

# Chairman's Statement

**Last year I began my statement by recounting a story that epitomised the service ethic of Smiths News: with only 72 hours notice we were called upon and succeeded in taking over the distribution of 55,000 daily newspapers of a regional wholesaler that had gone into receivership.**

This year, we were faced with a strikingly similar situation but on a truly unprecedented scale: the country's third largest national wholesaler, Dawson News, was about to go into administration and unless we took decisive action the industry supply chain could collapse. Working literally around the clock and on short notice, the Smiths News team absorbed 20 depots and 1,800 staff from Dawson News into our network. On 2 August 2009, we commenced the distribution of an additional 3.5 million daily newspapers and 9 million magazines a week to 5,000 retailers, on time and without any disruption to the industry.

This was the culmination of the major events in what has been a truly exceptional year. We entered the financial year with a newspaper and magazine business with annual revenues of £1.27bn; we now start the current year with projected revenues of £1.7bn. This is a result of the award of a series of five-year distribution contracts that flowed throughout the year from the country's national newspaper and magazine publishers and also from regional newspaper publishers. These contract gains have resulted in an increase in our national market share from 39% to some 55%.

In our time sensitive newspaper and magazine business, the key to success is very simple: deliver the best in class service at the lowest cost to serve. The award of these contracts was determined by these criteria. It is therefore a testament to the dedication, professionalism and relentless drive of all of our colleagues who day-in-day-out strive to deliver on these success factors. I am delighted that their efforts have been so amply and tangibly recognised. There can be no better example of our people being our greatest asset.

In pursuit of our strategy of diversifying into new markets and building on skills and competencies that we already possess, we acquired the book wholesaler, Bertrams. Bertrams is a leading and well-respected player in its market with a strong management team and has performed ahead of the Board's expectations.

The Group has also demonstrated its resilience in what has been an extremely tough economic environment. Underlying profit before tax of £30.5m was down 6.2% on last year but the business generated free cash flow of £23.7m. Given the Board's confidence in the future prospects for the Group and its strong cash flow characteristics, an increased final dividend of 4.6p per share has been proposed, making a full year dividend of 6.8p, up 1.5% on last year.

In September, the Office of Fair Trading announced that it would not refer the newspaper and magazine distribution sector to the Competition Commission. This confirms its provisional decision in 2008 not to do so. This is a welcome development for the industry and will enable Smiths News to concentrate on what it does best: serving customers.

This year has once again demonstrated the strength and depth of our people. I would particularly like to thank Mark Cashmore and the Executive team for their leadership of the business and my colleagues on the Board for their support in what has been a demanding, albeit exciting, year.

The Group has made excellent progress and we are now a significantly larger and broader based business. In the year ahead, we expect the UK economic environment to remain tough but with the commitment of our colleagues, which is demonstrated every day of the year, and the opportunities we have to improve our profitability we can look to the future with confidence.

**Dennis Millard**  
Chairman

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# Every day Smiths News delivers 7m newspapers across England and Wales.

We work round the clock every day of the year except Christmas Day. We make sure the news always gets through.

