

EM News Distribution (NI) Limited

Annual Report and Accounts

for the 52 weeks ended 31 December 2022



Company number: NI 61384

EM News Distribution (NI) Limited

Company number: NI 61384

Corporate information

Directors	GJ Michael PRP McCourt
Registered office	11 Airport Road West Belfast Harbour Estate Belfast BT3 9ED, UK
Independent auditor	Deloitte LLP 110 Queen St Glasgow G1 3BX, UK

EM News Distribution (NI) Limited

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EM News Distribution (NI) Limited

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Strategic Report

The Directors present their Strategic Report for the 52 weeks ended 31 December 2022.

Business review and future developments

The principal activity of EM News Distribution (NI) Limited (the 'Company') is the wholesale distribution of newspapers, magazines and books in Northern Ireland.

The Company's revenue during the period was £50,423k (2021: £51,390k), a decrease of £967k. Operating profit for the period amounted to £1,495k (2021: £2,414k), a decrease of £919k. The Company did not pay an ordinary dividend during the period to its parent Company (2021: Nil).

After the balance sheet date, on 19 July 2023, InPost, Europe's leading out of home delivery partner, became a new investor in the Menzies Distribution Group as our two organisations collaborate across the UK on an exclusive basis.

In addition, the Company was successful in securing contract extensions for the distribution of Frontline and Seymour titles to 2030 (in March 2023) and Daily Mail Group (DMG) titles to 2028 (in May 2023). This is a major milestone for the Company, protecting its existing business for a further five years. Frontline and Seymour represent 65% of the magazine market across the UK. DMG publish the UK's largest paid-for daily newspaper.

Outlook

The commercial environment in which the Company operates is expected to remain competitive in the year ahead. The Company remains focused on cost control and productivity improvements including the implementation of semi-automated packing technology to both improve efficiency and increase accuracy of customer deliveries.

The Board of Directors, and its management team, are, therefore, well placed to meet the ongoing challenges facing the Company in the current marketplace.

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Strategic Report (continued)**Principal risks and uncertainties**

The principal risks and uncertainties associated with the Company's operations are set out below:

Health and safety

The risk that the Company is involved (directly or indirectly) in a major operational incident, including extreme weather events, resulting in significant human injuries, fire damage or damage to property. This could have a significant impact on claims against the Company, its reputation and its chances of winning and retaining contracts. In extreme cases, services could be suspended or structural changes imposed on the Company as a result of regulatory or other action. A series of less severe incidents could have similar consequences.

The Company has a proactive culture that puts health and safety at the top of its agenda in order to mitigate the potential for major incidents. In the event that a major incident did occur, the Company has detailed health and safety procedures and processes in place. The Company employs a central health and safety team who visit and inspect all business locations.

The Company undertakes regular training and assessment programmes, monitors business records and completion of risk self-assessments, analyses all 'near miss' reporting and undertakes routine audits and investigations if felt necessary. Health, safety and environmental data and reporting are provided to business management and leadership to manage and achieve target business performance. The Company periodically rehearses its response to a hypothetical major incident. The Company has insurance arrangements in place to reduce the financial effect on the Company of certain claims against it. Where claims do arise, they are managed by the Company's Head of Insurance, alongside our outsourced insurance providers with claims specialists. Where appropriate, legal advice is obtained from appropriately qualified advisors. The balance between insured and retained risks is re-evaluated at least once a year and insurance and claims activity is monitored closely.

Economic and environmental risk

The Company's performance is influenced by general economic conditions such as the conflict between Ukraine and Russia and the commercial impact arising from climate change targets.

Even though the conflict between Ukraine and Russia will not have a direct impact on the Company's business, pressures on oil prices have had a significant impact on the Company's fuel and utility costs. The Company continues to actively monitor and assess this situation.

The Company recognises the complex global challenges presented by climate change and the importance of understanding the risks and opportunities that it represents, while at the same time embedding these considerations into strategic decision-making. The focus and discussions on climate change will almost, inevitably, lead to additional legal and/or regulatory measures, additional compliance obligations and operational restrictions.

At present, there is risk to the Company from the potential impact of changes to legislation on plastics, paper, fuel, carbon and recycling. Increasing and promoting gift/copy reuse and working with our strategic partners to ensure we can scale capacity to meet future requirements will be critical to converting this risk to an opportunity as a unique selling proposition, as outlined in more detail in the Sustainability Report within the immediate parent entity, Menzies Distribution Limited, financial statements. In respect of fuel and carbon, the continuing evolution to and development of electric vehicles, carbon neutral transportation, ULEZ zones, the expansion of traffic free city centres and the potential for further congestion charges may require additional changes to our fleet and transport capabilities.

EM News Distribution (NI) Limited

Company number: NI 61384

Strategic Report (continued)**Principal risks and uncertainties (continued)*****Economic and environmental risk (continued)***

To manage this risk, regular monthly meetings are held with vehicle suppliers as well as industry bodies to monitor all new legislation changes potentially impacting our vehicle fleet. All new vehicle upgrades will meet the requirements of Euro6 standards and all replacements will be considered for Fully Electric Potential. The Company is working with a number of manufacturers to understand what is coming in the future and how this will integrate with our fleet. We have trialled a number of natural gas fuelled vehicles, recognising such technology is in its infancy and is not yet suited to our business. All additions to the Company's fleet require approval at the Company's monthly, 'Material Contracts Approval' meetings attended by the CEO, CFO, Ops Director and senior management personnel from the Sales team, Finance team and operations team. All vehicles are replaced every 4 years and are subject to daily checks to ensure roadworthiness laws are met in full. LEZ and ULEZ zones are adopted across different areas of the country and the Company attends all clean air roadshows to anticipate change requirements and timescales in order to maintain full compliance.

The Company is developing better tools to facilitate CO2 reporting for customers so as to expand discussion and dialogue on environmental and sustainability issues and work together on joint projects.

Financial instrument risks

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed within the central 'order to cash' department and is subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

Market change risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. To ensure the Company is prepared for any such market change risks:

- A strategy review exercise which involves a full examination of market conditions and trends is held each year prior to budget setting.
- Market research investment is made to ensure the Directors' understanding remains current.
- The Company focuses on cost and productivity efficiency in its core business.

Risk of publisher failure or changes to their commercial model

Regular monthly meetings are held with all publishers to identify and discuss, among other things, market changes which may impact both them and the industry in the future. The strategy and direction of the Company is defined and, in the face of material change, updated and supported by a clear plan for execution. Accountability at leadership level is, likewise, clearly defined. Performance to the business plan and budget is reviewed monthly by the Board and senior management team. This ensures effective and timely monitoring of performance with action to be taken in the event of shortfalls to expectations.

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Strategic Report (continued)**Principal risks and uncertainties (continued)*****Risk of publisher failure or changes to their commercial model (continued)***

Magazine contracts (which have the highest volatility in sales and decline rates) include sales floor mechanisms and renegotiation triggers should sales decline beyond certain levels to mitigate risk through increased commercial terms. Newspaper contracts include price protection on adverse cover price movements which also provides support against volume and pricing deadlines. Contracts are currently in place which protects existing geographic footprint. Vertical integration within the supply chain has also mitigated the risk of any loss of market share.

Risk of a major retailer deselecting the newspaper and magazine category across their store network

Regular meetings are held with all major retailers to analyse the performance of the newspaper and magazine category within their business and to identify new ways to maximise sales or reduce supply costs. By improving the category's instore profit margins, the risk of retailers reducing its current selling space or, worst case, delisting the product, can be substantially reduced.

Fore Consultancy, a division of the immediate parent entity, Menzies Distribution Limited, has developed strong relationships with all our major retail customers to maximise the profitability of the category by store. Fore assists retailers to minimise the risk of stock outs by title, simplify the returns process and improve sales volumes by targeting specific publications by geography and demography. Fore has also enabled the roll-out of EPOS-based replenishment (EBR), reducing the time to process returns by store, and demonstrably reducing the cost to service the category.

The Company has also engaged with its retailer portfolio on providing additional services to complement the newspaper and magazine category, lowering total annual logistics & warehouse spend. As the Company continues to successfully diversify over the medium term, particularly working in collaboration with InPost, further opportunities will arise for retailers to increase their footfall including, for example, becoming a locker hosting site or participating in InPost's over-the-counter parcel-collection service.

Risk of fraud & bribery prosecution

The risk that the Company fails to prevent fraud or bribery or fails to comply with the governing legislation.

All employees annually have to complete Bribery Act and modern slavery compliance training which is regularly refreshed to reflect any changes in law. The Company has an Anti-Bribery and Corruption Policy and Gifts and Hospitality policy. It also has a modern slavery policy and statement on its website. In respect of fraud, no petty cash is held on any site. All balance sheet reconciliations are prepared and submitted each month by a finance manager and reviewed and signed off by the Finance Manager within Corporate Reporting and Treasury. Formal balance sheet reviews take place every month. Self-certifications are required from both preparer and reviewer to confirm that all reconciliations are complete and accurate, without any potential risk of fraud being identified. Banking powers are approved by the CFO only, who has no access to the bank accounts or SAP directly. Each payment processed requires dual signature. Segregation of duties ensure no one finance person has the ability to process and pay a transaction from start to finish.

People risk

The Company's business relies on people. High staff turnover leads to low experience and skill levels. This could leave our operations without sufficiently skilled employees to deliver the Company's business objectives.

There is therefore the risk that insufficient succession plans are in place so that key staff are not identified to fill senior positions from within the business. There is considerable competition for highly trained staff in certain areas of the Company. Our strategy requires the recruitment and retention of highly-skilled managers and employees.

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Strategic Report (continued)**Principal risks and uncertainties (continued)****People risk (continued)**

Succession plans are reviewed annually and throughout the year. Risk areas are identified and plans are put in place to address. Annual performance reviews are held with all business leaders and reported on Myles, our online employee training and development system. The Company reviews its salary and reward offer on an annual basis to ensure it offers a competitive pay package to employees. A number of internal programmes have been introduced to train and develop key employees, the leaders of tomorrow.

Technology risk

The risk that we do not have adequate back-up procedures for our systems or that those systems are vulnerable to attack. An outage for a period of time could have an impact on our operations. Loss of commercial or personal data could damage the business or our reputation and result in increased financial penalties.

Disaster recovery processes are in place. The Company continually reviews its systems to ensure they are appropriately secured, and have invested in firewalls and other security features. Penetration testing is conducted. Investment is made in appropriate policies, people and technology to reduce the severity and likelihood of information security risks crystallising.

The Company has therefore ensured that its IT infrastructure is flexible, reliable and secure. Secure infrastructure prevents external cyber-attacks, insider threat or supplier breach which could cause service interruption and/or the loss of company and customer data. Flexible and reliable IT infrastructure means that the Company is able to meet its strategic goals and react to changing events.

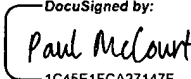
The Company has a defined risk-based approach to the information security roadmap and technology strategy which is aligned to its strategic plans. There is regular tracking of key programmes against spend targets and delivery dates. Cyber risk is assessed on a day-to-day basis, using proactive and reactive information security controls to mitigate common threats. The business has access to third-party cyber security specialists and the Company encourages a cyber aware culture by undertaking exercises such as computer-based training and more regular communications about specific cyber threats.

Key performance indicators

The key performance indicators are those that demonstrate the quality of service levels to retail customers and publisher clients. The Company's record of performance across 2022 was as follows:

KPI	31 Dec 2022	1 Jan 2022
Turnover (£000's)	50,423	51,390
Operating profit (£000's)	1,495	2,414
On time delivery performance (Target 92.5%)	98.3%	98.8%
Newspaper packing accuracy (Target 99.5%)	99.9%	99.9%
Magazine packing accuracy (Target 98%)	99.8%	99.8%

Approved by the Board and signed on its behalf

DocuSigned by:

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 PRP McCourt
 27 July 2023

EM News Distribution (NI) Limited

Company number: NI 61384

Directors' Report

The Directors have pleasure in submitting their Directors' Report together with the audited accounts for the 52 weeks ended 31 December 2022.

The Directors who served during the period and up to the date of approving these financial statements were:
GJ Michael
PRP McCourt

Going concern

The Company's business activities, together with the key factors likely to affect its future development, performance and position, are set out in the Strategic Report. The Company has prepared monthly budgets covering a period of twelve months from the date of approval of the financial statements. These forecasts have been tested by performing sensitivity analysis on the critical assumptions.

The Company operates within the consolidated Group's pooled cash facility under which Menzies Distribution Limited ('the Group'), a subsidiary of the Company's ultimate parent company, collects cash and makes payments on behalf of the Company and other subsidiaries in the normal course of business. As such the At the balance sheet date, the Group had net debt (being cash and cash equivalents offset with financial assets and liabilities but excluding leases) of £1.8m (1 January 2022: £5.8m).

In July 2022, the Group successfully refinanced its £25m Revolving Credit Facility and £14m term loan with Royal Bank of Scotland to 2025. The Group has therefore a strong and robust balance sheet, underpinned by excellent cash conversion, enabling the immediate funding of future growth opportunities as they arise. As such, the Group has sufficient access to funding and headroom available within the facility for the 12-month period from the date these financial statements were approved.

Management have therefore considered the going concern status of the Company using a variety of methods. The methodology has been consistent with that used to prepare the financial budgets. The business has assessed the conflict between Ukraine and Russia, which even though it does not have a direct impact on the Company's business, it will exert pressure on oil prices which could have an indirect impact on the Company's fuel prices but it would not be considered sufficient enough to raise concerns around going concern. On this basis, considering the continued profitability of the Group, the availability of sufficient pooled cash flow facilities and the fact that nothing else significant has changed from when we prepared our forecast projections up to when these financial statements had been approved, the Directors are satisfied that use of the going concern basis in the financial statements of the Company is appropriate.

Payment policy

The Company does not operate a standard code in respect of payment to suppliers. Payments to suppliers are made in accordance with the agreed terms, provided that the supplier has performed in accordance with all relevant terms and conditions.

Dividends

The Company did not pay a dividend during the period to its parent company (2021: £Nil).

Political and charitable contributions

No political and charitable donations were made by the Company during the period (2021: £Nil).

Future developments

Future developments for the Company are detailed on page 4 of the Strategic Report contained in these financial statements.

EM News Distribution (NI) Limited

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Directors' Report (continued)

Directors' shareholdings and share interest as at 31 December 2022

Certain directors held shares in the ultimate parent company at the date of signing the financial statements. Details of the shares are set out within note 17 of these financial statements.

Employees

The Company's employment policies follow those of its immediate parent company, Menzies Distribution Limited, and are disclosed in the Annual Report of that company.

Financial risk management objectives and policies

The financial risk management objectives and policies are detailed on page 4 of the Strategic Report contained in these financial statements.

Exposure to risk

The risk exposure of the Company, including the exposure to price risk, credit risk, liquidity risk and cash flow risk, is included on page 4 of the Strategic Report in these financial statements.

Financial instruments

The financial risk management objectives and policies are detailed on page 4 of the Strategic Report contained in these financial statements.

Directors' statement as to disclosure of information to the independent auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed within the 'Corporate information' page. Each of the persons who is a Director at the date of approval of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditor

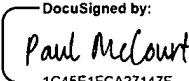
Deloitte LLP have expressed their willingness to continue in office as auditors, and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Post balance sheet events

On 19 July 2023, InPost, Europe's leading out of home delivery partner, became a new investor in the Menzies Distribution Group as our two organisations collaborate across the UK on an exclusive basis.

The Company was successful in securing contract extensions for the distribution of Frontline and Seymour titles to 2030 (in March 2023) and Daily Mail Group (DMG) titles to 2028 (in May 2023). This is a major milestone for the Company, protecting its existing business for a further five years. Frontline and Seymour represent 65% of the magazine market across the UK. DMG publish the UK's largest paid-for daily newspaper.

Approved by the Board and signed on its behalf

DocuSigned by:

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PRP McCourt
27 July 2023

EM News Distribution (NI) Limited

Company number: NI 61384

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the members of EM News Distribution (NI) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of EM News Distribution (NI) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs for the period ended 31 December 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the members of EM News Distribution (NI) Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

Independent Auditor's Report to the members of EM News Distribution (NI) Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act 2006 and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence and environmental regulations.

We discussed among the audit engagement team including relevant internal specialists such as data analytics and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our procedures performed to address it are described below:

- Completeness and accuracy of the sales return provision relating to the newstrade business due to the level of judgement required in estimating the returns provision at the year end. Our audit procedures included testing the completeness and accuracy of the provision by applying a determined rate of return within the relevant returns window, and the returns window specified in relevant publisher contracts. Furthermore, we selected a sample of returns and agreed these to supporting documentation to confirm the accuracy of the recorded provision.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report to the members of EM News Distribution (NI) Limited (continued)

Report on other legal and regulatory requirements (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

David Mitchell

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David Mitchell CA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Glasgow

United Kingdom

27 July 2023

EM News Distribution (NI) Limited

Company number: NI 61384

Income Statement

for the 52 weeks ended 31 December 2022

		31 Dec 2022	1 Jan 2022
	Notes	£000	£000
Revenue	4	50,423	51,390
Cost of sales		(40,592)	(41,483)
Gross profit		9,831	9,907
Distribution costs		(6,288)	(5,724)
Administrative expenses		(2,048)	(1,769)
Operating profit	5	1,495	2,414
Interest payable and similar expenses	7	(109)	(109)
Profit before taxation		1,386	2,305
Taxation	8	(265)	(463)
Profit for the period		1,121	1,842

The above results were derived from continuing operations.

No separate Statement of Comprehensive Income has been prepared as the only item in total comprehensive income for both periods is the profit for the period, which is reported above.

EM News Distribution (NI) Limited

Company number: NI 61384

Balance Sheet

as at 31 December 2022

	Notes	31 Dec 2022 £000	1 Jan 2022 £000
Assets			
Fixed assets			
Intangible assets	9	10	20
Property, plant and equipment	10	2,517	2,640
Amounts owed by group companies	11	13,964	10,987
Deferred tax asset	8	8	20
		16,499	13,667
Current assets			
Inventories		946	995
Trade and other receivables	12	1,745	1,357
		2,691	2,352
Liabilities			
Creditors: amounts falling due within one year			
Trade and other payables	13	(9,916)	(7,801)
Corporation tax payable		(467)	(449)
		(10,383)	(8,250)
Net current liabilities		(7,692)	(5,898)
Total assets less current liabilities		8,807	7,769
Creditors: amounts falling due after more than one year			
Trade and other payables	13	(2,181)	(2,264)
		(2,181)	(2,264)
Net assets		6,626	5,505
Capital and reserves			
Called-up share capital	14	200	200
Retained earnings		6,426	5,305
Shareholders' funds		6,626	5,505

The accounts were approved by the Board of Directors on 27 July 2023 and signed on its behalf by:

DocuSigned by:

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 PRP McCourt
 Director

EM News Distribution (NI) Limited

Company number: NI 61384

Statement of Changes in Equity

for the 52 weeks ended 31 December 2022

	Called-up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2022	200	5,305	5,505
Profit for the period and total comprehensive income	-	1,121	1,121
At 31 December 2022	200	6,426	6,626

	Called-up share capital £000	Retained earnings £000	Total equity £000
At 26 December 2020	200	3,463	3,663
Profit for the period and total comprehensive income	-	1,842	1,842
At 1 January 2022	200	5,305	5,505

EM News Distribution (NI) Limited

Company number: NI 61384

Notes to the financial statements

1 Authorisation of financial statements

These financial statements for the 52 weeks ended 31 December 2022 were approved and authorised for issue in accordance with a resolution of the Directors on 27 July 2023. EM News Distribution (NI) Limited is a privately owned company limited by shares incorporated under the Companies Act 2006 and registered in Northern Ireland.

The results of EM News Distribution (NI) Limited are included in the consolidated financial statements of Menzies Distribution Group Limited which are available from Unit E Twelvvetrees Business Park, Twelvvetrees Crescent, London, E3 3JG.

The principal activity of the Company is the wholesale distribution of newspapers, magazines and books in Northern Ireland.

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting Policies

A summary of the significant accounting policies, which have been consistently applied, is set out below.

2.1 Basis of preparation

These financial statements were prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and applicable accounting standards. The financial statements are presented in Sterling and all values rounded in £000's, except where otherwise stated.

Going concern

The Company's business activities, together with the key factors likely to affect its future development, performance and position, are set out in the Strategic Report. The Company has prepared monthly budgets covering a period of twelve months from the date of approval of the financial statements. These forecasts have been tested by performing sensitivity analysis on the critical assumptions.

Sensitivities reflected in these forecasts and projections include:-

- Future increases from strategy reviews with publishers are assumed to be nil; and
- Increased distribution normally experienced from major sporting events are assumed to be nil.

The Company's business activities, together with the key factors likely to affect its future development, performance and position, are set out in the Strategic Report. The Company has prepared monthly budgets covering a period of twelve months from the date of approval of the financial statements. These forecasts have been tested by performing sensitivity analysis on the critical assumptions.

The Company operates within the consolidated Group's pooled cash facility under which Menzies Distribution Limited ('the Group'), a subsidiary of the Company's ultimate parent company, collects cash and makes payments on behalf of the Company and other subsidiaries in the normal course of business. As such the Directors' of the Company have made enquiries of Menzies Distribution Limited and assessed its ability to continue to operate in this manner. At the balance sheet date, the Group had net debt (being cash and cash equivalents offset with financial assets and liabilities but excluding leases) of £1.8m (1 January 2022: £5.8m).

In July 2022, the Group successfully refinanced its £25m Revolving Credit Facility and £14m term loan with Royal Bank of Scotland to 2025. The Company has therefore a strong and robust balance sheet, underpinned by excellent cash conversion, enabling the immediate funding of future growth opportunities as they arise. As such, the group has sufficient access to funding and headroom available within the facility for the 12-month period from the date these financial statements were approved.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.1 Basis of preparation (continued)****Going concern (continued)**

For each of the main services, management have considered the relative strength of each Company's services within each market and considered whether there are any economic, political or other factors that may cause the market, or the strength of each Company's services within each market, to change. The major factor which has been globally felt in 2022 was the Russian/Ukraine conflict which had an impact on global fuel and energy prices.

Management have reviewed the robustness of each Company's supply chain to establish whether there are weak links which could adversely affect each Company's ability to deliver its services and/or increase costs through the need to seek and use alternative supply sources. Management continue to address these issues in relation to each Company's efficiency.

Management's sensitivity analysis has evaluated the risk to the Company of:

- Adverse movements in interest rates
- Adverse movements in currency exchange rates
- Exposure to risk through major fixed price of fixed rate contracts

Management have therefore considered the going concern status of the Group using a variety of methods. The methodology has been consistent with that used to prepare the financial budgets. Considering the continued profitability and the availability of sufficient cash flow facilities, the Directors are satisfied that use of going concern basis in the financial statements of the Group is appropriate.

Accordingly, the Directors continue to adopt the going concern basis in preparing the accounts.

Disclosure exemptions under FRS 101

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 38 and 40 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets; and
 - paragraph 16 of IAS 1.
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 - Impairment of Assets - provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- the requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.2 New accounting standards and amendments**

The following new accounting amendments are applicable for the first time in 2022. However, they have no material impact on the financial statements of the Group. These new standards are:

- Amendments to IFRS 3 Reference to the conceptual framework;
- Amendments to IAS 16 Property, plant and equipment - proceeds before intended use;
- Amendments to IAS 37 Onerous contracts - costs of fulfilling a contract
- Annual improvements to IFRS standards 2018 - 2020 cycle - amendments to IFRS 1 first-time adoption of international financial reporting standards, IFRS 9 financial instruments and IFRS 16 leases.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

- Amendments to IAS 1 Classification of liabilities as current or non-current - effective date 1 January 2023.

The above standards and amendments will be adopted in accordance with their effective dates and have not been adopted in these financial statements.

2.3 Summary of significant accounting policies**a) Intangible assets****Contracts**

Intangible assets relate to the value assigned to the business agreements transferred from Menzies Distribution Limited, a parent company upon commencement of trading. The agreements relate primarily to publisher contracts.

The fair value attributed to contracts at the point of acquisition is determined by discounting the expected future cash flows to be generated from that asset at the risk-adjusted weighted average cost of capital for the Company. This amount is included in intangible assets as contracts and amortised over the estimated useful life on a straight-line basis over ten years. Separate values are not attributed to internally-generated customer relationships.

b) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.3 Summary of significant accounting policies (continued)****c) Property, plant and equipment**

Property, plant and equipment is stated at cost, including acquisition expenses, less accumulated depreciation. Depreciation is reflected within operating profit (see note 5) and is provided on a straight-line basis at the following rates:

Leasehold improvements - over the remaining lease term

Plant and equipment - over the estimated life of the asset between four and 25 years

Computer equipment - over three years

Right of use: property - over the term of the underlying lease

Right of use: vehicles - over the term of the underlying lease

d) Inventories

Inventories are goods for resale and consumables and are stated at the lower of purchase cost and net realisable value.

e) Trade and other receivables

If there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of an invoice, a provision on the respective trade receivable is recognised. In such an instance, the carrying value of the receivable is reduced, with the amount of the loss recognised in the Income Statement.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets and is disclosed in Note 13.

f) Financial instruments

Financial liabilities are classified, at initial recognition, as loans and borrowings or other payables.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the Balance Sheet at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the Income Statement.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.3 Summary of significant accounting policies (continued)****f) Financial instruments (continued)*****Subsequent measurement (continued)***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Consolidated Income Statement in finance costs for loans and in cost of sales or other operating expenses for receivables. Interest is not recognised on short-term receivables where the interest would be immaterial.

This category generally applies to trade and other receivables.

g) Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is not presented as a separate line in the Balance Sheet but is instead disclosed as a separate line item within other financial liabilities, namely 'Trade and other payables'.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.3 Summary of significant accounting policies (continued)****g) Leases (continued)**

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are not presented as a separate line within the Balance Sheet but instead is shown separately within the supporting note, 'Property, Plant and Equipment'. The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.3 (b).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included within the operating profit.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

h) Provisions

Provisions are liabilities of uncertain timing and amount. Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.3 Summary of significant accounting policies (continued)****i) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the financial year end which are unpaid. Trade and other payables are classified as current liabilities unless payment is not due within 12 months of the financial year end.

j) Taxation***Current income tax***

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences between the carrying amount of an asset or liability in the Balance Sheet and its tax base. Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised in the Income Statement except if it relates to an item recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in the Statement of Comprehensive Income respectively.

k) Called-up share capital

Ordinary shares are classed as equity.

l) Revenue

Revenue is recognised on the despatched value of goods sold, excluding value-added tax. Product is sold to retailers on a sale or return basis. Revenue for goods supplied with a right of return is stated net of the value of any returns.

The revenue stream comprises:

Newstrade where newspapers, magazines, partworks, stickers and other goods are sold once inventory is delivered to retailers. Newstrade goods are sold to retailers on a sale or return basis. Revenue is recognised at the point of the goods transferring ownership to the retailer, which is consistent with the requirements of IFRS 15 as this is the point at which the right to direct the use of the goods transfers.

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Notes to the financial statements (continued)**2 Accounting Policies (continued)****2.3 Summary of significant accounting policies (continued)****l) Revenue (continued)**

Carriage service charges ("CSCs") are a fee charged to retailers for the delivery of print media. CSCs are charged at an agreed rate per delivery and known at the time of performing the service. Revenue is therefore recognised as the service is performed, as customers are able to consume the benefit of the carriage once it has been provided. The timescales involved in earning a single occurrence of a CSC are typically less than 24 hours.

The average credit period on the sale of goods is 25 days. Interest is not charged on trade receivables.

The Company's contract assets are predominantly unsold magazine and collectible stock for which the risk and reward has passed to retailers but for which revenue is not recognised until the retailer sells the goods and is, therefore, treated on a sales return basis in line with the requirements of IFRS 15. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset is also recognised for the right to return these products to the publisher.

m) Foreign currencies

Foreign currency assets and liabilities of the Company are translated at the rates of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are translated at the date of transaction. Any differences arising on the translation of long-term funding of subsidiary companies are dealt with as adjustments to reserves. All other exchange differences are dealt with in the Income Statement.

n) Dividend distributions

Final ordinary dividends are recognised as liabilities in the accounts in the period in which the dividends are approved by the Company's shareholders.

o) Pensions

The Company operates a defined contribution pension scheme. The Income Statement charge represents contributions made and the Company has no liability other than for the payment of those contributions.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key judgements, estimates and assumptions concerning the future, and other key sources of estimation uncertainty are:

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Notes to the financial statements (continued)**3 Significant accounting judgements, estimates and assumptions (continued)*****Judgements***

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

i) Revenue recognition

Judgement must be exercised to ensure that revenue is recognised in accordance with contractual terms, including in relation to the level of expected returns. Note 2.3(k) (Revenue) of these financial statements discloses the methodology the Company has undertaken to ensure that revenue is recognised in line with IFRS 15 Revenue from Contracts reporting requirements.

ii) IFRS 16

Critical judgement required in the application of IFRS 16 can include, among others, the following:

- identifying whether a contract (or part of a contract) includes a lease;
- determining whether it is reasonably certain that an extension or termination option will be exercised;
- determination of whether variable payments are in-substance fixed;
- establishing whether there are multiple leases in an arrangement; and
- determining the stand-alone selling prices of lease and non-lease components.

Estimates and assumptions

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. At present, there are no material estimates to disclose.

4 Revenue

Revenue recognised in the Income Statement is derived from one principal activity, the wholesale distribution of newspapers, magazines and books primarily in Northern Ireland. Carriage service charges and other recoveries are classified as turnover rather than offset in operating costs. Turnover is analysed as follows:

	31 Dec 2022	1 Jan 2022
	£000	£000
United Kingdom	47,376	48,195
Republic of Ireland	3,047	3,195
	50,423	51,390

5 Operating profit

		31 Dec 2022	1 Jan 2022
	Notes	£000	£000
Staff costs	6	2,141	2,275
Intangible amortisation	9	10	10
Depreciation	10	376	384
		31 Dec 2022	1 Jan 2022
		£000	£000
Other operating charges include:			
Operating leases and hire charges - plant and machinery		100	174
Rent of properties		16	21

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Notes to the financial statements (continued)**5 Operating profit (continued)**

There were no non-audit services performed by the auditors during the financial period (2021: £Nil).

Fees in respect of the audit of the financial statements of the Company are borne by the parent entity, Menzies Distribution Limited.

6 Employee Costs

Staff costs	31 Dec 2022	1 Jan 2022
	£000	£000
Wages and salaries	1,949	2,067
Social security costs	157	156
Pension charge	35	52
	2,141	2,275

The monthly average number of people employed during the period was:	31 Dec 2022	1 Jan 2022
	Number	Number
	77	86

Directors' emoluments

	31 Dec 2022	1 Jan 2022
	£000	£000
Aggregate remuneration in respect of qualifying services	994	1,433

	31 Dec 2022	1 Jan 2022
	Number	Number
Directors accruing benefits under defined contribution schemes	-	-

	31 Dec 2022	1 Jan 2022
	£000	£000
In respect of the highest paid Director:		
Aggregate remuneration	611	850

The Directors of the Company are also directors of subsidiary companies within the Menzies Distribution Group Limited group. The Directors do not believe that it is practicable to apportion the aggregate remuneration receivable between their services as directors of fellow subsidiary companies.

7 Interest payable and similar expenses

	31 Dec 2022	1 Jan 2022
	£000	£000
Interest expense on lease liability	109	109

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Notes to the financial statements (continued)

8 Taxation

Analysis of tax charge in the year	31 Dec 2022 £000	1 Jan 2022 £000
Current tax		
Current year corporation tax charge	-	163
Group relief	264	293
Adjustments to prior period	(11)	-
Total current tax	253	456
Deferred tax		
Origination and reversal of temporary differences	6	(2)
Adjustments to prior period	4	14
Effect of changes in tax rates	2	(5)
Total deferred tax	12	7
Total tax charge in the Income Statement	265	463

The income tax charge all relates to continuing operations.

Reconciliation of the total tax charge

The tax expense in the Income Statement is different to the standard rate of 19% (2021: 19%). The differences are reconciled below:

	31 Dec 2022 £000	1 Jan 2022 £000
Profit before taxation	1,386	2,305
At UK corporation tax rate of 19%	263	438
Expenses not deductible for tax purposes	7	16
Adjustments in respect of prior periods	(7)	14
Tax rate changes	2	(5)
Total tax charge reported in the Income Statement	265	463

Unrecognised tax losses

The Company has no unrecognised tax losses.

Change in corporation tax rate

The main rate of UK corporation tax is 19% and is legislated to increase to 25% from 1 April 2023.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 during the year and these changes are reflected within the tax figures. This included an increase to the main rate of corporation tax to 25% from 1 April 2023 and this is the rate which has been used in calculating deferred tax at the year-end. Finance Act 2022 which received Royal Assent on 24 February 2022 will not have any impact on the corporation tax figures.

Deferred tax

	31 Dec 2022 £000	1 Jan 2022 £000
Deferred tax in the Income Statement		
Decelerated capital allowances	12	7
Deferred tax charge	12	7

The deferred tax included in the Company Balance Sheet is:

	31 Dec 2022 £000	1 Jan 2022 £000
Deferred tax asset		
Decelerated capital allowances	8	20

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Notes to the financial statements (continued)**9 Intangible assets**

	Contracts £000
Cost	
At 1 January 2022	100
At 31 December 2022	100
Amortisation	
At 1 January 2022	(80)
Amortisation charge	(10)
At 31 December 2022	(90)
Net book value	
At 31 December 2022	10
At 1 January 2022	20

Intangible assets relates to the value assigned to the business agreements transferred from Menzies Distribution Ltd upon commencement of trading. They are being written off on a straight-line basis over 10 years.

10 Property, plant and equipment

	Leasehold improvements £000	Plant and equipment £000	Computer equipment £000	Right of use: property £000	Right of use: vehicles £000	Total £000
Cost						
At 1 January 2022	198	2,741	71	2,864	371	6,245
Additions	-	8	3	137	105	253
At 31 December 2022	198	2,749	74	3,001	476	6,498
Depreciation						
At 1 January 2022	(124)	(2,608)	(63)	(668)	(142)	(3,605)
Charge for the period	(8)	(25)	(7)	(238)	(98)	(376)
At 31 December 2022	(132)	(2,633)	(70)	(906)	(240)	(3,981)
Net book value						
At 31 December 2022	66	116	4	2,095	236	2,517
At 1 January 2022	74	133	8	2,196	229	2,640

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Notes to the financial statements (continued)**11 Amounts owed by group companies**

	31 Dec 2022	1 Jan 2022
	£000	£000
Amounts owed by group companies	13,964	10,987

Amounts owed by group companies are interest free and repayable on demand but are intended for use on a continuing basis.

12 Trade and other receivables

	31 Dec 2022	1 Jan 2022
	£000	£000
Trade receivables	2,486	2,273
Less sales returns	(897)	(1,008)
Less provision for doubtful debts	(25)	(62)
Net trade receivables	1,564	1,203
Other receivables	98	86
Prepayments and accrued income	83	68
	1,745	1,357

The average credit period on sale of goods is 25 days. Interest is not charged on trade receivables.

13 Trade and other payables

	31 Dec 2022	1 Jan 2022
	£000	£000
Due within one year		
Trade payables	4,104	4,048
Less sales returns	(756)	(852)
Net trade payables	3,348	3,196
Lease liability	287	290
Amounts owed to group companies	5,908	3,841
Other taxes and social security costs	86	83
Accruals and deferred income	287	391
	9,916	7,801
Due after one year		
Lease liability	2,181	2,264

Amounts owed to group companies are interest free and payable on demand.

14 Called-up share capital

	31 Dec 2022	1 Jan 2022
	£	£
Allotted, called up and fully paid		
50,000 ordinary A shares of £1 each	50,000	50,000
150,000 ordinary B shares of £1 each	150,000	150,000
	200,000	200,000

15 Capital commitments

The Company has no capital commitments (2021: £Nil).

16 Contingent liabilities

There are no contingent liabilities in the normal course of business which are expected to give rise to any significant loss to the Company (2021: £Nil).

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Notes to the financial statements (continued)**17 Related party transactions**

During the year the Company transacted with related parties in the normal course of business on an arm's length basis. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow owned subsidiaries.

There were no other related party transactions in 2022 (2021: Nil).

Directors' shareholdings and share interest in the ultimate parent company as at 31 December 2022

		31 Dec 2022		1 Jan 2022	
Name		Number of shares owned	% shareholding	Number of shares owned	% shareholding
GJ Michael	B ordinary shares	504	0.5%	504	0.5%
GJ Michael	C1 ordinary shares	4,538	4.4%	4,538	4.4%
PRP McCourt	B ordinary shares	360	0.3%	360	0.3%
PRP McCourt	C1 ordinary shares	3,242	3.2%	3,242	3.2%

18 Ultimate group undertaking

The Company's immediate parent undertaking is Menzies Distribution Limited whose parent undertaking is Menzies Distribution Group Limited, both with a registered office of Unit E, Twelvetreets Business Park, Twelvetreets Crescent, London, E3 3JG. The ultimate controlling party is Endless IV (GP) LP, registered office 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ. The Company is included within the Group accounts of Menzies Distribution Group Limited which are publicly available, and are the smallest and largest group of companies in which the the company is being consolidated.

19 Post balance sheet events

On 19 July 2023, InPost, Europe's leading out of home delivery partner, became a new investor in the Menzies Distribution Group as our two organisations collaborate across the UK on an exclusive basis.

The Company was successful in securing contract extensions for the distribution of Frontline and Seymour titles to 2030 (in March 2023) and Daily Mail Group (DMG) titles to 2028 (in May 2023). This is a major milestone for the Company, protecting its existing business for a further five years. Frontline and Seymour represent 65% of the magazine market across the UK. DMG publish the UK's largest paid-for daily newspaper.