	12	10.1	5.1
Current borrowings	12	(72.8)	(66.1)
Non-current borrowings	12	(34.0)	(37.0)
Finance lease liabilities		(1.8)	(2.5)
Net debt		**(98.5)**	**(100.5)**

1. Preparation of the preliminary announcement

(a) Basis of preparation

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRSs. Certain figures in this document may not tally exactly due to rounding.

The preliminary announcement for the 12 months to 31 August 2013 has been prepared on the basis of the accounting policies set out in the accounting policies section of the Smiths News PLC Annual Report and Accounts 2013.

As detailed in Note 12, the Group has committed bank facilities in place of £142m, plus additional flexibility to secure further borrowings on Group assets of up to £35m. The Group's forecasts and projections, taking account of reasonable potential variations in trading performance and the Group's negative working capital position, show that the Group should be able to operate within the level of its current financing for the foreseeable future.

Despite the current economic uncertainty the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

(a)i Restatement of retirement benefit obligation

During the year the Group reconsidered its accounting for deficit contributions of pension schemes and has amended its accounting to recognise future agreed deficit contributions as an IFRIC 14 liability on the balance sheet. Accordingly in the 2013 financial statements, we have recognised the present value of the schedule of contributions as a liability of £20.3m and a resulting tax asset of £4.3m on our balance sheet at 31 August 2013. We have also restated our prior year financial statements recognising a liability of £34.0m and resulting deferred tax asset of £8.2m at 31 August 2012 and £36.3m liability and deferred tax asset of £9.1m as at 31 August 2011. There is no impact on earnings, cash flows (including tax payments) or covenants.

The impact on the Group's statement of other comprehensive income for the year ended 31 August 2012 was as follows:

Group statement of Changes in Equity		**31 August 2012**	
£m	Previously reported	Impact of pension liability recognition	Restated
Effect of asset limit	(13.5)	-	(13.5)
Recognition of schedule of contributions	-	2.8	2.8
Impact of IFRIC14 on defined benefit schemes	(13.5)	2.8	(10.7)
Loss on cash flow hedge	(0.2)	-	(0.2)
Actuarial loss	5.5	-	5.5
Tax relating to components of other comprehensive income	2.1	(1.4)	0.7
Other comprehensive income	**(6.1)**	**1.4**	**(4.7)**
Profit after tax	27.5	**-**	27.5
Total comprehensive income	**21.4**	**1.4**	**22.8**

(a)i Restatement of retirement benefit obligation (continued)

The impact on the Group's opening balance sheet at 31 August 2011 and comparative 31 August 2012 balance sheet and on the cashflows for the years then ended is as follows:

Group Balance Sheet	**31 August 2012**			**31 August 2011**		
£m	Previously reported	Impact of pension liability recognition	Restated	Previously reported	Impact of pension liability recognition	Restated
Deferred tax asset	2.4	8.2	10.6	3.0	9.1	12.1
Retirement benefit obligation	(2.0)	(34.0)	(36.0)	-	(36.3)	(36.3)
Total net liabilities	**(51.8)**	**(25.8)**	**(77.6)**	**(60.2)**	**(27.2)**	**(87.4)**
Retained earnings	222.5	(25.8)	196.7	214.9	(27.2)	187.7
Total equity deficit	**(51.8)**	**(25.8)**	**(77.6)**	**(60.2)**	**(27.2)**	**(87.4)**
Free cashflow	27.2	-	27.2	22.5	-	22.5

(b) Preliminary announcement

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 August 2012 or 2013, but is derived from those accounts. The statutory accounts for Smiths News PLC for the 12 months ended 31 August 2012 have been delivered to the Registrar of Companies and those for the 12 months ended 31 August 2013 will be delivered following the company's annual general meeting.

The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) 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 2013 at www.smithsnews.co.uk.

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:

Newspaper and magazine wholesaling (referred to as Smiths News)		The UK market leading distributor of newspapers and magazines to 30,000 retailers across England and Wales from 45 distribution hubs.
Book wholesaling (referred to as Bertrams and Dawson Books)		A leading UK distributor of physical and digital books to high street and on-line retailers, public libraries and academic institutions with a strong international presence, supplying 95 countries.
Education and care (referred to as The Consortium)		A leading distributor of educational consumable products servicing 30,000 customers.
Media (referred to as DMD)		A supplier of newspaper and magazines to airlines and an emerging player in inflight entertainment.

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

	Revenue		**Operating profit**	
£m	**2013**	2012	**2013**	2012
Newspaper and magazine wholesaling	**1,529.3**	1,570.7	**40.0**	39.0
Book wholesaling	**187.9**	174.3	**7.2**	6.8
Education and care	**63.8**	26.5	**7.4**	3.6
Media	**29.9**	32.4	**2.0**	1.8
Total group - underlying	**1,810.8**	1,803.9	**56.5**	51.2
Non-recurring and other items			**(10.9)**	(10.9)
Group operating profit			**45.6**	40.3
Net finance expense			**(3.7)**	(3.7)
Profit before taxation			**41.9**	36.6

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

2. Segmental analysis (continued)

Information about major customers

Included in revenues arising from Newspaper and magazine wholesaling are revenues of approximately £164.5m (FY2012: £170.2m) which arose from sales to the Group's largest customer.

Segment assets and liabilities

	Assets		**Liabilities**		**Net assets**	
£m	**2013**	2012 Restated	**2013**	2012 Restated	**2013**	2012 Restated
Newspaper & magazine wholesaling	142.3	136.5	(266.5)	(278.8)	(124.2)	(142.3)
Book wholesaling	75.7	69.0	(54.6)	(49.6)	21.1	19.4
Education and care	55.0	52.7	(17.5)	(16.6)	37.5	36.1
Media & marketing	16.0	17.9	(7.3)	(8.7)	8.7	9.2
Consolidated assets/ (liabilities)	**289.0**	276.1	**(345.9)**	(353.7)	**(56.9)**	(77.6)

Segment depreciation, amortisation and non-current asset additions

	Depreciation		**Amortisation**		**Additions to non-current assets**	
£m	**2013**	2012	**2013**	2012	**2013**	2012
Newspaper & magazine wholesaling	**(4.3)**	(4.2)	**(1.3)**	(1.5)	**6.7**	6.7
Book wholesaling	**(0.4)**	(0.5)	**(2.2)**	(1.8)	**5.6**	0.9
Education and care	**(0.5)**	(0.1)	**(1.2)**	(0.4)	**1.6**	31.9
Media & marketing	**(0.1)**	(0.1)	**(0.3)**	(0.3)	**-**	0.3
Consolidated total	**(5.3)**	(4.9)	**(5.0)**	(4.0)	**13.9**	39.8

Geographical analysis

£m	**Revenue by destination**		**Non-current assets by location of operation**	
	2013	2012	**2013**	2012
United Kingdom	**1,734.4**	1,741.4	**107.4**	105.9
Europe	**47.9**	41.0	**0.2**	0.2
Rest of World	**28.5**	21.5	**-**	-
Consolidated total	**1,810.8**	1,803.9	**107.6**	106.1

3. Operating profit

The Group's results are analysed as follows:

£m	Note	2013 Underlying	2013 Non-Recurring	2013 Total	2012 Underlying	2012 Non-Recurring	2012 Total
Revenue		**1,810.8**	**-**	**1,810.8**	1,803.9	-	1,803.9
Cost of inventories recognised as an expense		**(1,565.7)**	**-**	**(1,565.7)**	(1,570.5)	-	(1,570.5)
Write down of inventories recognised as an expense		**-**	**-**	**-**	(0.1)	-	(0.1)
Other cost of sales		**(42.8)**	**-**	**(42.8)**	(43.1)	-	(43.1)
Cost of sales		**(1,608.5)**	**-**	**(1,608.5)**	(1,613.7)	-	(1,613.7)
Gross profit		**202.3**	**-**	**202.3**	190.2	-	190.2
Distribution costs		**(88.6)**	**(2.9)**	**(91.5)**	(89.5)	(2.0)	(91.5)
Administrative expenses		**(53.3)**	**(5.2)**	**(58.5)**	(46.5)	(6.9)	(53.4)
Share-based payment expense		**(1.9)**	**-**	**(1.9)**	(1.4)	(0.4)	(1.8)
Amortisation of intangibles	10	**(2.2)**	**(2.8)**	**(5.0)**	(1.9)	(2.1)	(4.0)
Profit on disposal of operations		**-**	**-**	**-**	-	0.5	0.5
Share of profits from jointly controlled entities and associates		**0.2**	**-**	**0.2**	0.3	-	0.3
Administrative expenses		**(57.2)**	**(8.0)**	**(65.2)**	(49.5)	(8.9)	(58.4)
Operating profit		**56.5**	**(10.9)**	**45.6**	51.2	(10.9)	40.3

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

£m	Note	2013	2012
Depreciation on property, plant & equipment		**5.3**	4.9
Amortisation of intangible assets	10	**5.0**	4.0
Operating lease charges			
• Occupied land and buildings		**8.9**	9.5
• Vacant land and buildings		**0.9**	0.3
• equipment and vehicles		**2.2**	1.3
Operating lease rental income – land and buildings		**(0.4)**	(0.2)
Loss on disposal of fixed assets		**0.2**	0.2
Staff costs		**103.6**	105.4

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	2013	2012
Fees payable to the company's auditor for the audit of the company's annual accounts	**0.1**	0.1
Fees payable to the company's auditor for the audit of the company's subsidiaries	**0.2**	0.2
Total audit fees	**0.3**	0.3
Remuneration advice	**-**	-
Digital strategy review	**0.3**	0.4
Other services	**0.1**	0.1
Total non-audit fees	**0.4**	0.5
Total fees	**0.7**	0.8
Total fees to the Group auditor	**0.7**	0.8
Fees payable to other auditor	**-**	0.1

Details of the Company's policy on the use of auditors for non-audit services and how the auditor's independence and objectivity was safeguarded are set out in the Corporate Governance Report of the annual report. No services were provided pursuant to contingent fee arrangements.

During the year the Group commissioned an extension of the digital strategy review of the books market to consider technology and market entry strategies. After careful consideration of proposals from a number of providers the Board appointed a Deloitte digital strategy team based on market understanding, service and price.

As signalled in last year's Annual report and accounts the Board held a tender for the provision of external audit services during the year. Three audit firms were invited to tender, including the incumbent Deloitte LLP. A panel including the Chairman of the Audit Committee, the Chief Financial Officer and other senior members of the finance function considered a written submission and oral presentation from each of the firms. As a result the Audit Committee recommended to the Board the re-appointment of Deloitte LLP.

4. Non-recurring and other items

£m	**2013**	2012
Integration costs	**(1.1)**	(2.7)
Network re-organisation costs	**(3.3)**	(2.0)
Acquisition costs	**(3.7)**	(4.6)
Gain on sale of investment	**-**	0.5
Amortisation of acquired intangibles	**(2.8)**	(2.1)
Total before interest	**(10.9)**	(10.9)
Interest	**(0.2)**	-
Total before taxation	**(11.1)**	(10.9)
Taxation	**1.3**	2.3
Total after taxation	**(9.8)**	(8.6)

The Group incurred a total of £9.8m in non-recurring and other costs, after tax. This comprises:

Integration costs of £1.1m have been incurred, including £0.6m relating to the integration of West Mercia Supplies into the Consortium, and £0.4m has been incurred in developing the digital and international strategy in Bertrams which has been invested to roll out the digital platform into European markets.

Network reorganisation costs of £3.3m have been incurred to achieve the current network restructuring program which is designed to deliver £20m of costs savings over 3 years to FY2015. Of the costs in the period the largest amount relates to redundancy costs of £2.7m.

Acquisition costs of £3.7m have been incurred including the Consortium acquisition deferred consideration of £3.2m which has been recognised in the P&L, the costs having been spread over the earn out periods at the expected payout levels given the Business's strong profit performance. Acquisition and new venture set up costs in respect of Erasmus, selected contracts from Blackwell Books Limited and Bertrams direct to consumer proposition were £0.5m.

Amortisation of acquired intangibles of £2.8m have been incurred relating to acquisitions amortised over their expected economic lives for which there is no associated cash impact. This comprises £0.8m relating to the acquisition of Bertrams in March 2009, £0.9m relating to the acquisition of Dawson Holdings in August 2011, £1.0m relating to the acquisition of Hedgelane Limited in April 2012 and £0.1m relating to the acquisition of contracts from Blackwell Books Limited. At 31 August 2013 the remaining net book value to be amortised over future years is £18.4m.

5. Retirement benefit obligation

Defined benefit pension schemes

The Group operates three defined benefit schemes, of which the WH Smith Pension Trust (the 'Pension Trust') represents over 96% of the total obligation at 31 August 2013. 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 amounts recognised in the balance sheet are as follows:

£m	Pension Trust	Consortium Care	Platinum	2013	Pension Trust Restated	Consortium Care	Platinum	2012 Restated
Present value of defined benefit obligation	(402.1)	(16.8)	(0.3)	**(419.2)**	(379.7)	(15.5)	(0.1)	**(395.3)**
Fair value of assets	455.3	13.8	0.5	**469.6**	420.0	13.0	0.1	**433.1**
Net surplus	**53.2**	**(3.0)**	**0.2**	**50.4**	**40.3**	**(2.5)**	**-**	**37.8**
Amounts not recognised due to asset limit	(53.2)	-	-	**(53.2)**	(40.3)	-	-	**(40.3)**
Additional liability recognised due to minimum funding requirements	(20.3)	-	-	**(20.3)**	(33.5)	-	-	**(33.5)**
Pension liability	**(20.3)**	**(3.0)**	**-**	**(23.3)**	**(33.5)**	**(2.5)**	**-**	**(36.0)**
Pension asset	**-**	**-**	**0.2**	**0.2**	**-**	**-**	**-**	**-**

The primary defined benefit pension scheme (the Smiths News Section of the WH Smith Pension Trust) has an IAS19 surplus of £53.2m at 31 August 2013 (FY2012: £40.3m 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 (FY2012: £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 IAS19, most notably the use of a discount rate that reflects the actual investment strategy, rather than corporate bond yields as required under IAS19.

During the period the triennial actuarial valuation of the Smiths News section of the WH Smith Pension Trust, effective 31 March 2012 was agreed at £33.0m. The deficit in the scheme was £23.0m when last estimated at 19 June 2013, reduced from £50.0m at the last valuation date of March 2009. The next valuation date for the scheme will be 31 March 2015.

As a result of the reduced actuarial deficit, future cash contributions by the Group will be £4.1m per annum, reduced from £5.8m per annum, through to March 2019. The Group has amended its accounting for such contributions to now recognise the present value of the agreed contributions as a pension liability of £20.3m (FY2012 previously reported £nil, FY2012 restated £34.0m). Further details of this change, which has no impact on earnings, cash flow or covenants, are set out in Note 1.

The Group will adopt IAS19 (Revised) in its financial year ending 31 August 2014. This will involve a change in accounting policy to reflect pension interest in the income statement to be calculated on the net balance sheet position at the beginning of the period. We estimate the resulting non-cash pension charge to be approximately £1.0m in the year ending 31 August 2014. The comparatives for the year ending 31 August 2013 will be restated to also reflect a non-cash charge of £1.0m following this required change in accounting policy (compared to a £1.5m non-cash credit shown under the current policy) (see Note 6).

Other defined benefit schemes

For the Consortium CARE and Platinum schemes, the Group contributed £0.3m in FY2013. The next funding valuation of the Consortium CARE scheme is due on 31 December 2013. The results of the Platinum scheme's 31 December 2012 funding valuation are not yet finalised.

5. Retirement benefit obligation (continued)

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

% p.a.	**2013**		2012	
Discount rate	4.45		4.15	
Inflation assumptions – CPI	2.45		1.85	
Inflation assumptions – RPI	3.45		2.75	
Expected return on scheme assets	4.30		3.72	
Life expectancy at age 65	Male	Female	Male	Female
Member currently aged 65	21.9	24.1	21.8	24.0
Member currently aged 45	23.2	25.6	23.1	25.5

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**	**Net asset / (liability) on balance sheet**
At 31 August 2011- Restated[1]	**375.1**	**(348.3)**	**(63.1)**	**(36.3)**
Current service cost	-	(0.2)	-	(0.2)
Interest cost	-	(18.6)	-	(18.6)
Expected return on assets	19.8	-	-	19.8
Total amount recognised in income statement	**19.8**	**(18.8)**	**-**	**1.0**
Actual less expected return on scheme assets	34.0	-	-	34.0
Actuarial losses on scheme liabilities	-	(28.5)	-	(28.5)
Change in surplus not recognised – Restated[1]	-	-	(10.7)	(10.7)
Amount recognised in other comprehensive income	**34.0**	**(28.5)**	**(10.7)**	**(5.2)**
Employer contributions	6.8	-	-	6.8
Employee contributions	-	-	-	-
Benefit payments	(15.1)	15.1	-	-
Amounts included in cash flow statement	**(8.3)**	**15.1**	**-**	**6.8**
Business combinations	12.5	(14.8)	-	(2.3)
Other changes	**12.5**	**(14.8)**	**-**	**(2.3)**
At 31 August 2012 – Restated[1]	**433.1**	**(395.3)**	**(73.8)**	**(36.0)**
Current service cost	-	(0.4)	-	(0.4)
Interest cost	-	(16.1)	-	(16.1)
Expected return on assets	17.6	-	-	17.6
Total amount recognised in income statement	**17.6**	**(16.5)**	**-**	**1.1**
Actual less expected return on scheme assets	27.9	-	-	27.9
Actuarial losses on scheme liabilities	-	(23.4)	-	(23.4)
Change in surplus not recognised	-	-	0.3	0.3
Amount recognised in other comprehensive income	**27.9**	**(23.4)**	**0.3**	**4.8**
Employer contributions	7.0	-	-	7.0
Employee contributions	-	-	-	-
Benefit payments	(16.0)	16.0	-	-
Amounts included in cash flow statement	**(9.0)**	**16.0**	**-**	**7.0**
Business combinations	-	-	-	-
Other changes	**-**	**-**	**-**	**-**
At 31 August 2013	**469.6**	**(419.2)**	**(73.5)**	**(23.1)**
Included within Non-current assets				**0.2**
Included within Current liabilities				**(4.1)**
Included within Non-current liabilities				**(19.2)**

[1] – Restatement in respect of retirement benefit obligations, see Note 1.

The charge for the current service cost is included within administrative expenses. Interest cost and expected return on scheme assets are included within investment revenues.

5. Retirement benefit obligation (continued)

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

£m	**2013**	2012
Swap financing portfolio [1]	**439.1**	390.5
Interest rate and inflation swaps	**(11.8)**	(11.5)
Equity call options [2]	**27.9**	41.0
Equities (CARE)	**10.2**	9.2
Bonds and cash (CARE, Platinum)	**4.2**	3.9
	469.6	433.1

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 2013 this comprised £322m in asset and total return swap contracts and £116m in a fund comprising a range of assets from government bonds to hedge funds that targets a return above LIBOR.
2. The equity option portfolio represents a notional upside exposure to equities of around £140m.

The actual return on scheme assets during 2013 was a gain of £45.5m (FY2012: a gain of £53.8m).

The expected rate of return on these investments, calculated as a weighted average of the expected return on the individual asset classes was 4.3% p.a. at 31 August 2013 (3.7% p.a. at 31 August 2012).

Sensitivity of results to changes in the main assumptions:

Assumption	**Change in assumption**	**Impact on IAS 19 liabilities**
Discount rate	Decrease by 0.5% p.a.	Increase by £39m
Rate of inflation	Increase by 0.5% p.a.	Increase by £37m
Life expectancy	Increase by 1 year	Increase by £13m

The history of experience adjustments is as follows:

£m	2013	2012	2011	2010	2009
Present value of defined benefit obligation	(419.2)	(395.3)	(348.3)	(367.4)	(338.1)
Fair value of assets	469.6	433.1	375.1	408.6	357.4
Amounts not recognised due to asset limit	(73.5)	(73.8)	(63.1)	(41.2)	(19.3)
Net deficit in the schemes	(23.1)	(36.0)	(36.3)	-	-
Experience adjustments on scheme liabilities	(1.4)	(1.0)	(4.1)	(1.4)	12.5
Experience adjustments on scheme assets	27.9	34.0	(45.8)	39.1	(39.6)

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income since the adoption of IFRS is a loss of £33.1m (FY2012: a loss of £28.6m).

Defined contribution schemes

The Group operates a number of defined contribution schemes. For the year ended 31 August 2013, company contributions totalled £2.7m (FY2012: £2.0m) which is included in the Income Statement.

6. Finance income and expense

£m	**Note**	**2013**	2012
Net income on pension scheme	5	1.5	1.2
Net change in fair value of derivative assets		0.3	-
Investment revenues		**1.8**	**1.2**
Interest on bank overdrafts and loans		(4.7)	(4.2)
Interest payable on finance leases		(0.3)	(0.2)
Unwinding of discount on provisions – trading		(0.3)	(0.5)
Finance costs		**(5.3)**	**(4.9)**
Underlying net finance costs		**(3.5)**	**(3.7)**
Unwinding of discount on provisions – non-recurring		(0.2)	**-**
Net finance costs		**(3.7)**	**(3.7)**

7. Income tax expense

£m			2013			2012
	Underlying	Non-recurring and other items	**Total**	Underlying	Non-recurring and other items	Total
Current tax	15.7	(1.3)	14.4	13.6	(1.9)	11.7
Adjustment in respect of prior year UK corporation tax	(2.6)	-	(2.6)	(1.6)	-	(1.6)
Total current tax charge	**13.1**	**(1.3)**	**11.8**	12.0	(1.9)	10.1
Deferred tax – current year	(0.7)	-	(0.7)	(0.6)	(0.4)	(1.0)
Deferred tax – prior year	(0.3)	-	(0.3)	-	-	-
Total tax on profit	**12.1**	**(1.3)**	**10.8**	11.4	(2.3)	9.1
Effective tax rate	*22.8%*		*25.8%*	*24.0%*		*24.9%*

The effective underlying income tax rate for the year was 22.8% (FY2012: 24.0%). After adjusting for the impact of non-recurring and other items of £1.3m (FY2012: £2.3m), the effective statutory income tax rate was 25.8% (FY2012: 24.9%).

Reconciliation of the tax charge

£m	2013	2012
Profit before tax	**41.9**	36.6
Tax on profit at the standard rate of UK corporation tax 23.6% (2012: 25.2%)	9.9	9.2
Permanent differences	2.8	1.9
Share schemes	(0.4)	(0.4)
Adjustment in respect of prior year UK corporation tax	(2.9)	(1.6)
Impact of overseas tax rates	1.4	-
Total tax charge	**10.8**	9.1

Tax charges to other comprehensive income

£m	2013	2012 Restated[1]
Current tax relating to the defined benefit pension scheme	1.2	1.8
Deferred tax relating to derivative financial instruments	(0.3)	0.1
Deferred tax relating to share based payments	0.5	0.2
Deferred tax relating to retirement benefit obligations	(3.3)	(1.4)
Tax charges to other comprehensive income	**(1.9)**	0.7

[1] – Restatement in respect of retirement benefit obligations, see Note 1.

8. Dividends

Amounts recognised as distributions to equity shareholders in the year are as follows:

Proposed dividends for the year	2013 per share	2012 per share	2013 £m	2012 £m
Final dividend	**6.3p**	5.8p	**11.6**	10.5
Interim dividend	**3.0p**	2.8p	**5.5**	5.1
	9.3p	8.6p	**17.1**	15.6
Recognised dividends for the year				
Final dividend – prior year	**5.8p**	5.4p	**10.5**	9.8
Interim dividend – current year	**3.0p**	2.8p	**5.5**	5.1
	8.8p	8.2p	**16.0**	14.9

The proposed final dividend for the year ended 31 August 2013 of 6.3p is subject to approval by shareholders at the Annual General Meeting on 23 January 2014 and in line with IAS10 – '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 7 February 2014 to shareholders on the register at close of business on 10 January 2014.

9. Earnings per share

	2013 £m Earnings	2013 Weighted average number of shares million	2013 Pence per share	2012 £m Earnings	2012 Weighted average number of shares million	2012 Pence per share
Weighted average number of shares in issue		183.9			183.5	
Shares held by the ESOP (weighted)		(1.7)			(2.2)	
Basic earnings per share (EPS)						
Underlying earnings attributable to ordinary shareholders	**40.9**	**182.2**	**22.4p**	36.1	181.3	19.9p
Non-recurring items	(9.8)			(8.6)		
Earnings attributable to ordinary shareholders	**31.1**	**182.2**	**17.1p**	27.5	181.3	15.2p
Diluted earnings per share (EPS)						
Effect of dilutive securities		11.7			5.8	
Diluted underlying EPS	**40.9**	**193.9**	**21.1p**	36.1	187.1	19.3p
Diluted EPS	**31.1**	**193.9**	**16.0p**	27.5	187.1	14.7p

The acquisition of Hedgelane Limited in April 2012 included £4.0m of deferred share capital payable contingent on profit targets and the continued employment of the former owners of Hedgelane Limited. A maximum of 4.5m shares will be issued on or around January 2014 in satisfaction of the deferred share capital if the financial performance and employment service are met. The weighted effect of this has been included in diluted EPS.

10. Intangible assets

10a. 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 2012	43.1	19.7	2.9	0.7	3.9	24.9	95.2
Additions	0.3	-	-	-	1.7	1.2	3.2
Acquisition of subsidiaries	0.8	2.3	0.1	-	-	-	3.2
Disposals	-	(0.3)	-	-	-	(0.8)	(1.1)
At 31 August 2013	**44.2**	**21.7**	**3.0**	**0.7**	**5.6**	**25.3**	**100.5**
Accumulated amortisation:							
At 1 September 2012	-	3.4	0.6	0.3	2.3	21.5	28.1
Amortisation charge	-	2.3	0.3	0.2	1.2	1.0	5.0
Disposal	-	(0.1)	-	-	-	(0.7)	(0.8)
At 31 August 2013	**-**	**5.6**	**0.9**	**0.5**	**3.5**	**21.8**	**32.3**
Net book value at 31 August 2013	**44.2**	**16.1**	**2.1**	**0.2**	**2.1**	**3.5**	**68.2**
Cost:							
At 1 September 2011	22.0	10.4	2.0	0.5	2.8	23.3	61.0
Additions	-	-	-	-	1.1	1.2	2.3
Acquisition of subsidiaries	21.1	9.3	0.9	0.2	-	0.4	31.9
At 31 August 2012	**43.1**	**19.7**	**2.9**	**0.7**	**3.9**	**24.9**	**95.2**
Accumulated amortisation:							
At 1 September 2011	-	1.7	0.3	0.2	1.6	20.3	24.1
Amortisation charge	-	1.7	0.3	0.1	0.7	1.2	4.0
At 31 August 2012	**-**	**3.4**	**0.6**	**0.3**	**2.3**	**21.5**	**28.1**
Net book value at 31 August 2012	**43.1**	**16.3**	**2.3**	**0.4**	**1.6**	**3.4**	**67.1**

Within the £2.3m of additions to customer relationships in the year is £2.0m in relation to the acquisition of certain European and African academic library services customer relationships from Blackwells UK Limited on 16 April 2013 by Dawson Books Limited, a 100% owned subsidiary of the Group. The remaining £0.3m relates to Erasmus acquisition which is described more fully in Note 11.

10. Intangible assets (continued)

10b. Goodwill and intangibles by segment and 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 Book wholesaling 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 CGU's identified at the time of the acquisition; Dawson Books and Media Direct.

On the acquisition of Hedgelane Limited on 24 April 2012, the Group recognised goodwill of £20.9m and acquired intangibles of £10.4m which have been allocated to the Education and Care cash generating unit.

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.

During the year the acquisition of Erasmus on 21 January 2013 generated £0.8m of goodwill and £0.3m of acquired intangible assets. The acquisition of certain Blackwells contracts on 16 April 2013 generated £2.0m of acquired intangibles.

Goodwill is not amortised, but tested annually for impairment with the recoverable amount being determined from value in use calculations. The recoverable amounts of the 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 13.9% to 14.2%, 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 9% risk adjusted by 2%. The calculation of value in use is most sensitive to the discount rate and growth rates used. Management believes that no reasonable potential change in any of the above key assumptions would cause the carrying value to exceed its recoverable amount.

		Goodwill			**Acquired Intangibles**			**Total**		
£m	Date of acquisition	2013	2012	On acquisition	2013	2012	On acquisition	2013	2012	On acquisition
Bertrams	March 2009	4.1	4.1	4.1	1.2	2.0	5.1	5.3	6.1	9.2
Dawson books	August 2011	12.4	12.4	12.4	4.1	4.6	5.3	16.5	17.0	17.7
Houtschild	July 2012	0.3	0.3	0.3	-	-	-	0.3	0.3	0.3
Erasmus	January 2013	0.8	-	0.8	0.3	-	0.3	1.1	-	1.1
Blackwells contracts	April 2013	-	-	-	2.0	-	2.0	2.0	-	2.0
Book wholesaling		17.6	16.8	17.6	7.6	6.6	12.7	25.2	23.4	30.3
Media direct	August 2011	5.7	5.7	5.7	1.8	2.2	2.3	7.5	7.9	8.0
Marketing services	August 2011	-		-	-	0.2	0.3	-	0.2	0.3
Media		5.7	5.7	5.7	1.8	2.4	2.6	7.5	8.1	8.3
Education and care	April 2012	20.9	20.6	20.9	9.0	10.0	10.4	29.9	30.6	31.3
		44.2	**43.1**	**44.2**	**18.4**	**19.0**	**25.7**	**62.6**	**62.1**	**69.9**

The individual material intangible assets relate to the customer relationships acquired with Dawson Holdings PLC and Hedgelane Ltd. The carrying value of these assets at 31 August 2013 is £5.5m, and £8.1m respectively with a remaining amortisation period of 8 and 9 years respectively.

11. Acquisitions

2013

Acquisitions made during the year contributed £7.4m to the Group's revenue and £0.3m to the Group's operating profit before intangible amortisation and acquisition related costs.

The estimated contributions of acquired businesses to the results of the Group, as if the acquisitions had been made at the beginning of the year, are as follows:

	£m
Revenue	12.4
Operating profit before intangible amortisation and acquisition related costs	0.5

The net cash outflow in respect of acquisitions in the year comprised:

	£m
Cash consideration	(3.2)
Cash acquired	0.7
Cash payments to former vendors for excess cash	(0.3)
Net cash outflow in respect of acquisitions	**(2.8)**
Acquisition related costs – current year acquisitions	(0.3)
Acquisition related costs – prior year acquisitions	(2.0)
Total cash outflow in respect of acquisitions	**(5.1)**

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 IFRS3 'Business Combinations'. Until this assessment is complete, the allocation period remains open up to the end of the financial year following the relevant acquisition date. At 31 August 2013, the allocation period for all acquisitions completed since 1 September 2012 remained open and accordingly the fair values presented are provisional.

During the year, the Group completed the following acquisitions which have been accounted for in accordance with IFRS3 Business Combinations.

Erasmus

On 21 January 2013, the Group acquired 100% of the issued share capital of Erasmus Antiquariaat en Boekhandel B.V. ('Erasmus') via Dawson Books Ltd, a subsidiary of Bertram Trading Ltd.

Erasmus, based in the Netherlands, is a leading supplier of high quality books and journals into both academic libraries and Government Institutions mainly across Northern Europe. The acquisition provides additional scale, infrastructure and expertise as well as greater access to key customers and geographies which is consistent with our stated international expansion strategy and will further facilitate Dawsons' digital expansion outside of the UK.

The consideration was £1.2m and net cash received was £0.4m. The provisional fair value of net assets acquired totalled £0.1m. Acquired net assets comprised £0.2m of inventories, £2.0m of trade and other receivables, £0.7m of gross cash and £2.8m of trade and other payables.

The acquired trade and other receivables fair value of £2.0m had a gross contracted value of £2.1m, the best estimate at the acquisition date of the contractual cashflows not to be collected is £0.1m.

The acquisition gives rise to acquired intangibles of £0.3m and £0.8m of goodwill relating to future opportunities in the provision of academic book wholesaling. None of the provisional goodwill recognised is expected to be deductible for income tax purposes.

11. Acquisitions (continued)

2012

On 23 April 2012, Smiths News Holdings Limited acquired 100% of the issued share capital of Hedgelane Limited. Hedgelane Limited's main trading subsidiary, the Consortium for Purchasing and Distribution ("The Consortium") is a leading independent distributor of consumable products to the education sector and an emerging participant in the care sector. The fair values were finalised during 2012 and the resultant effect of the acquisition on the Group's assets and liabilities is as follows:

	Provisional opening balance sheet £m	Fair value adjustments £m	Fair value of assets acquired £m
Net assets acquired	11.4	(0.3)	11.1
Goodwill	20.6	0.3	20.9
Total consideration	32.0	0.0	32.0

The Consortium contributed £63.8m to revenue and £7.4m to the Group's underlying operating profit before intangible amortisation and acquisition related costs in the year.

IFRS3 requires that any payments that are contingent on future employment be charged to the income statement. £6m of deferred consideration is contingent on profit targets, £4m of which is contingent on the continued employment of the former owners of Hedgelane Limited. This comprises:

- £2m in cash being the fair value of deferred consideration payable conditional on the financial performance and on contract of employment in the 5 month period from 24 April 2012 to 30 September 2012;
- £2m of deferred share capital issuable conditional on the financial performance and continued employment in the 17 month period from 24 April 2012 to 30 September 2013; and
- £2m of deferred share capital issuable conditional on continued employment in the 17 month period from 24 April 2012 to 30 September 2013.

During the period the Group has incurred £3.2m of deferred consideration expense within non-recurring and other items on the income statement including £2.0m of cash paid to the vendor. A further £0.2m of expense is expected to be incurred in FY2014 being the final proportion of the deferred consideration.

12. Cash and borrowings

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

£m	Sterling	Euro	USD	Other	Total 2013	2012
Cash and cash equivalents	6.4	1.9	1.3	0.5	10.1	5.1
Term loan – disclosed within current liabilities	(3.0)	-	-	-	(3.0)	(3.0)
Term loan – disclosed within non-current liabilities	(34.0)	-	-	-	(34.0)	(37.0)
Revolving credit facility	(62.9)	-	-	-	(62.9)	(60.1)
Asset backed facility	(6.9)	-	-	-	(6.9)	(3.0)
Total borrowings	(106.8)	-	-	-	(106.8)	(103.1)
Net borrowings	(100.4)	1.9	1.3	0.5	(96.7)	(98.0)
Total borrowings						
Amount due for settlement within 12 months	(72.8)	-	-	-	(72.8)	(66.1)
Amount due for settlement after 12 months	(34.0)	-	-	-	(34.0)	(37.0)
	(106.8)	-	-	-	(106.8)	(103.1)

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.

Included within cash is £nil of restricted cash (FY2012: £0.4m).

The asset backed facility is secured by a floating charge over certain of the Group's trade receivables.

Available Group bank facilities are outlined below. At 31 August 2013, the Group had £70.2m (FY2012: £76.9m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at 31 August 2013, the Group had £177m committed bank facilities in place (FY2012:£180m). This reduced to £174m in September 2013 following a £3m scheduled repayment.

Bank facilities now comprise:

- a £34m syndicated term loan with a further £4m repayable in September 2014 and the balance repayable in November 2014;
- a £95m syndicated revolving credit facility which is also repayable in November 2014;
- a £10m bilateral revolving credit facility entered into in July 2012 and repayable in August 2014;
- a committed asset backed facility of up to £15m, secured against the debtors of Bertrams, repayable in November 2014; and
- a committed asset backed facility of up to £20m, secured against the debtors of Smiths News, is repayable in November 2014.

13. Provisions

£m	Reorganisation provisions	Insurance provision	Deferred consideration	Property provisions	Total
Gross provision:					
At 1 September 2012	0.3	1.3	2.1	10.8	14.5
Additions	1.4	0.5	1.8	0.6	4.3
Disposal	-	-	-	(0.9)	(0.9)
Utilised in year	(0.3)	(0.4)	(2.0)	(4.1)	(6.8)
At 31 August 2013	**1.4**	**1.4**	**1.9**	**6.4**	**11.1**
Discount:					
At 1 September 2012	-	-	-	(2.0)	(2.0)
Additions	-	-	-	0.2	0.2
Unwinding of discount utilisation	-	-	-	1.0	1.0
At 31 August 2013	**-**	**-**	**-**	**(0.8)**	**(0.8)**
Net book value at 31 August 2013	**1.4**	**1.4**	**1.9**	**5.6**	**10.3**
Gross provision:					
At 1 September 2011	1.3	1.3	-	9.9	12.5
Additions	0.8	0.3	2.1	3.6	6.8
Acquisition of subsidiary	-	-	-	-	-
Utilised in year	(1.8)	(0.3)	-	(2.7)	(4.8)
At 31 August 2012	0.3	1.3	2.1	10.8	14.5
Discount:					
At 1 September 2011	-	-	-	(2.2)	(2.2)
Additions	-	-	-	(0.3)	(0.3)
Unwinding of discount utilisation	-	-	-	0.5	0.5
At 31 August 2012	-	-	-	(2.0)	(2.0)
Net book value at 31 August 2012	0.3	1.3	2.1	8.8	12.5

£m	**2013**	2012
Included within current liabilities	**7.5**	7.8
Included within non-current liabilities	**2.8**	4.7
Total	**10.3**	12.5

13. Provisions (continued)

Reorganisation provisions include amounts for programs, primarily redundancy costs, that have been announced prior to the year end where the not all of the costs have been incurred.

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 8%, and this discount will be unwound over the life of the leases. The provision is expected to be utilised over the period to 2019, when all of the leases that have been provided against will have expired.

Deferred consideration relates to amounts provided in relation to the acquisition of Hedgelane Ltd on 23 April 2012, the cost is contingent upon future employment and is being recognised in line with the relevant time periods, see note 11 for further details.

14. Operating lease commitments

The group as lessee:

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

£m	**2013** Land & buildings	**2013** Equipment & vehicles	**2013 Total**	2012 Land & buildings	2012 Equipment & vehicles	2012 Total
Within one year	8.1	1.6	9.7	10.0	1.3	11.3
In the second to fifth years inclusive	26.2	1.6	27.8	28.9	1.8	30.7
In more than five years	26.7	-	26.7	29.6	-	29.6
	61.0	**3.2**	**64.2**	68.5	3.1	71.6

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 group as lessor:

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

£m	**2013**	2012
In the second to fifth years inclusive	0.3	0.2
	0.3	0.2

Property rental income earned during the year was £0.4m (FY2012: £0.2m).

15. Net cash inflow from operating activities

£m	**2013**	2012
Operating profit	45.6	40.3
Acquisition costs	3.2	2.0
Profit on sale of Investment	-	(0.5)
	48.8	41.8
Adjustment for pension funding	(6.5)	(6.8)
Depreciation of property, plant and equipment	5.3	4.9
Amortisation of intangible assets	5.0	4.0
Share based payments	1.9	1.8
Decrease/(Increase) in inventories	0.4	(2.0)
Increase in receivables	(5.8)	(3.1)
Increase/ (decrease) in payables	1.5	(6.3)
Income tax paid	(10.5)	(8.0)
Increase in provisions	(2.2)	2.2
Net cash inflow from operating activities	**37.9**	28.5

16. 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	**2013**	2012	**2013**	2012
Jointly controlled entities	**0.1**	1.1	**0.3**	0.2

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

	Loan to related parties	
£m	**2013**	2012
Jointly controlled entities	**0.6**	0.9

The loan to related parties has no set date for repayment and accrues 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	**2013**	2012
Short-term employee benefits	3.0	3.1
Post-employment benefits	-	-
Share based payments	1.1	1.1
	4.1	4.2

Information concerning directors' remuneration, interest in shares and share options are included in the Remuneration Report of the Annual report.

Directors' transactions

There are no other transactions with Directors.

17. Called up share capital

(a) Share Capital

£m	2013	2012
Authorised:		
300.0m ordinary shares of 5p each	15.0	15.0
Issued and fully paid:		
184.3m ordinary shares of 5p each (2012: 183.5m)	9.2	9.2

(b) Movement in share capital

£m	Ordinary shares of 5p each
31 August 2012	9.2
At 31 August 2013	9.2

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 763,101 (FY2012: 77,482) ordinary 5p shares were issued for a consideration of £655,352 (FY2012: £65,306), resulting in a share premium of £617,197 (FY2012: £61,432).

The concept of authorised share capital was repealed by the Companies Act 2006 with effect from 1 October 2009, and on 15 January 2010, the Company passed a Special Resolution dis-applying the existing provisions of its Memorandum of Association from applying to its Articles of Association.

(c) Share Premium

£m	2013	2012
Balance at 1 September	0.6	0.5
Issue in relation to Sharesave Scheme	0.6	0.1
Balance at 31 August	**1.2**	0.6

18. Reserves

(a) Other Reserve

£m	2013	2012
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) ESOP Reserve

£m	2013	2012
Balance at 1 September 2012	(1.7)	(2.6)
Acquired in the period	(3.0)	(0.8)
Disposed of on exercise of options	3.2	1.7
Balance at 31 August 2013	**(1.5)**	(1.7)

The ESOP reserve represents the cost of shares in Smiths News PLC purchased in the market and held by the Smiths News PLC Employee Benefit Trust to satisfy options under the Group's Share Option Schemes. The number of ordinary shares held by the Trust at 31 August 2013 was 1,070,854 (FY2012: 1,830,696).

At 31 August 2013 these shares were held at a weighted average value of £1.43 each.

(c) Hedging Reserve

£m	2013	2012
Balance at 1 September	(2.3)	(2.1)
Loss/(gain) recognised on cash flow hedges	1.7	(0.2)
Balance at 31 August	**(0.6)**	(2.3)

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 impacts the profit or loss, ie the portion of the hedge deemed ineffective.

19. Responsibility statement

The responsibility statement below has been prepared in connection with the Group's full annual report for the year ending 31 August 2013. 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; and
- the management report, which is incorporated in the directors' 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.

The responsibility statement was approved by the board of directors on 16 October 2013 and is signed on its behalf by:

Mark Cashmore
Group Chief Executive

Nick Gresham
Chief Financial Officer